



Sage International Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8082

Benevolence Innovation

First Quarterly
Report
2014



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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32/F Sunshine Plaza
353 Lockhart Road
Wan Chai Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 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

8082

CONTACT INFORMATION

Tel: +852 3150 8082
Fax: +852 3150 8092
Email: ir@sig.hk
Website: www.sig.hk
www.sagefuneral.com

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 2014 together with the comparative unaudited figures for the three months ended 31 March 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2014

		Three months ended 31 March	
	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	13,243	7,823
Cost of sales		(7,488)	(2,638)
Gross profit		5,755	5,185
Other income	3	342	702
Gain on deemed disposal of jointly-controlled entity	8	–	463
Sales and marketing expenses		(2,657)	(2,751)
Administrative expenses			
– Share-based payment		(86)	(1,172)
– Others		(9,971)	(11,106)
Finance costs	4	(2,431)	(1,409)
LOSS BEFORE TAXATION		(9,048)	(10,088)
Income tax credit	5	1,053	–
LOSS FOR THE PERIOD		(7,995)	(10,088)
Attributable to:			
Owners of the Company		(8,855)	(10,044)
Non-controlling interests		860	(44)
		(7,995)	(10,088)
Dividend	6	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (HK\$ per share)	7		
– For loss for the period		0.006	0.007
Diluted (HK\$ per share)			
– For loss for the period		0.006	0.007

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME*For the three months ended 31 March 2014*

	Three months ended	
	31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(7,995)	(10,088)
Other comprehensive loss:		
Exchange differences on translating foreign operations	(2,884)	(371)
Total comprehensive loss for the period	(10,879)	(10,459)
Attributable to:		
Owners of the Company	(11,005)	(10,405)
Non-controlling interests	126	(54)
	(10,879)	(10,459)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2014*

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Option deed HK\$'000	Share-based payment reserve HK\$'000	Warrants shares reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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	-	-	-	-	-	-	409	-	-	409	-	409
Equity-settled warrant shares arrangement	-	-	-	-	-	763	-	-	-	763	-	763
Equity-settled share options arrangement	-	-	-	-	-	-	-	-	-	-	-	-
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
At 1 January 2014 (audited)	3,795	117,577	31,713	25,904	19	222,528	8,495	28,609	(403,489)	35,151	152,851	188,002
Loss for the period	-	-	-	-	-	-	-	-	(8,855)	(8,855)	860	(7,995)
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(2,150)	-	-	-	-	-	(2,150)	(734)	(2,884)
Total comprehensive loss for the period	-	-	-	(2,150)	-	-	-	-	(8,855)	(11,005)	126	(10,879)
Equity-settled warrants shares arrangement	-	-	-	-	-	-	86	-	-	86	-	86
At 31 March 2014 (unaudited)	3,795	117,577	31,713	23,754	19	222,528	8,581	28,609	(412,344)	24,232	152,977	177,209

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 2013 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 2013.

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 and sales of related merchandise. 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 2014 are as follows:

	Mainland China HK\$'000	Hong Kong HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	12,135	1,108	13,243
Operating profit/(loss)	115	(1,308)	(1,193)
Unallocated corporate expenses, net			(5,424)
Finance costs			(2,431)
Loss before taxation			(9,048)

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)

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

	Three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Sales of interments right and related products	9,811	2,895
Rendering of funeral and cremation services	3,399	4,910
Management service	33	18
	13,243	7,823

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Rental income	–	246
Sundry income	342	456
	342	702

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 31 March	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interests on:		
– Other borrowings wholly repayable within five years	1,421	–
– Other borrowings wholly repayable after five years	484	525
– Convertible bonds	526	884
	2,431	1,409

5. INCOME TAX CREDIT

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 2014 (31 March 2013: 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 2013: 1,517,837,994) in issue during the period.

No diluted loss per share has been calculated for periods ended 31 March 2014 and 31 March 2013 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	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation:	(8,855)	(10,044)
Interest on convertible bonds	526	884
Loss attributable to owners of the Company before interest on convertible bonds	(8,329)	(9,160)
Shares		
Three months ended		
31 March		
	2014	2013
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,517,837,994	1,517,837,994
Weighted average number of ordinary shares used in the diluted loss per share calculation	1,517,837,994	1,517,837,994

8. 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 the previous corresponding period ended 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.

9. EVENTS AFTER THE REPORTING PERIOD

On 2 April 2014, the Company has entered into an agreement with a connected person in relation to a disposal transaction and the trading of share of the Company was suspended on 3 April 2014 pending for release of an announcement for the transaction. The detailed announcement in relation to a very substantial disposal and connected transaction of the Company to be announced in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months period ended 31 March 2014, the revenue of Group has increased by 69.28% to approximately HK\$13,243,000 as compared to HK\$7,823,000 of the three months ended 31 March 2013. The increase in revenue was mainly due to the increase in revenue from the sale of interment rights of Suzhou Cemetery during the period which is contributed by the effect of the promotion and sales efforts and the restructuring of the sales channels and marketing team.

The overall gross profit of the Group during the period was approximately HK\$5,755,000 (three months ended 31 March 2013: HK\$5,185,000) which shows an increase of 10.99% as compared with that of the previous corresponding period being a result of the increase in revenue during the period.

For the period under review, the Group still incurred loss but the loss for the period was reduced to approximately HK\$7,995,000 (three months ended 31 March 2013: HK\$10,088,000) and is decreased by 20.75% as compared with that of the previous corresponding period. Such decrease is mainly a result of the cost streamlining plan implemented by the management following the end of 2013, which mainly attributed to restructuring in manpower resources, reduction in directors' salaries and rental relating to office spaces and controlling on promotional and marketing expenses.

Sales and marketing expenses

Sales and marketing expenses for the three months period ended 31 March 2014 were reduced slightly by 3.42% to HK\$2,657,000 as compared with HK\$2,751,000 for the three months ended 31 March 2013. There was a decrease in sale commission of the Hong Kong funeral business because more direct sales were generated. Moreover, the marketing expenses in Hong Kong were also decreased to save costs. On the other hand, more sales commissions were paid in cemetery interment sales in Suzhou cemetery as to boost the sales revenue during the period.

Administrative expenses

Share-based payment expenses were reduced significantly from HK\$1,172,000 in prior period to HK\$86,000 in current period because all the vesting period of the share option granted was expired. Other administrative expenses for the three months period ended 31 March 2014 were reduced to HK\$9,971,000 from HK\$11,106,000 for the three months period ended 31 March 2013. The administrative expenses during the current period mainly comprised of the staff costs and rental expenses and the reduction is due to a costs restructuring plan implemented during the period, in particular, a reduction of salaries of executive directors and corporate office expenses.

Finance costs

Finance costs have increased significantly to HK\$2,431,000 for the current period from HK\$1,409,000 for the last corresponding period. The increase is due to the significant increase in certain interest-bearing borrowings made by the Group during 2013 for financing the working capital of the Group. Since the cash flow contribution by the cemeteries assets is slower than originally expected and no equity financing could be raised in 2013, therefore only interest bearing borrowing could be arranged and resulted in the increase in finance costs.

Other Comprehensive Loss

There is a loss on translating foreign operations due to the devaluation of Renminbi arising from retranslation of net assets of PRC subsidiaries. Such loss is a non-cash item and has no impact on the operation of the Group.

Operation review – Hong Kong

Funeral services and pre-planning funeral arrangement

During the period under review, the Hong Kong funeral shops continue to offer a complete range of funeral services and products for both at the time of need and on a preneed basis. During the period, active promotion of innovative funeral products like Eternity Gem and Eco-friendly coffin started. The management can see the sales momentum was being building up gradually since the beginning of this year on sales from all channels after years of business development and marketing campaigns. It is anticipated that the revenue from funeral services and related products will continue to growth during the remaining part of the year and new development into international funeral business like overseas GEM distribution and repatriation will also be promoted.

The Group also continued its sales network development with existing and new non-government organizations, funeral vendors and suppliers to expand its customer base and product range in targeted customer segments. With the solid foundation which has been set up in the past few years, it is expected that future on-going marketing costs and effort will also be substantially reduced as compared with the previous years and cost saving in this area could further be achieved.

Furthermore, the Group will continue to streamline the Hong Kong operation by implementing cost reduction plan, more efficient human resources planning and modern management tools in order to create a sustainable operations for the funeral business development.

Operation review – China

Cemeteries

The revenue from Suzhou cemetery for the first quarter in 2014 grew satisfactorily from HK\$2,913,000 in prior period to HK\$9,710,000 in the current period. The growth is a result of the promotion and sales effort and restructuring of sales channels and marketing team during the period.

The sales of Huaiji cemetery is still minimal at this stage amounted to HK\$134,000 for the period under review while sale of Bijie cemetery is not yet commenced yet. Therefore, no significant profit contribution is expected for these two cemeteries during the next quarters in the year.

Funeral services

The funeral home and cremation businesses in Huaiji is remain growing steadily during the period and revenue of HK\$2,291,000 was recorded (three months ended 31 March 2013: HK\$1,958,000). The Group will promote the use of new funeral merchandizes and cremation facilities with an objective to improve the revenue and margin further.

Prospects

The Group is still optimistic in the deathcare business in the region because of the ageing of population and growth in wealth of peoples in the region. The Group planned to adopt a light mode operating model in order to operate in a more efficient and cost effective way. As mentioned already in the 2013 annual report, the Group is undergoing streamlining of its operating structure and is currently considering the disposal of the PRC cemeteries assets in order to deleverage the borrowing of the Group to a more healthy financial position. Such plan is in the process and the Company will inform its shareholders on a timely basis in accordance with relevant listing rules and regulations.

Employees and remuneration policies

As at 31 March 2014, the Group had 126 (three months ended 31 March 2013: 117) employees, including Directors. Total staff costs for the three months ended 31 March 2014, including Directors' remuneration, amounted to approximately HK\$4,845,000 (three months ended 31 March 2013: HK\$5,342,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2013 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 2014.

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

As at 31 March 2014, 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 2014.

(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 2014 were as follow:

	Number of share options				Outstanding and exercisable as at 31 March 2014	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2014	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 Kwun 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	46,902,651	-	-	-	46,902,651			

	Number of share options				Outstanding and exercisable as at period ended 31 March 2014	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period				
<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	102,068,301	-	-	-	102,068,301			

There were no share options cancelled, lapsed or forfeited during the three months ended 31 March 2014.

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

As at three months ended 31 March 2014, 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%
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 shares, 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 into between AXA and New Brilliant, pursuant to which AXA Direct was required 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 a maximum principal amount US\$3,125,000 that was 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 Era Investment (Holding) Inc. ("EIHI"), which is classified as a subsidiary of the Company for the year ended 31 December 2013.
7. The 3% convertible bond of the Company in the principal amount of HK\$30,750,000 was held by Forrex ("Forrex CB"), which is 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. Forrex is a corporate director of Era Investment (Holding) Inc. ("EIHI"), which classified as a subsidiary of the Company for the year ended 31 December 2013.

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 2014, 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 2014.

Director's interests in competing business

During the three months ended 31 March 2014, 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 maintained 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.

Subsequent to the three months ended 31 March 2014, Mr. Chui has disposed the competing business.

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 2014 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 2014, 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 2014.

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 2014.

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

Hong Kong, 12 May 2014

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.