



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

First Quarterly Report **2011**



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”)

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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. Leung Chi Kong
Mr. Siu Hi Lam, Alick

COMPANY SECRETARY

Mr. Kwok Kwan Hung

COMPLIANCE OFFICER

Mr. Kwok Kwan Hung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Kwok Kwan Hung

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY HOMEPAGE

<http://www.sig.hk>

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK CODE

8082

UNAUDITED FINANCIAL RESULTS

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2011

	Notes	Three months ended 30 June 2011 HK\$'000	2010 HK\$'000
CONTINUING OPERATIONS			
Revenue	3	2,681	–
Cost of sales		(501)	–
Gross profit		2,180	–
Other income	3	202	–
Equity-settled share option expenses		(596)	–
Administrative expenses		(8,784)	(3,190)
Finance costs	4	(2,079)	(69)
LOSS BEFORE TAX		(9,077)	(3,259)
Income tax expense	5	(12)	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(9,089)	(3,259)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	6	–	(6,345)
LOSS FOR THE PERIOD		(9,089)	(9,604)
Attributable to:			
Owners of the Company		(9,186)	(9,573)
Non-controlling interests		97	(31)
		(9,089)	(9,604)
Dividend	7	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (HK cents per share)	8		
– For loss for the period		(3.63)	(9.81)
– For loss from continuing operations		(3.63)	(3.34)
Diluted (HK cents per share)			
– For loss for the period		N/A	N/A
– For loss from continuing operations		N/A	N/A

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2011

	Three months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
Loss for the period	(9,089)	(9,604)
Other comprehensive loss:		
Exchange differences on translating foreign operations	(68)	(51)
Total comprehensive loss for the period	(9,157)	(9,655)
Attributable to:		
Owners of the Company	(9,254)	(9,624)
Non-controlling interests	97	(31)
	(9,157)	(9,655)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2011

	Attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Translation reserve	Capital reserve	PRC statutory reserve	Share options reserve	Convertible bonds equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	9,756	28,857	-	1,394	900	741	811	-	(33,295)	9,164	55	9,219
Total comprehensive loss for the period	-	-	-	(51)	-	-	-	-	(9,573)	(9,624)	(31)	(9,655)
Issue of convertible bonds	-	-	-	-	-	-	-	3,031	-	3,031	-	3,031
At 30 June 2010	9,756	28,857	-	1,343	900	741	811	3,031	(42,868)	2,571	24	2,595
At 1 April 2011	2,522	42,248	31,713	(243)	-	-	8,814	7,446	(25,246)	67,254	(6,766)	60,488
Total comprehensive loss for the period	-	-	-	(68)	-	-	-	-	(9,186)	(9,254)	97	(9,157)
Issue of convertible bonds	-	-	-	-	-	-	-	45,177	-	45,177	-	45,177
Equity-settled share option arrangements	-	-	-	-	-	-	596	-	-	596	-	596
Issue of shares for exercise of share options	7	862	-	-	-	-	(274)	-	-	595	-	595
At 30 June 2011	2,529	43,110	31,713	(311)	-	-	9,136	52,623	(34,432)	104,368	(6,669)	97,699

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 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Company's annual financial statements for the year ended 31 March 2011.

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

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

No operating segment information has been disclosed as there is only one operating segment, which is the deathcare business segment, during the period under review. In prior period, the only operating segment is the exhibition organisation business segment and its result was reclassified as discontinued operation following the disposal of the segment in March 2011.

3. Revenue and other income

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

	Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Revenue		
Cemetery and funeral services income	2,681	–
Other income		
Interest income on bank deposits	60	–
Sundry income	142	–
	202	–

4. Finance costs

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

	Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Interests on:		
– Other borrowings wholly repayable within five years	185	53
– Other borrowings wholly repayable after five years	217	–
– Convertible bonds	1,677	16
	2,079	69

5. Income tax expense

The provision of Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the assessable profits for the period (2010: Nil).

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

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

6. Discontinued operation

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

	Three months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Revenue	–	5,154
Other income	–	280
Expenses	–	(11,593)
Finance costs	–	(1)
<hr/>		
Loss before tax	–	(6,160)
Income tax expense	–	(185)
<hr/>		
Loss for the period from the discontinued operation	–	(6,345)
	Three months ended 30 June	
	2011	2010
Loss per share: (HK cents per share)		
From the discontinued operation		
– Basic	–	(6.50)
<hr/>		
– Diluted	N/A	N/A
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The calculations of basic and diluted loss per share from the discontinued operation are based on the loss for the period from a discontinued operation of HK\$nil (2010: loss of HK\$6,345,000) and the denominators detailed in note 8 for both basic and diluted loss per share.

7. Dividend

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the three months ended 30 June 2011 (2010: Nil).

8. 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 252,829,153 (2010: 97,564,000 (restated)) in issue during the period, as adjusted to reflect the share consolidation on 28 October 2010.

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

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

	Three months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation:		
– From continuing operations	(9,186)	(3,259)
– From a discontinued operation	–	(6,314)
	(9,186)	(9,573)
Interest on convertible bonds	1,677	16
Loss attributable to owners of the Company before interest on convertible bonds	(7,509)	(9,557)
Attributable to:		
Continuing operations	(7,509)	(3,243)
Discontinued operation	–	(6,314)
	(7,509)	(9,557)
	Three months ended 30 June	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	252,829,153	97,564,000
Weighted average number of ordinary shares used in the diluted loss per share calculation	N/A	N/A

Note: The weighted average number of ordinary shares for the period ended 30 June 2010 was adjusted for the effect of share consolidation on 28 October 2010.

9. Investments in jointly-controlled entities

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

	Three months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
Share of the jointly-controlled entities' income and expenses:		
Income	1,297	54
Expenses	(1,177)	(37)
Income tax expense	(12)	–
Profit after tax	108	17

10. Event after reporting period

Subsequent to the three months ended 30 June 2011, the Company, through its wholly-owned subsidiary, Reliance Cemetery Sales and Management Limited, entered into the joint venture agreement (the "JV agreement") with 畢節殯儀館 (Bijie Funeral Services Company)*, in relation to the establishment of the joint venture company (the "JV Company") for the business in relation to sales, management and operation of cemeteries. Upon the establishment of the JV Company, the Company will indirectly own 60% of the interests in the JV Company. The Group will contribute RMB20,000,000 as registered capital of the JV Company. Details of the JV agreement are disclosed in the announcement of the Company dated 6 July 2011.

* Denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operation review

During the three months' period under review, the revenue of Group and its jointly-controlled entity is approximately HK\$2,681,000 (2010: Nil). The revenue was generated from the Group's new deathcare business which was invested by the Group since October 2010. New revenue stream is mainly from sales of burial units and provision of cemetery and funeral services and, consequently, there was no corresponding revenue from this new segment in the same period in last year. Instead, revenue from the original exhibition business, which was disposed of in the last financial year, was generated in corresponding period in prior year. Both its revenue and results are reported as a discontinued operation in comparative figures.

The deathcare business has a gross profit of approximately HK\$2,180,000 (2010: Nil) but the Group recorded a loss after tax of HK\$9,089,000 (2010: HK\$9,604,000). The loss in last year included a loss from the discontinued operation of exhibition business amounted to HK\$6,345,000. Following the disposal of the entire interest in the exhibition business in the last financial year, there is no corresponding results for this segment in the current period. If the result from discontinued operation is excluded, the loss for the period is more than that of the last year (approximately of HK\$3,259,000). The increase in the loss is due to increase in operating expenses and finance costs during the period as the Group has implemented a new business plan during the period to expand into the deathcare business. Such plan requires setting up of new headcount and business operation for business development and marketing activities, which caused the increase in operating expenses. Moreover, there is also an increase in professional fees for the subscription of convertible bonds of US\$12,500,000 (equivalent to approximately HK\$97,175,000) to AXA Direct Asia II, L.P. Such fund raising exercise was completed in May 2011.

Prospects

In this financial year, the Group will continue to implement measures to expand the sales channel and product varieties of its cemeteries in the PRC. Such measures included setting up of new cooperating agency arrangement with other local funeral services providers, increase in sales forces and launching of new marketing campaigns. The Group also started to establish its new joint venture in Guizhou, the PRC, as part of its strategic plan to build up cemetery land reserves in China. The Board believes that, with the Group's commitment and strategic vision, stable revenue stream will be achieved in the foreseeable future. The Board also believes that operating efficiency of the Group will also be improved following the Group's recent restructuring of business and new business plan.

Employees and remuneration policies

As at 30 June 2011, the Group and its jointly-controlled entities had 84 (2010: 80) employees, including Directors. Total staff costs for the three months ended 30 June 2011, including Directors' remuneration, amounted to approximately HK\$3,312,000 (2010: approximately HK\$4,512,000). The Group's employment and remuneration policies remained the same as detailed in the Annual Report 2011.

Charges on Group's assets and contingent liabilities

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

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

As at 30 June 2011, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company were as follows:

Interests in shares of the Company

Number of ordinary shares and underlying shares beneficially held

Name of Directors	Capacity	Notes	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued shares
Mr. Chui Bing Sun	Interest of a controlled corporation	1	25,099,000	104,166,666	129,265,666	51.12%
	Personal	2	1,000	2,200,000	2,201,000	0.87%
	Person acting in concert	3	–	123,475,222	123,475,222	48.83%
			25,100,000	229,841,888	254,941,888	100.82%
Mr. Kwok Kwan Hung	Personal		110,000	–	110,000	0.04%

Notes:

- 1 New Brilliant Investments Limited ("New Brilliant") was interested in 25,099,000 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\$0.192 per share. Accordingly, New Brilliant was interested in 104,166,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui Bing Sun ("Mr. Chui"), an executive Director of the Company.
- 2 Mr. Chui had a personal interest in 1,000 shares and 2,200,000 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 2,200,000 shares at exercise price of HK\$2 per share.
- 3 Mr. Chui was deemed to be interested in 123,475,222 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.

Interests in underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 22 October 2001 (as more particularly described in Appendix IV to the Company's prospectus), certain Directors were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 June 2011 were as follows:

Name of Directors	Number of share options			Outstanding and exercisable as at 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise price per share
	Adjusted outstanding as at 1 April 2011	Granted during the period	Exercised during the period				
Mr. Chui Bing Sun	2,200,000	-	-	2,200,000	22 March 2011	22 March 2011 – 21 March 2021	HK\$2
Mr. Kwok Kwan Hung	80,000	-	-	80,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$3.3
	850,000	-	600,000	250,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
	320,000	-	-	320,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$2.35
	950,000	-	-	950,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$2.13
Mr. Chan Wai Man	50,000	-	-	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$3.3
	45,000	-	-	45,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
Mr. Leung Chi Kong	50,000	-	-	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$3.3
	45,000	-	-	45,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
	4,590,000	-	600,000	3,990,000			

Save as disclosed above, as at 30 June 2011, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company.

Outstanding share options

Save as those share options granted to the Directors as disclosed above, certain share options were granted by the Company under the share option scheme to several individuals who are employees and consultants of the Company, details of the share options outstanding and exercisable as at 30 June 2011 were as follows:

Category of participants	Number of share options			Outstanding and exercisable as at 30 June 2011	Date of grant of share options	Exercise period of shares options	Exercise price per share
	Adjusted outstanding as at 1 April 2011	Granted during the period	Exercised during the period				
Employee	800,000	-	-	800,000	14 December 2007	14 December 2007 – 13 December 2017	HK\$2.8
Employees	2,950,000	-	100,000	2,850,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
Consultant	1,160,000	-	-	1,160,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$2.35
Consultant	283,000	-	-	283,000	6 September 2010	6 September 2010 – 5 September 2020	HK\$1.98
Employees	2,150,000	-	-	2,150,000	9 September 2010	9 September 2010 – 8 September 2020	HK\$2.29
Employees	1,600,000	-	-	1,600,000	13 September 2010	13 September 2010 – 12 September 2020	HK\$2.14
Employees	2,500,000	-	-	2,500,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$2.13
Consultant	2,200,000	-	-	2,200,000	22 March 2011	22 March 2011 – 21 March 2021	HK\$2
	13,643,000	-	100,000	13,543,000			

There were no share options cancelled, lapsed or forfeited during the three months ended 30 June 2011.

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

As at 30 June 2011, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

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

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Long/short position	Percentage of interests
New Brilliant Investments Limited	Beneficial owner	1	25,099,000	104,166,666	129,265,666	Long position	51.12%
Mr. Chui Bing Sun	Interest of a controlled corporation	1	25,099,000	104,166,666	129,265,666	Long position	51.12%
	Beneficial owner	2	1,000	2,200,000	2,201,000	Long position	0.87%
	Person acting in concert	3	–	123,475,222	123,475,222	Long position	48.83%
			25,100,000	229,841,888	254,941,888	Long position	100.82%
AXA PE Asia Manager Limited	Beneficial owner	4	–	123,475,222	123,475,222	Long position	48.83%
		5	–	92,606,416	92,606,416	Short position	36.62%
MM3 International Limited	Beneficial owner	6	30,000,000	–	30,000,000	Long position	11.86%
Forrex (Holding) Inc	Beneficial owner	7	–	32,539,682	32,539,682	Long position	12.87%
Mr. Luwen Kevin Duan	Interest of controlled corporations	6 and 7	30,000,000	32,539,682	62,539,682	Long position	24.73%
Capital VC Limited	Beneficial owner		24,678,000	–	24,678,000	Long position	9.76%
Mr. Li Siu Kim	Beneficial owner		22,666,666	–	22,666,666	Long position	8.96%
Mr. Wang Zhen Ze	Beneficial owner		20,000,000	–	20,000,000	Long position	7.91%

Notes:

- 1 New Brilliant was interested in 25,099,000 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\$0.192 per share. Accordingly, New Brilliant was interested in 104,166,666 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 1,000 shares and 2,200,000 underlying shares of the Company.
- 3 Mr. Chui was deemed to be interested in 123,475,222 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 Direct"). AXA Direct and Mr. Chui are parties acting in concert.

Pursuant to a subscription agreement dated 14 March 2011 (as supplemented by the supplemental agreement), AXA Direct agreed to subscribe for the convertible bonds in the principal amount of US\$12,500,000 (equivalent to approximately HK\$97,175,000) to be issued by the Company at a conversion price of HK\$0.787 per share (subject to adjustments). Accordingly, AXA Direct was interested in 123,475,222 underlying shares of the Company derived from the convertible bonds.
- 5 A call option deed and put option deed were entered between AXA Direct and New Brilliant, in which call option deed required AXA Direct to sell New Brilliant the convertible bonds up to maximum principal amount of the lesser of (i) US\$6,250,000; or (ii) the difference between US\$12,500,000 and the aggregate principal amount of the convertible bonds and related conversion shares disposed of by AXA Direct. The put option deed required New Brilliant to purchase from AXA Direct the convertible bonds up to maximum principal amount US\$3,125,000 that are outstanding at the maturity date.
- 6 MM3 International Limited is wholly and beneficially owned by Mr. Luwen Kevin Duan ("Mr. Duan").
- 7 The 3% convertible bonds of the Company in an aggregate principal amount of HK\$30,750,000 was held by Forrex (Holding) Inc ("Forrex"), which are convertible into 32,539,682 shares at the adjusted conversion price of HK\$0.945. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a director of Era Investment (Holding) Inc., a jointly controlled entity of the Company.

Save as disclosed above, as at 30 June 2011, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Management contracts

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

Model code for securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the three months ended 30 June 2011.

Competing interests

The Directors are not aware of, as at 30 June 2011, any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2011.

Compliance with Corporate Governance Practices

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

Non-compliance with paragraph A2.1

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. During the three months ended 30 June 2011, Mr. Chui Bing Sun held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Office in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

Audit committee

The Company has established an audit committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Directors. The AC consists of three independent non-executive directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Leung Chi Kong and Mr. Siu Hi Lam, Alick, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties. Subsequent to the period end date on 12 July 2011, Mr. Law Yee Man, Thomas was appointed as an independent non-executive Director of the Company and a member of AC.

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 three months ended 30 June 2011.

Remuneration committee

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deals clearly with its authorities and duties. During the period under review, the RC comprised of three members, namely Mr. Leung Chi Kong (Chairman of RC), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick, all of them are independent non-executive directors of the Company. Subsequent to the period end date on 12 July 2011, Mr. Law Yee Man, Thomas was appointed as an independent non-executive Director of the Company and a member of RC.

The role and function of RC is to oversee board remuneration matters, including recommend the Board on the Company's policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive directors and senior management, review and approving their performance-based remuneration, review and approving compensation to Directors and senior management in connection with any loss or termination of their office or appointment, and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

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

Hong Kong, 10 August 2011

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

Executive Directors

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

Independent Non-Executive Directors

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