

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

First Quarterly Report **2012**



Sage International Group Limited

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

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

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

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

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This report, for which the directors of Sage International Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sage International Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY/ COMPLIANCE OFFICER

Mr. Kwok Kwan Hung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Kwok Kwan Hung

INDEPENDENT AUDITORS

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

SOLICITOR

Michael Li & Co

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK CODE

8082

CONTACT INFORMATION

Tel: 3150 8082
Fax: 3150 8092
Website: www.sig.hk

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 2012 together with the comparative unaudited figures for the three months ended 30 June 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2012

		Three months ended	
		31 March	30 June
		2012	2011
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	3,576	2,681
Cost of sales		(526)	(501)
Gross profit		3,050	2,180
Other income	2	50	202
Share-based payment		(1,981)	(596)
Administrative expenses		(9,026)	(8,784)
Finance costs	3	(3,390)	(2,079)
LOSS BEFORE TAX		(11,297)	(9,077)
Income tax expense	4	-	(12)
LOSS FOR THE PERIOD		(11,297)	(9,089)
Attributable to:			
Owners of the Company		(11,265)	(9,186)
Non-controlling interests		(32)	97
		(11,297)	(9,089)
Dividend	5	-	-
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6		
Basic (<i>HK cents per share</i>)			
- For loss for the period		(1.11)	(0.91)
Diluted (<i>HK cents per share</i>)			
- For loss for the period		N/A	N/A

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

	Three months ended	
	31 March	30 June
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(11,297)	(9,089)
Other comprehensive loss:		
Exchange differences on translating foreign operations	797	(68)
Total comprehensive loss for the period	(10,500)	(9,157)
Attributable to:		
Owners of the Company	(10,468)	(9,254)
Non-controlling interests	(32)	97
	(10,500)	(9,157)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Translation reserve	Share options reserve	Warrants reserve	Convertible bonds equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (Audited)	2,522	42,248	31,713	(243)	8,814	-	7,446	(25,246)	67,254	(6,766)	60,488
Total comprehensive loss for the period	-	-	-	(68)	-	-	-	(9,186)	(9,254)	97	(9,157)
Issue of convertible bonds	-	-	-	-	-	-	45,177	-	45,177	-	45,177
Equity-settled share options arrangements	-	-	-	-	596	-	-	-	596	-	596
Issue of shares for exercise of share options	8	861	-	-	(274)	-	-	-	595	-	595
At 30 June 2011 (Unaudited)	2,530	43,109	31,713	(311)	9,136	-	52,623	(34,432)	104,368	(6,669)	97,699
At 1 January 2012 (Audited)	2,530	43,221	31,713	(719)	9,961	2,041	52,623	(60,137)	81,233	9,273	90,506
Total comprehensive loss for the period	-	-	-	797	-	-	-	(11,265)	(10,468)	(32)	(10,500)
Equity-settled share options arrangement	-	-	-	-	410	-	-	-	410	-	410
Equity-settled warrants arrangement	-	-	-	-	-	1,571	-	-	1,571	-	1,571
At 31 March 2012 (Unaudited)	2,530	43,221	31,713	78	10,371	3,612	52,623	(71,402)	72,746	9,241	81,987

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 nine months ended 31 December 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. Revenue and other income

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

	Three months ended	
	31 March 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Revenue		
Cemetery and funeral services income	3,576	2,681
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No revenue generated from the trading of automobile and accessories for both three months' periods ended.		
Other income		
Interest income on bank deposits	15	60
Sundry income	35	142
	<hr/>	
	50	202
	<hr/>	

3. Finance costs

An analysis of the finance costs is as follows:

	Three months ended	
	31 March 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Interests on:		
– Other borrowings wholly repayable within five years	–	185
– Other borrowings wholly repayable after five years	566	217
– Convertible bonds	2,824	1,677
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	3,390	2,079
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4. 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.

5. 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 2012 (30 June 2011: Nil).

6. 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 1,011,891,996 (30 June 2011: 1,011,316,611 (restated)) in issue during the period, as adjusted to reflect the share subdivision with effective on 1 September 2011.

No diluted loss per share has been calculated for periods ended 31 March 2012 and 30 June 2011 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 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation:	(11,265)	(9,186)
Interest on convertible bonds	2,824	1,677
Loss attributable to owners of the Company before interest on convertible bonds	(8,441)	(7,509)
	Three months ended	
	31 March 2012 (Unaudited)	30 June 2011 (Note) (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,011,891,996	1,011,316,611
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 2011 was adjusted for the effect of share subdivision with effective on 1 September 2011.

7. Investments in jointly-controlled entity

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

Three months ended	
31 March	30 June
2012	2011
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Share of the jointly-controlled entity's income and expenses:

Income	1,557	1,297
Expenses	(1,891)	(1,177)
Income tax expense	-	(12)
	(334)	108
(Loss)/profit after tax	(334)	108

8. Event after reporting period

The Company announced that there is a proposed rights issue of not less than 150,200,000 rights shares and not more than 642,180,303 rights shares on the basis of one rights share for every two existing shares held on the record date. Details of the rights issue are set out in the Company's announcement dated 11 April 2012.

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\$3,576,000 (30 June 2011: HK\$2,681,000). The revenue was generated from the Group's cemetery operation and funeral services business. The increase is due to the increase in sales of burial units in Suzhou Cemetery. As the Group is scaling down the business of automobile trading, no revenue is generated during the period.

The cemetery operation and funeral services business has a gross profit of approximately HK\$3,050,000 (30 June 2011: HK\$2,180,000). The overall gross profit margin for the Group was slightly increased from 81.31% for the three months ended 30 June 2011 to 85.29% for the three months ended 31 March 2012. The increase in profit margin is mainly contributed by additional sales of cemetery products. The Group recorded a loss of HK\$11,297,000 (30 June 2011: HK\$9,089,000) for the period ended 31 March 2012. The loss is mainly the result of the fixed costs incurred in administrative expenses while the cemetery operation and funeral services are still in a early stage of development with a minimal revenue during the current period. The Board believes that the cemetery operation and funeral services business are catching up the momentum and establishing its market positioning and the Company will strive to achieve a remarkable operating scale in the coming future.

Prospects

Death care business is currently the core business of the Group. In view of the global trend of ageing population and with the potential growth in business of cemetery and funeral services, in particular, in China where the population size is vast with growing economy, the Group will continue to explore opportunities through both merger and acquisition opportunities and organic growth in cemetery, funeral and other related business in Greater China region. In addition, the revenue of Group is expected to increase in the coming future upon the completion of the cemetery site remodeling in Suzhou, the kickoff of the provision of funeral service and sales of related funeral products, as well as the sale of preneed product in 2012. The Board believes that, with the Group's commitment and strategic vision, stable revenue stream will be achieved in the foreseeable future and the value of the Group as a pioneer in the deathcare industry will be realised.

Following the completion of the rights issue in mid 2012, the Group will further strengthen its financial position in order to develop its current business and funding for potential investments simultaneously.

Employees and remuneration policies

As at 31 March 2012, the Group and its jointly-controlled entity had 102 (30 June 2011: 84) employees, including Directors. Total staff costs for the three months ended 31 March 2012, including Directors' remuneration, amounted to approximately HK\$5,885,000 (30 June 2011: approximately HK\$3,312,000). 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 31 March 2012.

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

As at 31 March 2012, the interests and short positions of the Directors, chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company or its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company were as follows:

Interests in shares and underlying shares of the Company

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

Name of Directors	Capacity	Notes	Number of issued ordinary shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	2	100,396,000	416,666,666	517,062,666	51.10%
	Personal	3	4,000	8,800,000	8,804,000	0.87%
	Person acting in concert	4	-	493,274,111	493,274,111	48.75%
			100,400,000	918,740,777	1,019,140,777	100.72%
Mr. Kwok Kwan Hung	Personal	5	440,000	16,400,000	16,840,000	1.66%
Mr. Law Yee Man, Thomas	Personal	5	400,000	1,000,000	1,400,000	0.14%
Mr. Chan Wai Man	Personal	5	180,000	1,200,000	1,380,000	0.14%
Mr. Siu Hi Lam, Alick	Personal	5	-	1,000,000	1,000,000	0.10%

Notes:

- On 31 August 2011, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued share of HK\$0.01 each was subdivided into four shares of HK\$0.0025 each with effect from 1 September 2011.

- 2 New Brilliant Investments Limited ("New Brilliant") was interested in 100,396,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK\$20,000,000 to be issued by the Company at an initial conversion price of HK\$0.04 per share and subsequently adjusted to HK\$0.048 per share. Accordingly, New Brilliant was interested in 416,666,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
- 3 Mr. Chui had a personal interest in 4,000 shares and 8,800,000 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 8,800,000 shares at exercise price of HK\$0.50 per share.
- 4 Mr. Chui was deemed to be interested in 493,274,111 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.
- 5 For details of the underlying shares, please refer to the section headed "Share options" which stated all the details of share options granted to directors.

(B) Warrants

Name	Capacity	Number of warrants held	Number of underlying shares
Mr. Richard Andrew Connell	Beneficial owner	43,200,000	43,200,000
Ms. Ma Pun Sai, Betsy	Beneficial owner	30,000,000	30,000,000

Save as disclosed above and in the following section "Share options", none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2012.

(C) Share options

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

	Number of share options			Outstanding as at 31 March 2012	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period				
Category 1: Directors							
Mr. Chui	8,800,000	-	-	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.500
Mr. Kwok Kwan Hung	320,000	-	-	320,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.825
	1,000,000	-	-	1,000,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.213
	1,280,000	-	-	1,280,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.588
	3,800,000	-	-	3,800,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.533
	10,000,000	-	-	10,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.284
Mr. Chan Wai Man	200,000	-	-	200,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.825
	1,000,000	-	-	1,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.284
Mr. Law Yee Man, Thomas	400,000	-	-	400,000	12 August 2011	12 August 2011 – 11 August 2021	HK\$0.438
	600,000	-	-	600,000	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.284
Mr. Siu Hi Lam, Alick	1,000,000	-	-	1,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.284
	28,400,000	-	-	28,400,000			

Save as disclosed above, as at 31 March 2012, 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 Divisions 7 and 8 of Part XV of the SFO, as recorded in the register of the Company 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.

	Number of share options			Outstanding as at 31 March 2012	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period				
Category 2: Employees/Consultants							
Employee	3,200,000	-	-	3,200,000	14 December 2007	14 December 2007 – 13 December 2017	HK\$0.700
Employees	11,400,000	-	-	11,400,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.213
Employees	8,600,000	-	-	8,600,000	9 September 2010	9 September 2010 – 8 September 2020	HK\$0.573
Employees	6,400,000	-	-	6,400,000	13 September 2010	13 September 2010 – 12 September 2020	HK\$0.535
Employees	5,200,000	-	-	5,200,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.533
Consultant	4,640,000	-	-	4,640,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.588
Consultant	1,132,000	-	-	1,132,000	6 September 2010	6 September 2010 – 5 September 2020	HK\$0.495
Consultant	8,800,000	-	-	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.500
	49,372,000	-	-	49,372,000			
Total	77,772,000	-	-	77,772,000			

There were no share options cancelled, lapsed or forfeited during the three months ended 31 March 2012.

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

As at 31 March 2012, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	2	100,396,000	416,666,666	517,062,666	Long	51.10%
Mr. Chui	Interest of a controlled corporation	2	100,396,000	416,666,666	517,062,666	Long	51.10%
	Beneficial owner	3	4,000	8,800,000	8,804,000	Long	0.87%
	Person acting in concert	4	-	493,274,111	493,274,111	Long	48.75%
			100,400,000	918,740,777	1,019,140,777		100.72%
AXA PE Asia Manager Limited	Beneficial owner	4	-	493,274,111	493,274,111	Long	48.75%
	Person acting in concert	5	-	525,866,666	525,866,666	Long	51.97%
			-	1,019,140,777	1,019,140,777		100.72%
		6	-	369,955,582	369,955,582	Short	36.56%
MM3 International Limited	Beneficial owner	7	100,000,000	-	100,000,000	Long	9.88%
Forrex (Holding) Inc ("Forrex")	Beneficial owner	8	-	130,296,610	130,296,610	Long	12.88%
Mr. Luwen Kevin Duan ("Mr. Duan")	Interest of controlled corporations	7 and 8	100,000,000	130,296,610	230,296,610	Long	22.76%
Capital VC Limited	Beneficial owner		193,049,000	-	193,049,000	Long	19.08%
Mr. Li Siu Kim	Beneficial owner		90,666,664	-	90,666,664	Long	8.96%
Ms. Ma Pun Sai, Betsy	Beneficial owner		31,312,000	30,000,000	61,312,000	Long	6.06%

Notes:

- 1 On 31 August 2011, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued share of HK\$0.01 each was subdivided into four shares of HK\$0.0025 each with effect from 1 September 2011.
- 2 New Brilliant was interested in 100,396,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK\$20,000,000 to be issued by the Company at an initial conversion price of HK\$0.04 per share and subsequently adjusted to HK\$0.048 per share. Accordingly, New Brilliant was interested in 416,666,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui.
- 3 Mr. Chui had a personal interest in 4,000 shares and 8,800,000 underlying shares of the Company.
- 4 Mr. Chui was deemed to be interested in 493,274,111 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.
- 5 AXA PE Asia Manager Limited, a company incorporated in Jersey which is registered under the Jersey Financial Services Commission, managed the fund of AXA Direct Asia II, L.P. ("AXA"). 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\$0.197 per share, which represented 493,274,111 shares. AXA was deemed to be interested in 525,866,666, representing (i) 517,062,666 shares and underlying shares in respect of the convertible bonds issued by the Company to New Brilliant and (ii) 8,804,000 shares and underlying shares of options held by Mr. Chui, respectively; Mr. Chui and AXA are parties acting in concert.
- 6 A call option deed and put option deed were entered between AXA and New Brilliant, in which call option deed required AXA to sell New Brilliant the convertible bonds up to maximum principal amount of the lesser of (i) US\$6,250,000; or (ii) the difference between US\$12,500,000 and the aggregate principal amount of the convertible bonds and related conversion shares disposed of by AXA. The put option deed required New Brilliant to purchase from AXA the convertible bonds up to maximum principal amount US\$3,125,000 that are outstanding at the maturity date.
- 7 MM3 International Limited is wholly and beneficially owned by Mr. Duan, who is a director and wholly-owned beneficial owner of Forrex, a corporate director of a jointly-controlled entity of the Company.
- 8 The 3% convertible bonds of the Company in an aggregate principal amount of HK\$30,750,000 was held by Forrex, which are convertible into 130,296,610 shares at the adjusted conversion price of HK\$0.236. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a director of Era Investment (Holding) Inc., a jointly controlled entity of the Company.

Save as disclosed above, as at 31 March 2012, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

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.

Advance to entity

As at three months ended 31 March 2012, the aggregated amount of advances made by the Company to the jointly-controlled entity of the Group, approximately HK\$20,746,000, represents approximately 9.45% of the total assets value of the Group under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules), it constitutes as advance to entity under Rule 17.15 of the GEM Listing Rules.

The amounts are interest free and repayable on demand.

Model code for securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the three months ended 31 March 2012.

Director's interests in competing business

During the period ended 31 March 2012 and up to the date of this report, Mr. Chui, the Chairman and executive director of the Company, is considered to have interests in the business which potentially compete, either directly or indirectly, with the business of the Group.

Mr. Chui has a wholly owned company, incorporated in Hong Kong, with its subsidiary, may engaged in cemetery investments including potential acquisitions and management rights of cemetery operation in China. The principal business of the company and its subsidiary is investment holding and has not yet engaged in any cemetery related business. As such, the Board believes that Mr. Chui may, in some respects, regard as being interested in such competing business (the "Competing Businesses") with the Group.

However, 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.

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 31 March 2012.

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 31 March 2012, Mr. Chui held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Office in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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 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. In accordance with the provision of the CG Code, the terms of reference of the AC were also revised which are 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 quarterly results for the three months ended 31 March 2012 and was consent that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

Remuneration Committee

The Company has established a Remuneration Committee (“RC”) with specific terms of reference which deals clearly with its authorities and duties. The RC comprised of three members, namely Mr. Siu Hi Lam, Alick (Chairman of RC), Mr. Chan Wai Man and Mr. Law Yee Man, Thomas, all of them are independent non-executive Directors of the Company.

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

The RC is also authorised to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if necessary.

Nomination Committee

On 1 April 2012, the Company has established a Nomination Committee (“NC”) with specific terms of reference which deals clearly with its authorities and duties. The NC comprised of three members, namely Mr. Law Yee Man, Thomas (Chairman of NC), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick, all of them are independent non-executive Directors of the Company.

The role and function of NC is to review the structure, size and composition (including the skills, knowledge and experience) of the Board, make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

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

Hong Kong, 15 May 2012

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