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## **SAGE INTERNATIONAL GROUP LIMITED**

**仁智國際集團有限公司**

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

**(Stock Code: 8082)**

### **ANNOUNCEMENT MAJOR TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES IN THE TARGET COMPANY**

#### **THE SUBSCRIPTION AGREEMENT**

On 19 August 2016 (after trading hours of the Stock Exchange), the Subscriber, a direct wholly owned subsidiary of the Company, as subscriber, and the Target Company, as the issuer, entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue, the Subscription Shares, representing 70% of the total number of shares of the Target Company in issue upon completion of the Subscription, at the aggregate Subscription Price of HK\$7,000,000.

The Target Company is principally engaged in the business of production of drama and musical performance (including musicals and live shows), artist management and music intellectual property rights management, and the ancillary marketing matters.

As at the date of this announcement, the Target Company is wholly owned by Keith Productions. Upon completion of the Subscription, the Target Company shall be owned as to 70% by the Subscriber and as to 30% by Keith Productions.

One of the conditions precedent to the completion of the Subscription is that the Subscriber, Keith Productions and the Target Company shall enter into the Shareholders' Agreement setting out the shareholdings, management, activities and other matters concerning the operations of the Target Company with effect upon completion of the Subscription, pursuant to which the Subscriber shall make available the Shareholder's Loan to the Target Company for financing its operating costs.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios for the Subscription Price and the Shareholder's Loan by the Company (through the Subscriber) exceeds 25% but is less than 100%, the Subscription Agreement and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listings Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder has a material interests in the Subscription and accordingly, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Subscription Agreement and the transactions contemplated thereunder.

## **GENERAL**

A circular containing, among other things, information relating to the Subscription Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders within 15 Business Days from the date of this announcement, i.e. on or before 9 September 2016.

**Shareholders and potential investors of the Company should note that completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 19 August 2016 (after the trading hours of the Stock Exchange), the Subscriber, a direct wholly owned subsidiary of the Company, and the Target Company entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue the Subscription Shares, representing 70% of the total number of shares of the Target Company in issue upon completion of the Subscription, at the aggregate Subscription Price of HK\$7,000,000.

Principal terms of the Subscription Agreement are set out below:

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

19 August 2016 (after trading hours of the Stock Exchange)

### **Parties**

(i) Black Sesame Entertainment Co. Limited, the Target Company, as issuer

and

(ii) Winning Spotlight Limited, the Subscriber, a direct wholly owned subsidiary of the Company, as subscriber

As at the date of this announcement, the Target Company is wholly owned by Keith Productions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Target Company and its existing ultimate beneficial owner(s) is an Independent Third Party.

### **Subject Matter**

As at the date of this announcement, the Target Company has an issued share capital of HK\$1 and 1 share in issue and is wholly owned by Keith Productions.

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue the Subscription Shares, representing 70% of the total number of shares of the Target Company in issue upon completion of the Subscription.

The Subscription Shares, when allotted, issued and fully paid, shall rank pari passu in all respects among themselves and with all the shares of the Target Company in issue on the date of the allotment and issue of the Subscription Shares.

## **Service Agreement**

As one of the conditions precedent to the completion of the Subscription, the Service Agreement shall be entered into between the Target Company and Mr. Chan, pursuant to which Mr. Chan shall be employed by the Target Company to serve as its director for the term of three years from the date thereof, in consideration of which and as part of the remuneration package, the Target Company shall, among others, allot and issue 2 new shares, credited as fully paid, to Keith Productions at the direction of Mr. Chan. The said 2 new shares, which together with the existing 1 share held by Keith Productions, shall represent (i) 100% of the total number of shares of the Target Company in issue immediately prior to completion of the Subscription, and (ii) 30% of the total number of shares of the Target Company in issue upon completion of the Subscription.

Based on a preliminary valuation prepared by Greater China Appraisal Limited, an independent qualified professional valuer, the fair value of the service-based intangible asset in relation to the services provided by Mr. Chan to the Target Company is approximately HK\$3 million as at 15 August 2016.

Upon completion of the Subscription, the Target Company shall be owned as to 70% by the Subscriber and as to 30% by Keith Productions.

## **Subscription Price**

The aggregate Subscription Price for the Subscription Shares shall be HK\$7,000,000, and will be settled by cash on completion. It is expected that the Subscription Price will be funded by internal resources of the Group.

The Subscription Price and the Shareholder's Loan were determined on normal commercial terms and after arm's length negotiations among the parties to the Subscription Agreement and the Shareholder's Agreement having taken into consideration of various factors, including (i) the expected business needs of the Target Company; (ii) the fair value of the service-based intangible asset in relation to the services provided by Mr. Chan to the Target Company of approximately HK\$3 million as at 15 August 2016; and (iii) the reasons for and benefits of the Subscription as mentioned in the section headed "Reasons for and benefits of the Subscription" in this announcement.

## Conditions Precedent

The Subscription is conditional upon and subject to the satisfaction or waiver of the following conditions:

- (a) the Subscriber being reasonably satisfied with the results of the due diligence review on the Target Company;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Target Company in respect of the Subscription Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (c) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (d) the passing by the Shareholders who are entitled to vote and not required to abstain from voting under the GEM Listing Rules at an extraordinary general meeting of the Company to be convened and held of the necessary resolutions to approve the Subscription Agreement and the transactions contemplated hereunder, including among others, the Subscription;
- (e) the warranties given by the Target Company under the Subscription Agreement remaining true, correct, accurate and complete in all respects;
- (f) the entering into of the Service Agreement;
- (g) the entering into of the Shareholders' Agreement; and
- (h) the Subscriber being satisfied that there has not been any material adverse effect as defined in the Subscription Agreement on the Target Company since the Management Accounts Date.

The Subscriber may at its absolute discretion at any time waive in writing any of the conditions (a), (e) and (h) set out above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Subscriber. Conditions (b), (c), (d), (f) and (g) set out above are incapable of being waived. If the conditions set out above have not been satisfied (or waived) on or before 30 November 2016, or such later date as the parties thereto may agree in writing, the Subscription Agreement shall cease and terminate (save and except clauses in relation to costs and expenses, restriction on announcements, continuing obligations and time, successors and assigns, counterparts, notices and governing law and jurisdiction which shall continue to have full force and effect) and neither party shall have any claim against the other, save for any antecedent breaches of the terms thereof.

## **Completion of the Subscription**

Completion of the Subscription shall take place at 4:00 p.m. on the second Business Day (or such other date and time as may be agreed by the Target Company and the Subscriber in writing) after the satisfaction (or waiver) of the conditions precedent as set out in the Subscription Agreement.

## **SHAREHOLDERS' AGREEMENT**

As one of the conditions precedent to the completion of the Subscription, the Subscriber shall enter into the Shareholders' Agreement with Keith Productions and the Target Company, setting out the shareholdings, management, activities and other matters concerning the operations of the Target Company with effect upon completion of the Subscription. Principal terms of the Shareholders' Agreement are set out below:

### **Business of the Target Company**

The Target Company shall be engaged in the business of production of drama and musical performance (including musicals and live shows), artist management and music intellectual property rights management, and the ancillary marketing matters (the "**JV Business**").

The Target Company shall not engage in any business or activity other than the JV Business or reasonably incidental thereto except with the prior written consent of all the shareholders of the Target Company.

### **Shareholders' Loan**

The Subscriber shall make available an aggregate amount of HK\$17,000,000 as Shareholder's Loan to the Target Company for financing its operating costs for the JV Business within two (2) years from the completion of the Subscription. The Shareholder's Loan shall be provided to the Target Company by the Subscriber at various stages as determined and resolved from time to time by the board of directors of the Target Company, on a needed-basis in connection with the approved projects and/or engagements of the Target Company as commercially required. The purpose of the Shareholder's Loan is strictly for the business operations for the JV Business, including but not limited to the incorporation expenses of the Target Company, capital and operating expenditure relating to the normal course of the JV Business. The Shareholder's Loan shall be unsecured, interest-free and repayable upon demand.

If the Shareholder's Loan is fully utilized, any further shareholder's loan required (the "**Further Shareholder's Loan**") for financing the operating costs of the Target Company shall be discussed, determined and resolved by the shareholders at general meetings of the Target Company. There shall be no obligation whatsoever for the Subscriber to provide any Further Shareholder's Loan. The shareholders of the Target Company agree and confirm that, in the event the Subscriber agrees to provide Further Shareholder's Loan to the Target Company, there shall be no obligation whatsoever for Keith Productions to also provide Further Shareholder's Loan, pro-rated or otherwise, and vice versa. For the avoidance of doubt, unless otherwise agreed by all shareholders of the Target Company in writing, no shareholder's loan (including but not limited to the Shareholder's Loan or any Further Shareholder's Loan) may be capitalised into new shares of the Target Company.

When the Target Company records any net profits (after tax) of any financial year (“**Net Profits**”) and when there is enough cash balance for operating costs for the next financial year (the amount for such cash balance shall be determined and agreed by the board of directors of the Target Company), not more than 40% of such Net Profits (the exact amount to be determined and agreed by the board of directors of the Target Company) shall first be utilized for repaying the Shareholder’s Loan and the balance, if any, shall be applied to repay any Further Shareholder’s Loan to its shareholders on a pro-rata basis. The remaining portion of the Net Profits shall be retained by the Target Company for operating costs and for the distribution of dividend if so resolved and determined by the board in accordance with dividend policy of the Target Company provided that there are enough reserves for the operating costs for the next financial year.

### **Board representation and management of the Target Company**

Unless otherwise agreed in writing by the shareholders of the Target Company, the number of directors shall be three (3). The Subscriber shall be entitled to appoint two directors to the board of the Target Company, and Keith Productions shall be entitled to appoint one director, namely Mr. Chan Siu Kei, to the board of the Target Company. No shareholder has the right to remove the director appointed by the other shareholder.

The chairman of the board of directors of the Target Company shall be a director nominated by the Subscriber for the first two (2) years from the date of the appointment. Thereafter or in case the chairman resigns, is removed or otherwise before the expiration of his office, the manner for selecting the chairman of the board and the duration of his office shall be resolved and determined by the shareholders in a general meeting of the Target Company. Each director shall have one (1) vote. The chairman of the board of directors shall not be entitled to a second or casting vote.

The quorum for a meeting of the board of directors of the Target Company shall be two (2) directors.

The Board shall be responsible for the day-to-day management of the company except those reserved matters contained in the Shareholders’ Agreement, a summary of which is disclosed in the section headed “Reserved Matters” in this announcement.

### **Shareholders’ meeting**

A quorum for a meeting of shareholders of the Target Company shall be the presence of shareholders holding not less than seventy-one (71%) of the entire issued shares of the Target Company in person or by proxy. Voting at the shareholders meeting, unless a poll is demanded, shall be in normal case by (i) voice; or (ii) by show of hands. A poll may be demanded either before or on the declaration by the chairperson of the result of the vote in respect of a resolution. If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present in person or by proxy and voting.

A chairperson shall be elected among the shareholders present at the relevant meeting, but shall not be entitled to a second or casting vote.

## **Reserved matters**

The shareholders of the Target Company shall take all steps necessary to ensure that the Target Company shall not, without the prior approval of all the shareholders of the Target Company, carry out certain actions, including, among others; (i) issue or agree to issue any shares of any class of the Target Company; (ii) carry out any capital reorganisation; (iii) the setting up of any new business or the discontinuance of any existing business; (iv) the creation of any security over all or any of the assets of the company and its subsidiary; (v) the winding-up or liquidation of the Target Company; (vi) the alteration of the rights attaching to any shares; (vii) the creating any mortgage, pledge, lien, charge, security interest, equity, claim or encumbrance on or with respect to, or lease of, any of its property or assets or rights; (viii) the acquisition or formation by the Target Company of any subsidiary or the acquisition or disposal of any share in any other company or the participation by the Target Company in any partnership or joint venture or the dissolution of any such company or joint venture; (ix) the sale or disposal of any part of the undertaking or the assets of the Target Company; (x) the entering into of any material contracts; (xi) the initiation of any litigation or arbitration of a material nature; (xii) the lending of any moneys, the granting of any credit, the giving of any guarantee or indemnity or the borrowing of any moneys from banks, financial institutions or any other persons, or the incurring of any debt, commitment, or the making of any loan or advance; (xiii) the amalgamation or merger of the Target Company with any other company or concern; (xiv) the alteration of the composition of the board of directors; (xv) the change of any dividend policy; and (xvi) the adoption of any share option scheme for the Target Company.

## **Restrictions on transfer of shares in the Target Company**

The existing shareholder(s) of the Target Company shall have the first rights of refusal on disposal of shares by the other shareholder(s).

## **Dividend Policy**

The exact amount of dividend to be distributed to the shareholders shall be determined by the shareholders having regard to the Target Company's financial condition and its current and projected cash requirements.

Subject to terms in relation to the repayment of the shareholder's loan in the Shareholders' Agreement as disclosed above, the shareholders of the Target Company shall procure the company to distribute its profits by way of dividends on annual basis in accordance with their respective shareholdings in the Target Company provided that there are enough reserves for the operating costs for the next financial year.



## **INFORMATION OF KEITH PRODUCTIONS AND THE TARGET COMPANY**

Keith Productions is principally engaged in advertising and art production.

The Target Company is principally engaged in the business of production of drama and musical performance (including musicals and live shows), artist management and music intellectual property rights management, and the ancillary marketing matters.

As at the date of this announcement, Keith Productions is the sole shareholder of the Target Company and Mr. Chan, one of the shareholders and directors of Keith Productions, is one of the directors of the Target Company. As at the date of this announcement, the Target Company has two directors (including Mr. Chan) who have been appointed by Keith Productions. The other director of the Target Company shall resign as a director effective from the date of completion of the Subscription. After completion of the Subscription, the Target Company will be owned as to 70% by the Subscriber and as to 30% by Keith Productions and the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

The Target Company was newly incorporated in Hong Kong with limited liability on 15 August 2016 and has an issued share capital of HK\$1 as at the date of this announcement. Pursuant to the unaudited management accounts of the Target Company as at 15 August 2016, there is no revenue generated since incorporation and the unaudited net loss (both before and after taxation) was HK\$10,000.

The unaudited net liability of the Target Company as at the Management Account Date was HK\$9,999.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Group is principally engaged in the provision of deathcare services and related business in the PRC and Hong Kong.

As disclosed in the announcement of the Company dated 26 May 2016, whilst the Group remains focused on developing its existing businesses, the Group has recently made investment in the media and entertainment industry in order to diversify the existing businesses. Funds have been raised for the Company to meet the operational needs of the new business. Upon completion of the Subscription, the Target Company will be the main operational arm of the Group in the media and entertainment industry. Mr. Chan has extensive experience and network in the media and entertainment industry. He has been active in the music industry since 1984, in the role of lyricist, record producer and creative consultant for multi-national corporation (MNC) and executive produced music concerts and various advertising campaigns in Hong Kong and in China. Mr. Chan has written over three thousand songs in Cantonese and Mandarin and have won numerous awards in the Asia Pacific region. More recent projects and achievements by him includes the lyricists and music producer for Shanghai Disney Resort Grand Opening ceremony (broadcast nationwide in China and also in Disney broadcast platforms and youtube platforms in USA); “Make it Big”, the advertising and marketing campaign of Jane Zhang and Wall Street English in China; New World Department Store marketing campaign with Korea mega star Jun Ji-Hyun, Gianna in Mainland China. Mr. Chan has also produced the recording breaking songs in Disney’s Frozen, the renowned blockbuster animated movie, which helped achieved double platinum record/DVD combo pack sales in China.

Mr. Chan has been living in Beijing, China for the last 12 years and have in-depth and understanding of the China market, as well as strategic network with the entertainment and advertising industries. His expertise in the entertainment industry, along with his personal friendship with mega stars like Jacky Cheung, Aaron Kwok, Hacken Lee, Andy Lau, Gigi Leung, Na Ying and Jane Zhang, have enabled him to gain positive feedback and reputation in the region as an outstanding music and show producer. His creative input has helped many MNC to formulate relevant marketing strategies, music and non-music related, to gain strong market shares and strategic growth in the Asia Pacific region.

The Directors are of the view that the Subscription represents an opportunity to leverage on the extensive experience, expertise and business connection of Mr. Chan to develop and complement the Group’s business projects in the media and entertainment industry, enabling further collaborations with potential business partners in the region.

The Board considers that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the Subscription Price and the Shareholder's Loan by the Company (through the Subscriber) exceeds 25% but is less than 100%, the Subscription Agreement and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listings Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder has a material interests in the Subscription and accordingly, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Subscription Agreement and the transactions contemplated thereunder.

## GENERAL

A circular containing, among other things, information relating to the Subscription Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders within 15 Business Days from the date of this announcement, i.e. on or before 9 September 2016.

**Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions Precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Company”	Sage International Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	director(s) of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party which is not connected persons (as defined under the GEM Listing Rules) of the Company and is independent of the Company and its connected persons
“Keith Productions”	Keith Productions Limited, a company incorporated in Hong Kong with limited liability on 29 December 1989 and which is owned as to 70% by Mr. Chan and the sole shareholder of the Target Company as at the date of this announcement
“Management Accounts Date”	15 August 2016
“Mr. Chan”	Mr. Chan Siu Kei, one of the shareholders and directors of Keith Productions and as at the date of this announcement, one of the directors of the Target Company
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Service Agreement”	the service agreement to be entered into between the Target Company and Mr. Chan, pursuant to which Mr. Chan shall serve as a director of the Target Company for the term of three years from the date thereof, in consideration of which and as part of the remuneration package, the Target Company shall, among others, allot and issue 2 new shares, credited as fully paid, to Keith Productions at the direction of Mr. Chan
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the proposed shareholders’ agreement to be entered into among the Subscriber, Keith Productions and the Target Company setting out the shareholdings, management, activities and other matters concerning the operations of the Target Company with effect upon completion of the Subscription
“Shareholder’s Loan”	an aggregate amount of HK\$17,000,000 to be provided by the Subscriber as shareholder’s loan to the Target Company pursuant to the terms and conditions of the Shareholders’ Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Winning Spotlight Limited, a company incorporated in British Virgin Islands, a direct wholly-owned subsidiary of the Company
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 19 August 2016 and entered into between the Subscriber and the Target Company in respect of the Subscription
“Subscription Price”	the aggregate sum of HK\$7,000,000 payable by the Subscriber to the Target Company for the subscription of the Subscription Shares pursuant to the Subscription Agreement

“Subscription Share(s)”	an aggregate of 7 new shares or such other number of new shares of the Target Company, representing 70% of the total number of shares of the Target Company on a fully diluted basis to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Target Company”	Black Sesame Entertainment Co. Limited, a company incorporated in Hong Kong with limited liability and as at the date of this announcement, is directly and wholly owned by Keith Productions
“HK\$ and cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the board of  
**Sage International Group Limited**  
**Chui Bing Sun**  
*Chairman and executive Director*

Hong Kong, 19 August 2016

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chui Bing Sun (Chairman), Mr. Dong Choi Chi, Alex and Mr. Yao Kan Shan, and three independent non-executive Directors, namely, Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcement” page of the GEM Website for at least 7 days from the day of its publication and on the website of the Company at [www.sig.hk](http://www.sig.hk).*