



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 announcement, 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 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 in this announcement misleading.

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 and six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenue	2	4,387	4,004	9,635	8,656
Cost of sales		(1,654)	(1,809)	(3,789)	(3,834)
Gross profit		2,733	2,195	5,846	4,822
Other income	3	168	162	319	333
Sales and marketing expenses		(950)	(677)	(1,739)	(1,733)
Administrative expenses		(6,276)	(5,765)	(12,345)	(11,258)
LOSS BEFORE TAXATION	7	(4,325)	(4,085)	(7,919)	(7,836)
Income tax expense	4	(10)	(18)	(20)	(131)
LOSS FOR THE PERIOD		<u>(4,335)</u>	<u>(4,103)</u>	<u>(7,939)</u>	<u>(7,967)</u>
(Loss)/profit attributable to:					
Owners of the Company		(4,402)	(4,087)	(7,982)	(8,053)
Non-controlling interests		67	(16)	43	86
		<u>(4,335)</u>	<u>(4,103)</u>	<u>(7,939)</u>	<u>(7,967)</u>
Dividend	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
<i>(EXPRESSED IN HK\$ PER SHARE)</i>					
– Basic		HK\$(0.004)	HK\$(0.005)	HK\$(0.009)	HK\$(0.011)
– Diluted		<u>HK\$(0.004)</u>	<u>HK\$(0.005)</u>	<u>HK\$(0.009)</u>	<u>HK\$(0.011)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the three months and six months ended 30 June 2017

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(4,335)	(4,103)	(7,939)	(7,967)
Other comprehensive loss:				
Exchange differences on translation of foreign operations	<u>1,222</u>	<u>(454)</u>	<u>1,237</u>	<u>(342)</u>
Total comprehensive loss for the period	<u>(3,113)</u>	<u>(4,557)</u>	<u>(6,702)</u>	<u>(8,309)</u>
Total comprehensive (loss)/profit for the period attributable to:				
Owners of the Company	(3,301)	(4,206)	(6,889)	(8,398)
Non-controlling interests	<u>188</u>	<u>(351)</u>	<u>187</u>	<u>89</u>
	<u>(3,113)</u>	<u>(4,557)</u>	<u>(6,702)</u>	<u>(8,309)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment		18,568	18,622
Intangible assets		10,772	10,486
Available-for-sale financial assets		7,769	7,769
Deposits		390	450
		<u>37,499</u>	<u>37,327</u>
Current assets			
Inventories	8	59	294
Prepayment, trade and other receivables	9	25,718	2,437
Available-for-sale financial assets		–	3,254
Cash and cash equivalents		19,965	22,615
		<u>45,742</u>	<u>28,600</u>
Assets of a disposal subsidiary classified as held for sale	10	955	–
		<u>46,697</u>	<u>28,600</u>
Liabilities			
Current liabilities			
Trade payables	11	248	236
Other payables and accruals		3,621	6,211
Income tax payables		6,165	6,076
Deferred income		1,290	312
		<u>11,324</u>	<u>12,835</u>
Liabilities of a disposal subsidiary classified as held for sale	10	613	–
		<u>11,937</u>	<u>12,835</u>
Net current assets		<u>34,760</u>	<u>15,765</u>
Total assets less current liabilities		<u>72,259</u>	<u>53,092</u>
Non-current liabilities			
Deferred income		2,377	2,484
Deferred income tax liabilities		2,317	2,247
		<u>4,694</u>	<u>4,731</u>
Net assets		<u>67,565</u>	<u>48,361</u>
Equity			
Capital and reserves			
Share capital	12	24,840	20,715
Other reserves		324,817	301,943
Accumulated losses		(289,151)	(281,169)
		<u>60,506</u>	<u>41,489</u>
Equity attributable to owners of the Company		7,059	6,872
Total equity		<u>67,565</u>	<u>48,361</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company									Total
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Option deed HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2016 (audited)	17,265	239,909	31,713	796	19	14,340	(263,876)	40,166	4,782	44,948
Loss for the period	-	-	-	-	-	-	(8,053)	(8,053)	86	(7,967)
Other comprehensive loss for the period										
Exchange differences on translation of foreign operations	-	-	-	(345)	-	-	-	(345)	3	(342)
Total comprehensive loss for the period	-	-	-	(345)	-	-	(8,053)	(8,398)	89	(8,309)
Issue of shares upon placement	3,450	15,360	-	-	-	-	-	18,810	-	18,810
Equity-settled share options arrangement	-	-	-	-	-	620	-	620	-	620
Lapse of option deed	-	-	-	-	(19)	-	19	-	-	-
At 30 June 2016 (unaudited)	<u>20,715</u>	<u>255,269</u>	<u>31,713</u>	<u>451</u>	<u>-</u>	<u>14,960</u>	<u>(271,910)</u>	<u>51,198</u>	<u>4,871</u>	<u>56,069</u>
At 1 January 2017 (audited)	<u>20,715</u>	<u>255,269</u>	<u>31,713</u>	<u>186</u>	<u>-</u>	<u>14,775</u>	<u>(281,169)</u>	<u>41,489</u>	<u>6,872</u>	<u>48,361</u>
Loss for the period	-	-	-	-	-	-	(7,982)	(7,982)	43	(7,939)
Other comprehensive loss for the period										
Exchange differences on translation of foreign operations	-	-	-	1,093	-	-	-	1,093	144	1,237
Total comprehensive loss for the period	-	-	-	1,093	-	-	(7,982)	(6,889)	187	(6,702)
Issue of shares upon placement	4,125	21,455	-	-	-	-	-	25,580	-	25,580
Equity-settled share options arrangement	-	-	-	-	-	326	-	326	-	326
Lapse of share options	-	-	-	-	-	(5)	5	-	-	-
At 30 June 2017 (unaudited)	<u>24,840</u>	<u>276,724</u>	<u>31,713</u>	<u>1,279</u>	<u>-</u>	<u>15,096</u>	<u>(289,146)</u>	<u>60,506</u>	<u>7,059</u>	<u>67,565</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Six months ended 30 June 2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
	Note		
Operating activities			
Loss before taxation		(7,919)	(7,836)
Adjustments for:			
Depreciation of property, plant and equipment		1,625	940
Amortisation of deferred income		(182)	–
Write-off of property, plant and equipment		8	46
Equity-settled share options expenses		326	620
Loss on disposal of property, plant and equipment		4	–
Finance income		–	(3)
Income tax paid		(9)	(131)
Operating cash flow before movements of working capital		(6,147)	(6,364)
Increase in inventories		(54)	(93)
Increase in prepayments, deposits and other receivables		(23,470)	(2,665)
Increase/(decrease) in trade payable		5	(90)
Decrease in other payables and accruals		(1,986)	(1,810)
Increase in deferred income		972	543
Cash used in operations		(30,680)	(10,479)
Interest received		–	3
Net cash used in operating activities		(30,680)	(10,476)
Investing activities			
Purchase of property, plant and equipment		(1,476)	(4,352)
Investments in available-for-sale financial assets		3,254	–
Net cash generated from/(used in) investing activities		1,778	(4,352)
Financing activities			
Proceeds from placing of shares, net of issuance costs		25,580	18,811
Net cash generated from financing activities		25,580	18,811
Net (decrease)/increase in cash and cash equivalents		(3,322)	3,983
Cash and cash equivalents at beginning of the reporting period		22,615	34,657
Effect of foreign exchange rate changes, net		836	(120)
Cash and cash equivalents at the end of the reporting period		20,129	38,520
Represented by			
Cash and cash equivalents		19,965	38,520
Cash and cash equivalents included in assets classified as held for sale	10	164	–
		20,129	38,520

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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”).

The unaudited condensed consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2016 (“2016 Annual Report”). The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Company’s 2016 Annual Report, except for the adoption of new and revised HKFRSs which are effective for the Group’s financial year beginning on 1 January 2017. The adoption of these new and revised HKFRSs has no material effect on the Interim Results.

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

2. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive Directors and senior management collectively. They review the Group’s internal reporting in order to assess performance and allocate resources.

The Group started to engage in media and entertainment business in last year. As the business nature of the media and entertainment business is different from the deathcare related business, the executive Directors and senior management determine to change the operating segments from a geographic location perspective to a business nature perspective.

No comparative figures of 2016 is presented since there was no operation related to media and entertainment business involved until the late of 2016.

The Group is organised into two operating and reportable segments as follows:

Funeral services – provision of funeral services and deathcare related business

Media and entertainment business – focus on concert related projects, live events and film rights, etc.

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

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, deposits, prepayment, trade and other receivables, available-for-sale financial assets and operating cash but exclude certain property, plant and equipment, club membership, deposits, prepayment, and other receivables and cash related to neither segment.

Segment liabilities comprise operating liabilities but exclude certain other payables and accruals and income tax payables related to neither segment.

The segment results and other segment items for the six months ended 30 June 2017 are as follows:

	For the six months ended 30 June 2017		
	Funeral services <i>HK\$'000</i>	Media and entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	8,440	1,195	<u>9,635</u>
Segment results	(2,477)	(2,661)	<u>(5,138)</u>
Unallocated corporate expenses, net			<u>(2,781)</u>
Loss before taxation			<u>(7,919)</u>
Segment assets	23,158	41,881	65,039
Property, plant and equipment for corporate			6,349
Club membership			1,500
Prepayment, deposits and other receivables			1,456
Cash and cash equivalents			8,897
Assets of a disposal subsidiary classified as held for sale			<u>955</u>
Total assets			<u>84,196</u>
Segment liabilities	(6,775)	(811)	(7,586)
Other payables and accruals			(2,332)
Income tax payables			(6,100)
Liabilities of a disposal subsidiary classified as held for sale			<u>(613)</u>
Total liabilities			<u>(16,631)</u>
Other segment information:			
Depreciation and amortisation	833	33	866
Corporate depreciation and amortisation			759
Capital expenditure	1,106	42	1,148
Corporate capital expenditure			329

The segment results and other segment items for the six months ended 30 June 2016 are as follows:

	For the six months ended		
	30 June 2016		
	Funeral services <i>HK\$'000</i>	Media and entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	8,656	–	<u>8,656</u>
Segment results	(3,926)	–	<u>(3,926)</u>
Unallocated corporate expenses, net			<u>(3,910)</u>
Loss before taxation			<u>(7,836)</u>
Segment assets	24,206	–	24,206
Property, plant and equipment for corporate			3,306
Club membership			2,700
Prepayment, deposits and other receivables			5,019
Cash and cash equivalents			<u>34,884</u>
Total assets			<u>70,115</u>
Segment liabilities	(6,715)	–	(6,715)
Other payables and accruals			(873)
Income tax payables			<u>(6,458)</u>
Total liabilities			<u>(14,046)</u>
Other segment information:			
Depreciation and amortisation	657	–	657
Corporate depreciation and amortisation			300
Capital expenditure	764	–	764
Corporate capital expenditure			3,588

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

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Rendering of funeral and cremation services	2,528	2,940	5,389	6,779
Sales of Eternity Gem products	636	764	1,251	1,277
Management service fee	900	300	1,800	600
Media and entertainment business	323	–	1,195	–
	<u>4,387</u>	<u>4,004</u>	<u>9,635</u>	<u>8,656</u>

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Rental income	–	–	–	105
Sundry income	168	162	319	228
	<u>168</u>	<u>162</u>	<u>319</u>	<u>333</u>

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 six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

6. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

On 24 March 2017, the Company issued 165,000,000 new ordinary shares through a share placement. The placing price was HK\$0.16 per share and represented a discount to the market price of the existing shares. The weighted average number of shares used for current period calculations of loss per share has been adjusted for the bonus element implicit in the discount.

On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement. The placing price was HK\$0.14 per share and represented a discount to the market price of the existing shares. The weighted average number of shares used for last year corresponding period calculations of loss per share has been adjusted for the bonus element implicit in the discount.

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(4,402)	(4,087)	(7,982)	(8,053)
Weighted average number of ordinary shares in issue (in thousands)	<u>993,606</u>	<u>747,970</u>	<u>930,387</u>	<u>735,116</u>

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The dilutive potential ordinary shares in respect of the Company's outstanding share options are anti-dilutive for the periods ended 30 June 2017 and 30 June 2016.

7. LOSS FOR THE PERIOD

Loss for the period is stated after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	249	213	448	488
Employees benefits expenses	3,523	2,800	7,150	5,369
Depreciation of property, plant and equipment	918	527	1,625	940
Minimum lease payments under operating leases in respect of land and buildings	581	1,050	1,166	2,160

8. INVENTORIES

	30 June	31 December
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Funeral related merchandises	59	294

9. PREPAYMENT, TRADE AND OTHER RECEIVABLES

During the period ended 30 June 2017, the group has jointly operated the production and promotion of Jacky Cheung 《A CLASSIC TOUR 學友•經典》concert which scheduled to be performed in early mid of August 2017. Prepayment for the production cost of concert was approximately HK\$21,000,000 during the reporting period.

10. ASSETS AND LIABILITIES OF A DISPOSAL SUBSIDIARY CLASSIFIED AS HELD FOR SALE

On 27 June 2017, Sage Funeral Services Limited, an indirect wholly-owned subsidiary of the Company, entered into the agreement with Konnection Global Ltd. to dispose the entire issued share capital and the loan of Sage Eternity Gem Services Limited at a cash consideration of HK\$3,000,000. The disposal was completed on 7 July 2017. The disposal does not constitute a discontinued operation as it does not represent the disposal of a separate major line of business or geographic area of operation.

In accordance with HKFRS 5, the assets and liabilities of the Sage Eternity Gem Services Limited were presented under assets and liabilities of a disposal subsidiary classified as held for sale as at 30 June 2017 and have been stated at their carrying amounts which is lower than their fair value less costs of disposal.

At the end of the reporting period, the major classes of assets and liabilities of the disposal subsidiary classified as held for sale in the consolidated statement of financial position correspondingly are as follows:

	30 June 2017 HK\$'000 (Unaudited)
Property, plant and equipment	238
Prepayment, trade and other receivables	263
Inventories	290
Cash and cash equivalents	164
Assets of a disposal subsidiary classified as held for sale	955
Trade and other payables	(613)
Liabilities of a disposal subsidiary classified as held for sale	(613)

11. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 – 30 days	58	92
31 – 60 days	36	13
Over 60 days	<u>154</u>	<u>131</u>
	<u>248</u>	<u>236</u>

12. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.025 each at 1 January 2016, 31 December 2016 and 30 June 2017		<u>3,200,000</u>	<u>80,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.025 each at 1 January 2016		690,606	17,265
Issue of shares upon placement	(i)	<u>138,000</u>	<u>3,450</u>
Ordinary shares of HK\$0.025 each at 31 December 2016		828,606	20,715
Issue of shares upon placement	(ii)	<u>165,000</u>	<u>4,125</u>
Ordinary shares of HK\$0.025 each at 30 June 2017		<u>993,606</u>	<u>24,840</u>

Notes:

- (i) On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement. The placing price was HK\$0.14 per share and represented a discount to the market price of the existing shares. The net proceeds were approximately HK\$18,810,000.
- (ii) On 24 March 2017, the Company issued 165,000,000 new ordinary shares through a share placement. The placing price was HK\$0.16 per share and represented a discount to the market price of the existing shares. The net proceeds were approximately HK\$25,506,000.

13. RELATED PARTY TRANSACTIONS

During the reporting period, the Group has the following related party transactions.

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Management fee income from:				
– a company owned by a Director	900	300	1,800	600
Agency income from:				
– a company owned by a Director	–	–	50	–
Rental expense paid to:				
– a company owned by a Director	165	165	330	390
Remuneration of directors of the Group:				
– Short-term benefits	308	270	617	540

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

14. EVENTS AFTER THE REPORTING PERIOD

- (i) On 24 January 2017, Sunny Side Up (BVI) Limited ("Sunny Side Up"), a wholly-owned subsidiary of the Company, entered into an investment agreement with Sun Entertainment Films Limited ("Sun Entertainment"), a company that wholly and beneficially owned by Mr. Dong Choi Chi, Alex, an executive Director and a substantial shareholder of the Company, to jointly invest in the production of film right "Paradox" and subject to approval by the Company's shareholder.

The investment was completed on 25 July 2017 which the Company issued 164,192,312 new shares of the Company to Sun Entertainment in exchange of 20% of the income right of Paradox. For further details of the investment, please refer to the announcement and the circular of the Company dated 24 January 2017 and 29 June 2017 respectively.

- (ii) On 27 June 2017, Sage Funeral Services Limited, an indirect wholly-owned subsidiary of the Company, entered into the agreement with Konnection Global Ltd. to dispose the entire issued share capital and the loan of Sage Eternity Gem Services Limited at a cash consideration of HK\$3,000,000. The disposal was completed on 7 July 2017. Details of the disposal is disclosed in the announcements of the Company dated 27 June 2017 and 7 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit

For the six months ended 30 June 2017, the total revenue (which mainly consists of the funeral services and entertainment business) was approximately HK\$9,635,000 which was 11.31% higher than that of last year corresponding period of approximately HK\$8,656,000. The increase was mainly due to the revenue generated from media and entertainment business. The overall gross profit for the six months ended 30 June 2017 increased by approximately 21.24% to HK\$5,846,000 and gross profit margin was approximately 60.67% and increased as compared with that of last year corresponding period of approximately 55.71%.

Sales and marketing expenses

Sales and marketing expenses for the six months ended 30 June 2017 was approximately HK\$1,739,000, which was in line with last corresponding period of approximately HK\$1,733,000.

Administrative expenses

Administrative expenses for the six months ended 30 June 2017 amounted to approximately HK\$12,345,000 which was 9.66% higher as compared with last year corresponding period of approximately HK\$11,258,000. The increase was mainly due to the staff cost of hiring employees to run the media and entertainment business.

Loss for the period

The Group's loss for the six months ended 30 June 2017 was approximately HK\$7,939,000 (six months ended 30 June 2016: loss of approximately HK\$7,967,000).

Operation Review – Hong Kong

Funeral services and Eternity Gem

During the six months ended 30 June 2017, the Group's Hong Kong funeral services and related products recorded a revenue of approximately HK\$4,243,000 which was 4.25% higher than that of the corresponding period of approximately HK\$4,070,000 in 2016. During the period under review, revenues were mainly generated from sales of funeral packages, provision of management service and sales of the EGEM products, which transforms the cremated ash into durable memorial gem stone. The revenue from sales of funeral packages for the period ended 30 June 2017 was approximately HK\$1,192,000, which was 45.65% lower than that the corresponding period of last year of approximately HK\$2,193,000. The revenue from provision of management service for the period ended 30 June 2017 was approximately HK\$1,800,000, which was 200% higher than that the corresponding period of last year of approximately HK\$600,000.

The revenue of EGEM was approximately HK\$1,251,000 during the six months ended 30 June 2017, representing a decrease of 2.04% as compared with the corresponding period in 2016 of approximately HK\$1,277,000.

During the current reporting period, the Board was approached by the purchaser for the disposal of entire issued share of Sage Eternity Gem Services Limited at a cash consideration of HK\$3,000,000. The Directors consider that the disposal provides an opportunity for the Group to realise its investment in the EGEM business, which would make a positive contribution to the cash flow and financial position of the Group and provide additional capital for the development of existing businesses of the Group. The disposal was completed on 7 July 2017. Details of the disposal is disclosed in the announcements of the Company dated 27 June 2017 and 7 July 2017.

Media and entertainment business

During the six months ended 30 June 2017, the media and entertainment segment recorded a revenue of HK\$1,195,000 which mainly consists of the sponsorship and marketing income and artist management income. There was no revenue for the last corresponding period due to the media and entertainment business has just started in the mid of 2016.

During the period ended 30 June 2017, the group has jointly operated the production and promotion of Jacky Cheung 《A CLASSIC TOUR 學友•經典》concert which scheduled to be performed in early mid of August 2017. The prepayment will transfer to the production cost of the concert and the revenue is recognized when the performance is rendered.

Operation Review – China

Funeral services and crematorium

Cremation business operation in Huaiji was performing steadily in the six months ended 30 June 2017 and revenue during the period was approximately HK\$4,197,000, representing a decrease of 8.48% as compared with last year corresponding period of approximately HK\$4,586,000. In order to maintain a high quality of service, the Group will put forward plans to improve the repair and maintenance works in the foreseeable future.

Prospects

The Group is principally engaged in the provision of deathcare services and related business in the People's Republic of China ("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 investments in the media and entertainment industry in order to diversify the existing businesses.

The growing momentum of the media and entertainment industry in the PRC is robust in recent year. The Group is optimistic about the industry, particularly the film right, musical, drama, online TV drama/movie, live shows and related intellectual property ("IP") trading, etc. Upon the completion of the Subscription and the Service Agreement with Mr. Chan Siu Kei (please refer to the circular of the Company dated 28 October 2016), the Target Company ("Black Sesame") will become an important operating arm of the Group and will mainly focusing on original musicals to create IP, collaboration with industry partners to enable the musical to further turn into online or movie properties.

Black Sesame is currently managing singer/songwriter, Miss CHAN Ming-Hei, Jocelyn, and organizing the pre-production of musical.

In addition, Sunny Side Up (BVI) Limited ("Sunny Side Up"), a wholly-owned subsidiary of the Group, was inaugurated in January 2017. Sunny Side Up's primary business focus is media and entertainment investment and production, with projects covering films, online/TV drama series, concerts and other types of commercial performance art media including artist management and retail & branding to optimise its business and development opportunities. Soon after its inauguration, Sunny Side Up has established work partnerships with various top-notch industry professionals from acclaimed directors, producers, production studios to sales agents, marketing companies, distributors and cinemas. Sunny Side Up has confirmed its participation in various projects with significant partners and prospects, for instance, the investment in film rights of 18 seconds (a Hollywood-Hong Kong co-production film by Apelles Entertainment and Bridge Picture, and Mr. Colin Wilson as the leading Producer) and the "Paradox" (starring Louis KOO Tin-Lok, LAM Ka-Tung, Tony JAA, WU Yue and Chris COLLINS, please refer to the announcement and the circular of the Company dated 24 January 2017 and 29 June 2017 respectively).

During the six months period ended 30 June 2017, Sunny Side Up has also started to organize the production of the film “Luz 《花明度》”, the film director/screenwriter is Miss Lau Wan Man, Flora, a Hong Kong director that receives worldwide recognition with her first featured film, “Bends 《過界》”, that was nominated at Festival de Cannes. The film producers include Miss Yvette Tang (CEO of Sunny Side Up), Mr. Stephen LAM Bing-Kwan and Alain de la Mata (French producer, Founder/Partner of the world’s top sales agent, Wild Bunch).

The Board believes that the formation of Black Sesame and Sunny Side Up can enhance the Group’s presence in the media and entertainment industry and complement the Group’s business projects in the long run, enabling further collaborations with potential and existing business partners.

Liquidity and financial resources

As at 30 June 2017, the Group has cash and bank balances of approximately HK\$20,129,000 (31 December 2016: HK\$22,615,000) and the total assets of the Group were HK\$84,196,000 (31 December 2016: HK\$65,927,000). The net current assets of the Group were HK\$34,760,000 (31 December 2016: HK\$15,765,000) and the current ratio, which represented the current assets over the current liabilities, is 3.91 times (31 December 2016: 2.23 times). The gearing ratio of the Group as at 30 June 2017 (as calculated by the total liabilities of HK\$16,631,000 over equity attributable to the owners of the Company of HK\$60,506,000 is 27.49% (31 December 2016: 42.34%).

Currency risk exposure

As at 30 June 2017, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group’s foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group’s assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi.

Employees and remuneration policies

As at 30 June 2017, the Group had 72 (six months ended 30 June 2016: 61) employees, including Directors. Total staff costs for the six months ended 30 June 2017, including Directors’ remuneration, amounted to approximately HK\$7,150,000 (six months ended 30 June 2016: HK\$5,369,000). The Group’s employment and remuneration policies remained the same as detailed in the year ended 31 December 2016 Annual Report.

Charges on Group’s assets and contingent liabilities

There were no charges on the Group’s assets or any significant contingent liabilities as at 30 June 2017.

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

As at 30 June 2017, the interests or short positions of the Directors and chief executives in the shares and underlying shares of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of the Company, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held:

(A) Long positions

Name of Directors	Capacity	Notes	Number of issued ordinary shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	1	149,472,498	–	149,472,498	15.04%
	Personal	2	1,800	1,052,820	1,054,620	0.11%
			<u>149,474,298</u>	<u>1,052,820</u>	<u>150,527,118</u>	<u>15.15%</u>
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	284,492,312	–	284,492,312	28.63%
	Personal		<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>	<u>0.10%</u>
			<u>285,492,312</u>	<u>–</u>	<u>285,492,312</u>	<u>28.73%</u>
Mr. Yao Kan Shan	Personal	4	–	1,500,000	1,500,000	0.15%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.02%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.01%

Notes:

1. These shares are held by New Brilliant Investments Limited (“New Brilliant”), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
2. Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
3. 120,300,000 shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands and 164,192,312 shares will be allotted and issued to Sun Entertainment Films Limited (“Sun Entertainment”) upon completion pursuant to the terms and conditions of the investment agreement entered into between Sunny Side Up (BVI) Limited, a wholly-owned subsidiary of the Company, and Sun Entertainment in respect of the joint investment in the production of the film named Paradox on 24 January 2017. Both Heading Champion Limited and Sun Entertainment are wholly and beneficially owned by Mr. Dong, an executive Director. By virtue of the SFO, Mr. Dong is deemed to be interested in the shares held by Heading Champion Limited and Sun Entertainment.
4. For details of the underlying shares, please refer to the next section headed “share options” which stated all the details of share options granted to Directors.

(B) 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 30 June 2017 were as follow:

	Number of share options				Outstanding and exercisable as at 30 June 2017	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period				
<i>Category 1: Directors</i>								
Mr. Chui	1,052,820	–	–	–	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Yao Kan Shan	1,500,000	–	–	–	1,500,000	22 August 2016	22 August 2019 – 21 August 2026	HK\$0.211
Mr. Chan Wai Man	23,927	–	–	–	23,927	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	–	–	–	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Siu Hi Lam, Alick	119,638	–	–	–	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Sub total	2,816,023	–	–	–	2,816,023			

	Number of share options				Outstanding and exercisable as at 30 June 2017	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period				
<i>Category 2: Employees/consultants</i>								
Employee	38,284	–	–	–	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	981,034	–	–	–	981,034	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.784
Employee	153,137	–	–	–	153,137	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Employees	430,698	–	–	–	430,698	9 September 2010	9 September 2010 – 8 September 2020	HK\$4.791
Employees	765,686	–	–	–	765,686	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.474
Employees	693,903	–	–	–	693,903	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.455
Employee	1,196,386	–	–	–	1,196,386	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Employee	1,624,311	–	–	–	1,624,311	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.102
Employees	1,900,000	–	–	(100,000)	1,800,000	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Employees	–	5,400,000	–	–	5,400,000	25 January 2017	25 January 2020 – 24 January 2027	HK\$0.200
Consultant	382,843	–	–	–	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	–	–	–	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	–	–	–	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	–	–	–	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	4,500,000	–	–	–	4,500,000	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Consultant	–	1,500,000	–	–	1,500,000	25 January 2017	25 January 2020 – 24 January 2027	HK\$0.200
Sub total	14,409,654	6,900,000	–	(100,000)	21,209,654			
Total of all categories	17,225,677	6,900,000	–	(100,000)	24,025,677			

During the six months ended 30 June 2017, 100,000 options were forfeited.

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

As at 30 June 2017, the following shareholders (including Directors) had interests or short position in the shares and underlying shares 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	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	1	149,472,498	–	149,472,498	Long	15.04%
Mr. Chui	Interest of controlled corporations	1	149,472,498	–	149,472,498	Long	15.04%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.11%
			149,474,298	1,052,820	150,527,118		15.15%
Heading Champion Limited	Beneficial owner	3	120,300,000	–	120,300,000	Long	12.11%
Sun Entertainment	Beneficial owner	3	164,192,312	–	164,192,312	Long	16.52%
Mr. Dong	Interest of controlled corporations	3	284,492,312	–	284,492,312	Long	28.63%
	Personal		1,000,000	–	1,000,000	Long	0.10%
			285,492,312	–	285,492,312		28.73%
Mr. Chan Ping Che	Beneficial owner		97,390,000	–	97,390,000	Long	9.80%

Notes:

- These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
- Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
- 120,300,000 shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands and 164,192,312 shares will be allotted and issued to Sun Entertainment upon completion pursuant to the terms and conditions of the investment agreement entered into between Sunny Side Up (BVI) Limited, a wholly-owned subsidiary of the Company, and Sun Entertainment in respect of the joint investment in the production of the film named Paradox on 24 January 2017. Both Heading Champion Limited and Sun Entertainment are wholly and beneficially owned by Mr. Dong, an executive Director. By virtue of the SFO, Mr. Dong is deemed to be interested in the shares held by Heading Champion Limited and Sun Entertainment.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Securities transactions by Directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the six months ended 30 June 2017.

Director's interests in competing business

Mr. Dong Choi Chi, Alex ("Mr. Dong"), an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artist and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artist and model management, entertainment, sports, publishing and film and concert production and coordination. He is also a substantial shareholder and director of Sun Entertainment Concert Group Holdings Limited, which together with its subsidiaries are principally engaged in concert investment, production and coordination. He is also a substantial shareholder and a director of Sun Entertainment Film Group Holdings Limited, which together with its subsidiaries are principally engaged in film investment and production. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the new businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of 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 during the period ended 30 June 2017.

Arrangements to purchase shares

Other than the options holdings disclosed above, at no time during the six months ended 30 June 2017 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

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 for the six months ended 30 June 2017.

Compliance with corporate governance practices

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

Non-compliance with paragraph A2.1

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. During the six months ended 30 June 2017, Mr. Chui held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Office in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Save as the deviation from the code provision A2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A2.1 as disclosed in the section "Chairman and Chief Executive Officer", the Company has met all the code provisions in the CG Code during the six months ended 30 June 2017.

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. Siu Hi Lam, Alick and Mr. Ting Kit Lun, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

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

The AC has reviewed the Group's unaudited result for the six months ended 30 June 2017.

By order of the Board
SAGE INTERNATIONAL GROUP LIMITED

Chui Bing Sun
Chairman and executive Director

Hong Kong, 14 August 2017

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 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.