



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 2018

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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 2018 together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2018

		Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2	40,732	4,387	54,213	9,635
Cost of sales		(29,547)	(1,654)	(38,549)	(3,789)
Gross profit		11,185	2,733	15,664	5,846
Other income	3	724	168	864	319
Selling, marketing and distribution expenses		(1,207)	(950)	(2,579)	(1,739)
General and administrative expenses		(5,552)	(6,276)	(11,651)	(12,345)
Other expenses		(7,832)	–	(7,832)	–
LOSS BEFORE TAX	7	(2,682)	(4,325)	(5,534)	(7,919)
Income tax expense	4	57	(10)	(36)	(20)
LOSS FOR THE PERIOD		<u>(2,625)</u>	<u>(4,335)</u>	<u>(5,570)</u>	<u>(7,939)</u>
Attributable to:					
Owners of the Company		(2,290)	(4,402)	(4,921)	(7,982)
Non-controlling interests		(335)	67	(649)	43
		<u>(2,625)</u>	<u>(4,335)</u>	<u>(5,570)</u>	<u>(7,939)</u>
Dividend	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
– Basic and diluted (<i>HK cents</i>)		<u>(0.2)</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.9)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the three months and six months ended 30 June 2018

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(2,625)	(4,335)	(5,570)	(7,939)
Other comprehensive loss:				
Exchange differences on translation of foreign operations	<u>(1,317)</u>	<u>1,222</u>	<u>(289)</u>	<u>1,237</u>
Total comprehensive loss for the period	<u>(3,942)</u>	<u>(3,113)</u>	<u>(5,859)</u>	<u>(6,702)</u>
Attributable to:				
Owners of the Company	(3,412)	(3,301)	(5,234)	(6,889)
Non-controlling interests	<u>(530)</u>	<u>188</u>	<u>(625)</u>	<u>187</u>
	<u>(3,942)</u>	<u>(3,113)</u>	<u>(5,859)</u>	<u>(6,702)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		30 June 2018 <i>HK\$'000</i> (Unaudited)	31 December 2017 <i>HK\$'000</i> (Audited)
	Notes		
Assets			
Non-current assets			
Property, plant and equipment		17,093	17,887
Intangible assets		11,287	11,413
Investment in a film right		7,769	7,769
Deposits		107	108
Total non-current assets		36,256	37,177
Current assets			
Inventories	8	84	57
Film and drama under production		5,505	4,759
Investments in concert and film production projects		45,609	34,386
Trade receivables	9	4,971	857
Prepayments, deposits and other receivables		8,577	8,946
Cash and cash equivalents		8,825	28,977
Total current assets		73,571	77,982
Liabilities			
Current liabilities			
Trade payables	10	221	339
Other payables and accruals		6,888	5,360
Tax payable		7,847	7,916
Deferred income		522	1,229
Total current liabilities		15,478	14,844
Net current assets		58,093	63,138
Total assets less current liabilities		94,349	100,315
Non-current liabilities			
Deferred income		3,243	3,608
Deferred tax liabilities		2,384	2,416
Total non-current liabilities		5,627	6,024
Net assets		88,722	94,291
Equity			
Capital and reserves			
Share capital	11	28,945	28,945
Reserves		53,541	58,485
Equity attributable to owners of the Company		82,486	87,430
Non-controlling interests		6,236	6,861
Total equity		88,722	94,291

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	20,715	255,269	31,713	186	14,775	(281,169)	41,489	6,872	48,361
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)	24,840	276,724	31,713	1,279	15,096	(289,146)	60,506	7,059	67,565
At 1 January 2018 (audited)	28,945	311,509	31,713	719	15,354	(300,810)	87,430	6,861	94,291
Loss for the period	–	–	–	–	–	(4,921)	(4,921)	(649)	(5,570)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	(313)	–	–	(313)	24	(289)
Total comprehensive loss for the period	–	–	–	(313)	–	(4,921)	(5,234)	(625)	(5,859)
Equity-settled share options arrangement	–	–	–	–	885	–	885	–	885
Cancellation of share options	–	–	–	–	(15,430)	14,835	(595)	–	(595)
At 30 June 2018 (unaudited)	28,945	311,509	31,713	406	809	(290,896)	82,486	6,236	88,722

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Operating activities		
Loss before taxation	(5,534)	(7,919)
Adjustments for:		
Depreciation of property, plant and equipment	1,800	1,625
Amortisation of deferred income	(258)	(182)
Write-off of property, plant and equipment	–	8
Equity-settled share options expenses	885	326
Cancellation of share options	(595)	–
Loss on disposal of property, plant and equipment	–	4
Income tax paid	(198)	(9)
Operating cash flow before movements of working capital	(3,900)	(6,147)
Increase in inventories	(27)	(54)
Increase in trade receivables	(4,114)	(99)
Decrease/(increase) in prepayments, deposits and other receivables	370	(2,371)
Increase in film and drama under production	(746)	–
Increase/(decrease) in trade payables, other payables and accruals	1,410	(1,981)
(Decrease)/increase in deferred income	(770)	972
Net cash used in operating activities	(7,777)	(9,680)
Investing activities		
Purchase of property, plant and equipment	(1,011)	(1,476)
Settlement of other investments	–	3,254
Increase in investments in concert and film production projects	(11,223)	(21,000)
Net cash used in investing activities	(12,234)	(19,222)
Financing activities		
Proceeds from placing of shares, net of issuance costs	–	25,580
Net cash generated from financing activities	–	25,580
Net decrease in cash and cash equivalents	(20,011)	(3,322)
Cash and cash equivalents at beginning of the reporting period	28,977	22,615
Effect of foreign exchange rate changes, net	(141)	836
Cash and cash equivalents at the end of the reporting period	8,825	20,129
Analysis of balances of cash and cash equivalents		
Cash and bank balances	8,825	20,129

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 GEM 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 2017 (“2017 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 2017 Annual Report, except for the adoption of new and revised HKFRSs which are effective for the Group’s financial year beginning on 1 January 2018. 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

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the funeral services segment primarily engages in the provision of funeral and cremation services and deathcare related business; and
- (b) the media and entertainment segment primarily engages in the investment in and production of films and concerts and entertainment related businesses.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude certain property, plant and equipment, club membership, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The segment results and other segment items for the six months ended 30 June 2018 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	5,793	48,420	<u>54,213</u>
Segment results	(244)	716	472
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			<u>(6,006)</u>
Loss before tax			<u>(5,534)</u>
Segment assets	25,813	74,176	99,989
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>9,838</u>
Total assets			<u>109,827</u>
Segment liabilities	(7,793)	(4,924)	(12,717)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>(8,388)</u>
Total liabilities			<u>(21,105)</u>
Other segment information:			
Depreciation and amortisation	911	104	1,015
Capital expenditure	507	495	1,002

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

	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)	(5,138)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			<u>(2,781)</u>
Loss before tax			<u>(7,919)</u>
Segment assets	23,158	41,881	65,039
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>19,157</u>
Total assets			<u>84,196</u>
Segment liabilities	(6,775)	(811)	(7,586)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>(9,045)</u>
Total liabilities			<u>(16,631)</u>
Other segment information:			
Depreciation and amortisation	833	33	866
Capital expenditure	1,106	42	1,148

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<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	2,585	2,528	5,793	5,389
Sales of eternity gem products	–	636	–	1,251
Management service fee	–	900	–	1,800
Media and entertainment business	38,147	323	48,420	1,195
	<u>40,732</u>	<u>4,387</u>	<u>54,213</u>	<u>9,635</u>

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on investments in media and entertainment related projects	568	–	568	–
Others	156	168	296	319
	<u>724</u>	<u>168</u>	<u>864</u>	<u>319</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 2018 (six months ended 30 June 2017: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(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.

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(2,290)	(4,402)	(4,921)	(7,982)
Weighted average number of ordinary shares in issue (in thousands)	<u>1,157,798</u>	<u>993,606</u>	<u>1,157,798</u>	<u>930,387</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 2018 and 30 June 2017.

7. LOSS BEFORE TAX

Loss before tax is stated after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<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	257	249	537	448
Employees benefits expenses	2,576	3,523	5,674	7,150
Depreciation of property, plant and equipment	1,045	918	1,800	1,625
Minimum lease payments under operating leases in respect of land and buildings	678	581	1,359	1,166

8. INVENTORIES

	30 June	31 December
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Funeral related merchandises	84	57

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or equivalent, is as follows:

	30 June	31 December
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	376	822
1 to 3 months	126	—
Over 3 months	4,469	35
	4,971	857

10. TRADE PAYABLES

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 – 30 days	81	204
31 – 60 days	17	22
Over 60 days	123	113
	<u>221</u>	<u>339</u>

11. SHARE CAPITAL

	Number of shares '000	Issued capital HK\$'000
<i>Notes</i>		
Authorised:		
Ordinary shares of HK\$0.025 each at 1 January 2017, 31 December 2017 and 30 June 2018	<u>3,200,000</u>	<u>80,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.025 each at 1 January 2017	828,606	20,715
Issue of shares upon placement (i)	165,000	4,125
Equity-settled share-based payment transaction (ii)	<u>164,192</u>	<u>4,105</u>
Ordinary shares of HK\$0.025 each at 31 December 2017 and 30 June 2018	<u>1,157,798</u>	<u>28,945</u>

Notes:

- (i) On 24 March 2017, the Company allotted and issued 165,000,000 new ordinary shares of the Company of HK\$0.025 each through a share placement to several independent third parties at a placing price of HK\$0.16 per placing share, for a total consideration before expenses, of HK\$26,400,000. The net proceeds were approximately HK\$25,556,000.
- (ii) On 25 July 2017, the Company issued 164,192,312 new ordinary shares pursuant to the Investment Agreement, measured by reference to the grant date fair value of the Company's ordinary shares, to settle certain equity-settled share-based payment transactions in the aggregate amount of approximately HK\$38,914,000.

12. RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Management fee income from:				
a company owned by a Director	–	900	–	1,800
Agency income from:				
a company owned by a Director	<u>–</u>	<u>–</u>	<u>–</u>	<u>50</u>
Rental expense paid to:				
a company owned by a Director	<u>165</u>	<u>165</u>	<u>330</u>	<u>330</u>
Remuneration of directors of the Group:				
Short-term benefits	<u>544</u>	<u>308</u>	<u>768</u>	<u>617</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit

For the six months ended 30 June 2018, the total revenue (which mainly consists of (i) the media and entertainment business; and (ii) the funeral services business) was approximately HK\$54,213,000 which was 462.67% higher than that of last year corresponding period of approximately HK\$9,635,000. The increase was mainly due to the revenue generated from certain concerts organised by the Group. The overall gross profit for the six months ended 30 June 2018 increased by approximately 167.94% to HK\$15,664,000 as compared with that of last year corresponding period.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the six months ended 30 June 2018 was approximately HK\$2,579,000, which was 48.30% higher than last corresponding period of approximately HK\$1,739,000. Percentage to turnover was approximately 4.76% (six months ended 30 June 2017: 18.05%). The increase in selling, marketing and distribution expenses is in line with the increase in revenue in the current period under review.

General and administrative expenses

General and administrative expenses for the six months ended 30 June 2018 amounted to approximately HK\$11,651,000 which was 5.62% lower as compared with last year corresponding period of approximately HK\$12,345,000.

Loss for the period

The Group's loss for the six months ended 30 June 2018 was approximately HK\$5,570,000 (six months ended 30 June 2017: loss of approximately HK\$7,939,000).

Operation Review – Hong Kong

Media and entertainment

During the six months ended 30 June 2018, the media and entertainment segment recorded a revenue of approximately HK\$48,420,000, representing an increase of 3,951.88% as compared with last year corresponding period of approximately of HK\$1,195,000. The revenue of media and entertainment was mainly comprised of concert organisation income, artiste management income and sponsorship and marketing related income. The revenue of last year corresponding period was comparatively low due to the media and entertainment business has just started and it was in an initial stage.

Funeral services

During the six months ended 30 June 2018, the Group's Hong Kong funeral services and related products recorded a revenue of approximately HK\$260,000 which was 93.87% lower than that of the corresponding period of approximately HK\$4,243,000 in 2017. During the period under review, revenues were generated from sales of funeral packages only while there were sales of funeral package of approximately HK\$1,192,000, provision of management service of approximately HK\$1,800,000 and sales of the EGEM products of approximately HK\$1,251,000 in last corresponding period. The EGEM business was disposed in July 2017. The management service agreement was expired in late 2017 and the Company did not renew the management service agreement. Hence, the revenue recorded in the current period was decreased substantially.

Operation Review – China

Funeral services and crematorium

Huaiji funeral parlour

During the six months ended 30 June 2018, the revenue from cremation business operation in Huaiji was approximately HK\$5,533,000, representing an increase of 31.83% as compared with last year corresponding period of approximately HK\$4,197,000. The reason for the increase in revenue was mainly due to an increase in selling price of funeral services. 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 growing momentum of the media and entertainment industry in Mainland China is robust in recent years. Mainland China's movie box office revenue rose 13.45% in 2017 to more than 55.9 billion yuan (8.6 billion U.S. dollars), according to the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). The Group is optimistic about the industry, particularly the film, musical, drama, online TV drama/movie, live shows and related intellectual property ("IP") trading sectors/sub-sectors.

For film investment, the Group had acquired 20% of the right of Distribution Net Income (as defined in the investment agreement) of the film "Paradox" which has achieved over RMB500 million box office in the Mainland China, and recently, the main actor in the film, Mr. Louis Koo Tin Lok, had been awarded the Best Actor in the Asian Film Awards, Hong Kong Film Directors' Guild and the 37th Hong Kong Film Awards. Targeting at the enormous yet growing Mainland China market, we endeavor to strengthen the Group's integrated media platform with an aim to provide valuable and competitive products and to enhance our market position, and we will continue to explore strategic alliance as well as investment opportunities to enrich our portfolio, broaden our income streams and bring attractive value for our shareholders.

Upon the completion of the Offers, the Offeror became the single largest shareholder of the Company. It is believed that the Group would be able to leverage on Mr. Cheng and Mr. Chau's extensive commercial network and to promote and support the Group's existing business and/or able to procure investors with solid background and experience.

Liquidity and financial resources

As at 30 June 2018, the Group has cash and bank balances of approximately HK\$8,825,000 (31 December 2017: HK\$28,977,000) and the total assets of the Group were HK\$109,827,000 (31 December 2017: HK\$115,159,000). The net current assets of the Group were HK\$58,093,000 (31 December 2017: HK\$63,138,000) and the current ratio, which represented the current assets over the current liabilities, is 4.75 times (31 December 2017: 5.25 times). The gearing ratio of the Group as at 30 June 2018 (as calculated by the total liabilities of HK\$21,105,000 over equity attributable to the owners of the Company of HK\$82,486,000 is 25.59% (31 December 2017: 23.87%).

Currency risk exposure

As at 30 June 2018, 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 2018, the Group had 59 (six months ended 30 June 2017: 72) employees, including Directors. Total staff costs for the six months ended 30 June 2018, including Directors' remuneration, amounted to approximately HK\$5,674,000 (six months ended 30 June 2017: HK\$7,150,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2017 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 2018.

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

As at 30 June 2018, 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	Capacity	Notes	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Chong Cho Lam	Beneficial owner	1	–	6,500,000	6,500,000	0.56%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		287,549,682	–	287,549,682	24.84%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	2	431,324,523	–	431,324,523	37.25%
			718,874,205	–	718,874,205	62.09%

Notes:

1. The underlying shares represent the share options granted by the Company to Mr. Chong Cho Lam to subscribe for 6,500,000 shares at exercise price of HK\$0.576.
2. Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

(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 2018 were as follow:

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding and exercisable as at 30 June 2018			
<i>Category 1: Directors</i>								
Mr. Chong Cho Lam	–	6,500,000	–	–	6,500,000	16 May 2018	16 May 2019 – 15 May 2028	HK\$0.576
Mr. Chui Bing Sun (resigned as an executive Director on 19 March 2018)	1,052,820	–	–	(1,052,820)	–	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
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	1,316,023	6,500,000	–	(1,316,023)	6,500,000			
<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

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding and exercisable as at 30 June 2018			
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	1,800,000	–	–	(1,800,000)	–	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Employees	5,400,000	–	–	(5,400,000)	–	25 January 2007	25 January 2020 – 24 January 2027	HK\$0.200
Employees	–	6,000,000	–	–	6,000,000	16 May 2018	16 May 2021 – 15 May 2028	HK\$0.576
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 2007	25 January 2020 – 24 January 2027	HK\$0.200
Consultants	–	10,500,000	–	–	10,500,000	16 May 2018	16 May 2019 – 15 May 2028	HK\$0.576
Consultant	–	1,500,000	–	–	1,500,000	16 May 2018	16 May 2021 – 15 May 2028	HK\$0.576
Sub total	<u>20,826,811</u>	<u>18,000,000</u>	<u>–</u>	<u>(20,826,811)</u>	<u>18,000,000</u>			
Total of all categories	<u><u>22,142,834</u></u>	<u><u>24,500,000</u></u>	<u><u>–</u></u>	<u><u>(22,142,834)</u></u>	<u><u>24,500,000</u></u>			

All the share options granted by the Company were lapsed upon expiry and cancelled upon close of the general offer on 19 March 2018. Subsequently, the Company has granted 24,500,000 share options to several grantees.

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

As at 30 June 2018, 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	Long/short position	Percentage of issued share capital
Mr. Dong	Beneficial owner		287,549,682	Long	24.84%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,324,523	Long	37.25%
			718,874,205		62.09%
Simple Cheer Limited	Beneficial owner	2	287,549,682	Long	24.84%
Mr. Chau Cheok Wa ("Mr. Chau")	Beneficial owner		143,774,841	Long	12.42%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	575,099,364	Long	49.67%
			718,874,205		62.09%
Mr. Cheng Ting Kong ("Mr. Cheng")	Interest of controlled corporation	2	287,549,682	Long	24.84%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,324,523	Long	37.25%
			718,874,205		62.09%
New Brilliant Investments Limited	Beneficial owner	3	149,472,498	Long	12.91%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	3	1,800	Long	0.00%
	Interest of controlled corporation	3	149,472,498	Long	12.91%
			149,474,298		12.91%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	8.41%

Notes:

1. Mr. Dong, Mr. Cheng and Mr. Chau are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.
2. Simple Cheer Limited is incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Cheng.
3. New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui Bing Sun. Mr. Chui is also holding 1,800 shares as beneficial owner. Mr. Chui was a former executive Director, the former chairman and the former chief executive officer of the Company who resigned with effect from 19 March 2018.

Save as disclosed above, as at 30 June 2018, 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 (the “Required Standard of Dealings”). Having made specific enquiries of all Directors, one non-compliance incident was noted during the period ended 30 June 2018, where the composite document in relation to the conditional voluntary cash offers by Sun International Securities Limited for and on behalf of Heading Champion Limited, a company which is owned as to 40% by Mr. Dong, for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company was despatched on 13 February 2018 during the Company’s black-out period. The despatch of the composite document constituted a “dealing” and thus the despatch of the same during the black-out period constituted a deviation from the requirements under the Required Standard of Dealings.

The Company has paid due regard to the aforementioned non-compliance and in order to prevent the occurrence of similar incidents, the management of the Company has immediately taken steps to remind all Directors of the dealing restrictions during the black-out period as well as the requirements under the Required Standard of Dealings and the relevant FAQs published by the Stock Exchange from time to time. In addition, the Company will organise, and all Directors and the company secretary of the Company, have committed to attend, a training to be conducted by a professional law firm, covering the requirements and procedures under the Required Standard of Dealings to reinforce the Directors’ and the company secretary’s knowledge and awareness of the requirements and restrictions regarding dealings of shares by directors.

Save as disclosed above, the Directors confirmed that they have complied with the requirements under the Required Standard of Dealings.

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, artiste 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, artiste 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).

Mr. Chong Cho Lam, an executive Director of the Company, is a substantial shareholder and the managing director of Chessman Entertainment Production Company Limited, which is principally engaged in concert co-ordination and production, advertising design and market planning, original music, record production and distribution, public relations and artiste management in Macau. He is a substantial shareholder and director of Chessman Entertainment Production (HK) Limited, which is engaged in advertising production, project planning consultation, design, publishing, entertainment production and promotion. He is also a substantial shareholder and director of Chessman Management and Investment Company Limited, which is engaged in entertainment related investments and management in Macau. He is also a substantial shareholder of Good Media Production Company Limited which is engaged in film production and filming, music production, advertising production, original music, web design, publication publishing and media in Macau. He is also a substantial shareholder of Easy Music Production Company Limited which is engaged in record distribution, artiste management, music producer management, band management, musician management, concert production and music 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 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 2018.

Arrangements to purchase shares

Other than the options holdings disclosed above, at no time during the six months ended 30 June 2018 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 2018.

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 GEM of the Stock Exchange of Hong Kong Limited.

Non-compliance with paragraph A.2.1

Code provision A.2.1 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 period, Mr. Chui Bing Sun held the offices of the chairman and the CEO of the Company. The Board then considered that such structure would not impair the balance of power and authority of the Board, which comprised experienced and high caliber individuals and met regularly to discuss issues affecting the operations of the Company. Following the resignation of Mr. Chui Bing Sun as an executive Director, the chairman of the Board, CEO, a member of the risk management committee, a compliance officer and authorized representative of the Company on 19 March 2018, decisions of the Company are made by the executive Director, Mr. Dong Choi Chi, Alex who are focused on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company. Hence, a new chairman and CEO will not be appointed until suitable candidates have been identified for such purpose.

Save as the deviation from the code provision A.2.1, separation of roles of chairman and CEO pursuant to code provision A.2.1, the Company has met all the code provisions in the CG Code during the six months ended 30 June 2018.

Audit committee

The Company has established an Audit Committee (the “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 (the 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 2018.

By order of the Board
SAGE INTERNATIONAL GROUP LIMITED
Dong Choi Chi, Alex
Executive Director

Hong Kong, 14 August 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chong Cho Lam and Mr. Dong Choi Chi, Alex, 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.