



Sage International Group Limited

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

Stock Code: 8082



**Benevolence
& Innovation**

Third Quarterly Report 2015

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



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (*Chairman*)
Mr. Dong Choi Chi, Alex
Mr. Yao Kan Shan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

COMPANY SECRETARY

Mr. Jip Ki Chi

COMPLIANCE OFFICER

Mr. Chui Bing Sun

AUDIT COMMITTEE

Mr. Chan Wai Man (*Chairman*)
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

NOMINATION COMMITTEE

Mr. Yao Kan Shan (*Chairman*)
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (*Chairman*)
Mr. Chan Wai Man
Mr. Ting Kit Lun

AUTHORISED REPRESENTATIVES

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Mr. Jip Ki Chi

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Michael Li & Co.

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PRINCIPAL BANKERS

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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 nine months ended 30 September 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2015

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
CONTINUING OPERATIONS					
Revenue	2	3,285	2,700	10,573	8,893
Cost of sales		(1,665)	(1,352)	(5,381)	(4,331)
Gross profit		1,620	1,348	5,192	4,562
Other income	3	490	201	1,690	310
Sales and marketing expenses		(1,079)	(1,011)	(2,575)	(2,684)
Administration expenses		(3,513)	(4,636)	(12,099)	(12,978)
Operating loss		(2,482)	(4,098)	(7,792)	(10,790)
Finance costs	4	-	(1,530)	(796)	(4,702)
LOSS BEFORE TAXATION		(2,482)	(5,628)	(8,588)	(15,492)
Income tax credit/(expense)	5	2	-	(59)	(119)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2,480)	(5,628)	(8,647)	(15,611)
DISCONTINUED OPERATIONS					
(Loss)/profit for the period from discontinued operations	8	-	(3,207)	10,341	(8,210)
(Loss)/profit for the period		(2,480)	(8,835)	1,694	(23,821)
(Loss)/profit attributable to:					
Owners of the Company		(2,478)	(8,313)	1,255	(25,560)
Non-controlling interests		(2)	(522)	439	1,739
		(2,480)	(8,835)	1,694	(23,821)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
(Loss)/profit attributable to owners of the Company arises from:					
Continuing operations		(2,478)	(5,612)	(8,678)	(15,727)
Discontinued operations		-	(2,701)	9,933	(9,833)
		(2,478)	(8,313)	1,255	(25,560)
Dividend	6	-	-	-	-
(LOSS)/EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic (loss)/earnings per share (HK\$ per share)	7				
From continuing operations		(0.004)	(0.028)	(0.015)	(0.078)
From discontinued operations		-	(0.013)	0.017	(0.049)
From (loss)/profit for the period		(0.004)	(0.041)	0.002	(0.127)
Diluted (loss)/earnings per share (HK\$ per share)					
From continuing operations		(0.004)	(0.028)	(0.015)	(0.078)
From discontinued operations		-	(0.013)	0.017	(0.049)
From (loss)/profit for the period		(0.004)	(0.041)	0.002	(0.127)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME*For the three months and nine months ended 30 September 2015*

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
(Loss)/profit for the period	(2,480)	(8,835)	1,694	(23,821)
Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(718)	571	(3,429)	(2,214)
Release of exchange differences upon disposal of subsidiaries	-	-	(20,249)	-
Total comprehensive loss for the period	(3,198)	(8,264)	(21,984)	(26,035)
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(2,981)	(7,946)	(21,803)	(27,296)
Non-controlling interests	(217)	(318)	(181)	1,261
	(3,198)	(8,264)	(21,984)	(26,035)
Total comprehensive loss attributable to owners of the Company arises from:				
Continuing operations	(2,981)	(5,765)	(9,050)	(15,750)
Discontinued operations	-	(2,181)	(12,753)	(11,546)
	(2,981)	(7,946)	(21,803)	(27,296)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2015*

	Attributable to owners of the Company											
	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	Warrants shares reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	3,795	117,577	31,713	25,904	19	222,528	8,495	28,609	(403,489)	35,151	152,851	188,002
Loss for the period	-	-	-	-	-	-	-	-	(25,560)	(25,560)	1,739	(23,821)
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	-	-	-	(1,736)	-	-	-	-	-	(1,736)	(478)	(2,214)
Total comprehensive loss for the period	-	-	-	(1,736)	-	-	-	-	(25,560)	(27,296)	1,261	(26,035)
Issue of shares for placing	646	10,726	-	-	-	-	-	-	-	11,372	-	11,372
Share issue expenses	-	(116)	-	-	-	-	-	-	-	(116)	-	(116)
Incorporation of a new subsidiary	-	-	-	-	-	-	-	-	-	-	31	31
Equity-settled warrant shares arrangement	-	-	-	-	-	-	232	-	-	232	-	232
At 30 September 2014 (unaudited)	4,441	128,187	31,713	24,168	19	222,528	8,727	28,609	(429,049)	19,343	154,143	173,486
At 1 January 2015 (audited)	4,441	128,187	31,713	23,604	19	222,528	-	28,609	(457,548)	(18,447)	152,468	134,021
Profit for the period	-	-	-	-	-	-	-	-	1,255	1,255	439	1,694
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	-	-	-	(2,809)	-	-	-	-	-	(2,809)	(620)	(3,429)
Disposal of subsidiaries	-	-	-	(20,249)	-	-	-	-	-	(20,249)	-	(20,249)
Total comprehensive loss for the period	-	-	-	(23,058)	-	-	-	-	1,255	(21,803)	(181)	(21,984)
Issue of shares upon placement	1,750	12,250	-	-	-	-	-	-	-	14,000	-	14,000
Share issuance costs	-	(531)	-	-	-	-	-	-	-	(531)	-	(531)
Open Offer	8,881	60,514	-	-	-	-	-	-	-	69,395	-	69,395
Issue of shares for conversion of convertible bonds	2,193	39,214	-	-	-	(21,790)	-	-	-	19,617	-	19,617
Disposal of subsidiaries	-	-	-	-	-	(186,399)	-	(28,609)	215,008	-	(147,492)	(147,492)
At 30 September 2015 (unaudited)	17,265	239,634	31,713	546	19	14,339	-	-	(241,285)	62,231	4,795	67,026

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2014 ("2014 Annual Report"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company's 2014 Annual Report.

Impact of new and revised HKFRSs which are issued but not effective

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

The Group is in the process of assessing the impact of the new and revised HKFRSs upon initial application but has not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. 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. Management has determined the operating segments from a geographic locations perspective, mainly Hong Kong and Mainland China.

In Mainland China, the Group mainly derives its revenue from the rendering of cremation services. In Hong Kong, the Group mainly derives its revenue from the rendering of funeral services. Sales between segments are carried out at arm's length. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

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

As at 30 September 2015, the cemetery business group has been disposed and the comparative segment information has been reclassified to discontinued operation for presentation consistency.

The segment results and other segment items for the nine months ended 30 September 2015 are as follows:

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	6,391	4,182	10,573
Operating profit/(loss)	160	(3,216)	(3,056)
Unallocated corporate expenses, net			(4,736)
Finance costs			(796)
Loss before taxation from continuing operations			(8,588)

The segment results and other segment items for the nine months ended 30 September 2014 are as follows:

	Mainland China HK\$'000 (Unaudited and restated)	Hong Kong HK\$'000 (Unaudited and restated)	Total HK\$'000 (Unaudited and restated)
Segment revenue:			
Sales to external customers	6,139	2,754	8,893
Operating profit/(loss)	500	(4,428)	(3,928)
Unallocated corporate expenses, net			(6,862)
Finance costs			(4,702)
Loss before taxation from continuing operations			(15,492)

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

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Rendering of funeral and cremation services	3,285	2,700	10,573	8,893

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Rental income	105	105	315	210
Sundry income	385	96	1,375	100
	490	201	1,690	310

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Interests on:				
– Other borrowings wholly repayable within five years	–	1,455	721	4,477
– Convertible bonds	–	75	75	225
	–	1,530	796	4,702

5. INCOME TAX CREDIT/(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.

6. DIVIDEND

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves for the nine months period ended 30 September 2015 (30 September 2014: nil).

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and open offer respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares.

On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder.

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
	(Unaudited)		(Unaudited)	
Loss from continuing operations attributable to owners of the Company	(2,478)	(5,612)	(8,678)	(15,727)
(Loss)/profit from discontinued operations attributable to owners of the Company	-	(2,701)	9,933	(9,833)
	(2,478)	(8,313)	1,255	(25,560)
Weighted average number of ordinary shares in issue (in thousand)	690,606	200,818	592,788	200,818

(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 September 2015 and 30 September 2014.

8. DISCONTINUED OPERATIONS

On 2 April 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries (collectively "Reliance Group"), which mainly operates cemetery business in Mainland China, to Great World Investors Limited by setting off against two convertible bonds with face values of HK\$30,750,000 (and the interest accrued thereon) and US\$12,500,000 (equivalent to approximately HK\$97,175,000) respectively, and loan from a Director of HK\$10,000,000.

As the operation of the cemetery business group is considered as a separate major line of business, it is accounted for as a discontinued operation. The comparative financial information for the nine months ended 30 September 2014 has been reclassified to conform with current period presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was completed on 17 February 2015.

(a) Analysis of the result of discontinued operations is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	–	5,047	3,064	22,992
Expenses	–	(8,750)	(4,521)	(33,860)
Loss before tax of discontinued operations	–	(3,703)	(1,457)	(10,868)
Tax credit	–	496	144	2,658
Loss after tax of discontinued operations	–	(3,207)	(1,313)	(8,210)
Loss on disposal of subsidiaries	–	–	(8,595)	–
Realisation of exchange reserve upon disposal of subsidiaries	–	–	20,249	–
(Loss)/profit for the period from discontinued operations	–	(3,207)	10,341	(8,210)

(b) Net assets at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	37,435
Intangible assets	15,743
Cemetery assets use rights	240,022
Inventories:	
– Cemetery assets use rights	103,270
– Construction cost and cemetery related merchandises	14,248
Prepayments, deposits and other receivables	29,491
Cash and cash equivalents	2,968
	443,177
Trade payables	(1,005)
Other payables and accruals	(17,249)
Deferred income	(1,494)
Deferred income tax liabilities	(77,883)
Other borrowings	(40,124)
	(137,755)
Net assets disposed of	305,422
Non-controlling interests	(147,492)
	157,930
Less: Debt Assignment to Forrex (<i>Note</i>)	(11,360)
	146,570
Less: Consideration	(137,975)
Loss on disposal of subsidiaries	(8,595)

Note: The Company advanced a shareholder's loan of HK\$22,720,000 to EIHI, and EIHI, in turn, injected such amount into Suzhou Celebrities for the construction and renovation works of Suzhou Celebrities in years 2011 and 2012. Forrex, the remaining 50% shareholder of EIHI, did not make any advance to EIHI.

Since Suzhou Celebrities has been disposed of by the Company and the advance has been assigned to the Purchaser after the Disposal, after arm's length negotiation with Forrex, the Company and Forrex agreed that 50% of such amount will be taken up by Forrex as its obligation to such advance. As such, HK\$11,360,000 of such advance which was due by EIHI to the Company as at has been assigned to Forrex as the amount due to the Remaining Group pursuant to the Debt Assignment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit – Continuing operations

For the nine months ended 30 September 2015, the total revenue of continuing operations (which mainly consists of the funeral services and crematorium) was approximately HK\$10,573,000 which was 18.89% higher than that of last year corresponding period of approximately HK\$8,893,000.

Gross profit increased from approximately HK\$4,562,000 to approximately HK\$5,192,000. The overall gross profit margin of the continuing operations for the nine months ended 30 September 2015 was approximately 49.11% and decreased slightly as compared with that of last year corresponding period of approximately 51.30%.

Other Income

Other income increased from approximately HK\$310,000 to approximately HK\$1,690,000. The increase was mainly contributed by the management fee received from the Purchaser after completion of the very substantial disposal (“VSD”) at the beginning of year 2015 (please refer to the circular dated 31 December 2014 for details of the VSD).

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operation for the nine months ended 30 September 2015 was approximately HK\$2,575,000, which was in line with last year corresponding period of approximately HK\$2,684,000.

Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the nine months ended 30 September 2015 amounted to approximately HK\$12,099,000 which was in line with last year corresponding period of approximately HK\$12,978,000.

Finance costs – Continuing operations

Finance costs of the continuing operations for nine months ended 30 September 2015 amounted to approximately HK\$796,000, which was 83.07% less than that of last corresponding period of approximately HK\$4,702,000. The decrease in the finance costs was a result of the pay off of all interest bearing debts by funding raised from the open offer and the placing.

Loss for the period from continuing operations

Loss for the nine months ended 30 September 2015 from continuing operations amounted to approximately HK\$8,647,000 (nine months ended 30 September 2014: loss of approximately HK\$15,611,000).

(Loss)/profit for the period from discontinued operations

The revenue from discontinued operations (which mainly consists of cemetery business) amounted to approximately HK\$3,064,000 for the nine months ended 30 September 2015 and was 88.14% lower than that of last year corresponding period of approximately HK\$22,016,000. The decrease was mainly due to the disposal of the cemetery business on 17 February 2015 such that a comparatively smaller portion of sales generated in the current period was counted. Expenses amounted to approximately HK\$4,521,000 for the nine months ended 30 September 2015. Profit for the current period from discontinued operation was approximately HK\$10,341,000 (nine months ended 30 September 2014: loss of approximately HK\$8,210,000), which was mainly attributable to the release of the exchange reserve to income statement of approximately HK\$20.2 million upon the disposal of the cemetery business during the current period, which was partially offset by the loss on disposal of the cemetery business of approximately HK\$8.6 million.

(Loss)/profit for the period

The Group's profit for the period was approximately HK\$1,694,000 (nine months ended 30 September 2014: loss of approximately HK\$23,821,000). The main reasons for such profit were due to the inclusion of release of the exchange reserve to income statement of approximately HK\$20.2 million, which was partially offset by the loss on disposal of the cemetery business of approximately HK\$8.6 million, as well as less operating cost and finance cost as compared to last year corresponding period after the disposal of the discontinuing operations at beginning of year 2015.

Operation review

For various factors mentioned in the circular of the Company dated 31 December 2014 which caused difficulties in achieving the development plan of the Group, the Company proposed a VSD on 2 April 2014 for the disposal of all the cemetery assets of the Group with an objective to deleverage the Group's current borrowing and such VSD was subsequently completed on 17 February 2015. Under the Group's accounting policies, the segment results of the Group's cemetery business (before disposal on 17 February 2015) during the period are classified as a discontinued operation. During the nine months ended 30 September 2015, the Group's business operation was mainly focusing on the provision of deathcare related services. The Company has been undergoing plans to improve its cash flow situation under the following measures:

- (1) improving revenue by expanding its market and product line in local and international deathcare business through its existing network in the industry;
- (2) improving profit margin by providing more high-end products and services like Sage Eternity Gem ("EGEM") and customized funeral services; and
- (3) reducing operating costs.

Further, to ensure that the Group has sufficient working capital and net asset value after the VSD for operation of the Group's business, the Company, therefore, prior to year end 31 December 2014, entered into the Placing Agreement and the Underwriting Agreement and subsequently, on 17 February 2015, raised approximately HK\$83 million funding as equity capital for future development in deathcare business and other business opportunities that may be identified in the future.

Operation Review – Hong Kong

Funeral services, Eternity Gem and pre-planning funeral arrangement

During the nine months ended 30 September 2015, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$3,236,000 and was 45.44% higher than that of the corresponding period of approximately HK\$2,225,000 in 2014. The Group has been developing self-network generated business in funeral cases since early 2014. Such change has generated a relatively profitable margin because less agency commission was necessary, which was reflected in the comparatively lower sales and marketing expenses incurred during the period. Since then, marketing and promotion efforts were focused on network collaboration and on-line marketing. During the period, revenues were mainly generated from sales of funeral packages and also the newly developed product, EGEM, the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the period and sales of EGEM increased to approximately HK\$946,000 (nine months ended 30 September 2014: HK\$529,000) during the period as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.

Operation Review – China

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily in the nine months ended 30 September 2015 and revenue during the period was approximately HK\$6,391,000, almost in line with last year corresponding period of approximately HK\$6,139,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the period.

Prospects

The Group is still optimistic about the deathcare business in the region because of the ageing of population and growth in wealth of people in the region. The Board is pleased to see that the benefits of the cost reduction measures were reflected in the year of 2015. Together with the continuing streamlining of the business model and new revenue sources, the Group foresees the operating results should be improving in the coming years.

After the completion of the VSD and the related fund raising exercise which raised approximately HK\$83 million cash, the Group will have sufficient working capital and funding for further development in deathcare related business. With the available surplus cash, the Group will also seek other suitable investment opportunities in deathcare and other business sectors that could bring in attractive shareholder's value.

Currency risk exposure

As at 30 September 2015, the Group had no material exposure to foreign exchange risk. The majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the Group will monitor its currency exposure and elect to hedge its currency risk when appropriate.

Employees and remuneration policies

As at 30 September 2015, the Group had 64 (nine months ended 30 September 2014: 131) employees, including Directors. Total staff costs for the nine months ended 30 September 2015, including Directors' remuneration, amounted to approximately HK\$7,861,000 (nine months ended 30 September 2014: HK\$14,011,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2014 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 September 2015.

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

As at 30 September 2015, 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 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	21.65%
	Personal	2	1,800	1,052,820	1,054,620	0.15%
			149,474,298	1,052,820	150,527,118	21.80%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	120,300,000	–	120,300,000	17.42%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.02%
Mr. Law Yee Man, Thomas	Personal	4	–	119,636	119,636	0.02%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.02%

Notes:

- 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.
- 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.
- These shares are held by Heading Champion Limited a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Dong, an executive Director of the Company.
- 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 September 2015 were as follow:

Name/Category of participants	Number of share options					Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted outstanding and exercisable as at 30 September 2015			
<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. 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. Law Yee Man, Thomas	47,854	-	-	-	47,854	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.661
	71,782	-	-	-	71,782	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	1,435,659	-	-	-	1,435,659			

Name/Category of participants	Number of share options					Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted outstanding and exercisable as at 30 September 2015			
<i>Category 2: Employees/consultants</i>								
Employee	38,284	-	-	-	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	1,387,806	-	-	-	1,387,806	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	1,028,891	-	-	-	1,028,891	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
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
Sub total	9,014,619	-	-	-	9,014,619			
Total	10,450,278	-	-	-	10,450,278			

There were no share options cancelled, lapsed or forfeited during the nine months ended 30 September 2015.

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

As at 30 September 2015, 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	Total number of shares and underlying shares		Long/short position	Percentage of interests
				Number of underlying shares	Number of underlying shares		
New Brilliant	Beneficial owner	1	149,472,498	–	149,472,498	Long	21.65%
Mr. Chui	Interested of controlled corporations	1	149,472,498	–	149,472,498	Long	21.65%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.15%
			149,474,298	1,052,820	150,527,118		21.80%
Heading Champion Limited	Beneficial owner	3	120,300,000	–	120,300,000	Long	17.42%
Mr. Dong	Interested of controlled corporations	3	120,300,000	–	120,300,000	Long	17.42%
Mr. Chan Ping Che	Beneficial owner		97,390,000	–	97,390,000	Long	14.10%

Notes:

1. These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
2. 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.
3. These shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. It is wholly owned by Mr. Dong, who has been appointed as an executive Director of the Company with effect from 4 May 2015.

Save as disclosed above, as at 30 September 2015, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

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 nine months ended 30 September 2015.

Director's interests in competing business

As at 30 September 2015, 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.

Arrangements to purchase shares

Other than the options holdings disclosed above, at no time during the nine months ended 30 September 2015 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, or convertible bonds of, the Company or any other body corporate.

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 nine months ended 30 September 2015, 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 nine months ended 30 September 2015.

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 nine months ended 30 September 2015.

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

Hong Kong, 12 November 2015

As at the date of this report, the executive Directors are Mr. Chui Bing Sun, Mr. Dong Choi Chi, Alex and Mr. Yao Kan Shan; and the independent non-executive Directors are Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.