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SAGE

Sage International Group Limited

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



Third Quarterly
Report
2016

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

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

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

CORPORATE INFORMATION**EXECUTIVE DIRECTORS**

Mr. Chui Bing Sun (*Chairman*)
Mr. 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

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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Mr. Jip Ki Chi

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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 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2016

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
CONTINUING OPERATIONS					
Revenue	2	3,336	3,585	11,992	11,473
Cost of sales		(1,553)	(1,665)	(5,387)	(5,381)
Gross profit		1,783	1,920	6,605	6,092
Other income	3	65	190	398	790
Sales and marketing expenses		(664)	(1,079)	(2,397)	(2,575)
Administration expenses		(5,279)	(3,513)	(16,537)	(12,099)
Operating loss		(4,095)	(2,482)	(11,931)	(7,792)
Finance costs	4	-	-	-	(796)
LOSS BEFORE TAXATION		(4,095)	(2,482)	(11,931)	(8,588)
Income tax (expense)/credit	5	(22)	2	(153)	(59)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(4,117)	(2,480)	(12,084)	(8,647)
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	8	-	-	-	4,155
Loss for the period		(4,117)	(2,480)	(12,084)	(4,492)
Loss attributable to:					
Owners of the Company		(4,137)	(2,478)	(12,190)	(5,540)
Non-controlling interests		20	(2)	106	1,048
		(4,117)	(2,480)	(12,084)	(4,492)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
(Loss)/profit attributable to owners of the Company arises from:					
Continuing operations		(4,137)	(2,478)	(12,190)	(8,677)
Discontinued operations		-	-	-	3,137
		(4,137)	(2,478)	(12,190)	(5,540)
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		(0.005)	(0.004)	(0.016)	(0.014)
From discontinued operations		-	-	-	0.005
From loss for the period		(0.005)	(0.004)	(0.016)	(0.009)
Diluted (loss)/earnings per share (HK\$ per share)					
From continuing operations		(0.005)	(0.004)	(0.016)	(0.014)
From discontinued operations		-	-	-	0.005
From loss for the period		(0.005)	(0.004)	(0.016)	(0.009)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME*For the three months and nine months ended 30 September 2016*

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Loss for the period	(4,117)	(2,480)	(12,084)	(4,492)
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(65)	(718)	(407)	(1,834)
Release of exchange differences upon disposal of subsidiaries	-	-	-	(21,506)
Total comprehensive loss for the period	(4,182)	(3,198)	(12,491)	(27,832)
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(4,113)	(2,981)	(12,511)	(28,260)
Non-controlling interests	(69)	(217)	20	428
	(4,182)	(3,198)	(12,491)	(27,832)
Total comprehensive loss attributable to owners of the Company arises from:				
Continuing operations	(4,113)	(2,981)	(12,511)	(7,907)
Discontinued operations	-	-	-	(20,353)
	(4,113)	(2,981)	(12,511)	(28,260)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2016*

	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	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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
Loss for the period	-	-	-	-	-	-	-	(5,540)	(5,540)	1,048	(4,492)
Other comprehensive loss for the period											
Exchange differences on translation of foreign operations	-	-	-	(1,214)	-	-	-	-	(1,214)	(620)	(1,834)
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(21,506)	-	-	-	-	(21,506)	-	(21,506)
Total comprehensive loss for the period	-	-	-	(22,720)	-	-	-	(5,540)	(28,260)	428	(27,832)
Issue of shares upon placement	1,750	12,250	-	-	-	-	-	-	14,000	-	14,000
Share issuance costs	-	(531)	-	-	-	-	-	-	(531)	-	(531)
Issue of shares upon open offer	8,881	60,514	-	-	-	-	-	-	69,395	-	69,395
Issue of shares upon conversion of convertible bonds	2,193	39,214	-	-	-	(21,790)	-	-	19,617	-	19,617
Disposal of subsidiaries	-	-	-	-	-	(186,399)	(28,609)	215,008	-	(148,102)	(148,102)
At 30 September 2015 (unaudited and restated)	17,265	239,634	31,713	884	19	14,339	-	(248,080)	55,774	4,794	60,568
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	-	-	-	-	-	-	-	(12,190)	(12,190)	106	(12,084)
Other comprehensive loss for the period											
Exchange differences on translation of foreign operations	-	-	-	(321)	-	-	-	-	(321)	(86)	(407)
Total comprehensive loss for the period	-	-	-	(321)	-	-	-	(12,190)	(12,511)	20	(12,491)
Issue of shares upon placement	3,450	15,360	-	-	-	-	-	-	18,810	-	18,810
Equity-settled share options arrangement	-	-	-	-	-	230	-	-	230	-	230
Lapse of option deed	-	-	-	-	(19)	-	-	19	-	-	-
At 30 September 2016 (unaudited)	20,715	255,269	31,713	475	-	14,570	-	(276,047)	46,695	4,802	51,497

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2015 ("2015 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 2015 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.

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 event 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 and unallocated corporate income and expenses.

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

	Funeral services HK\$'000 (Unaudited)	Media and entertainment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	11,963	29	11,992
Operating loss	(6,051)	(560)	(6,611)
Unallocated corporate expenses, net			(5,320)
Finance costs			-
Loss before taxation from continuing operations			(11,931)

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

	Funeral services HK\$'000 (Unaudited and restated)	Media and entertainment HK\$'000 (Unaudited and restated)	Total HK\$'000 (Unaudited and restated)
Segment revenue:			
Sales to external customers	11,473	-	11,473
Operating loss	(3,056)	-	(3,056)
Unallocated corporate expenses, net			(4,736)
Finance costs			(796)
Loss before taxation from continuing operations			(8,588)

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

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Rendering of funeral and cremation services	2,246	2,986	9,025	9,627
Sales of Eternity Gem products	761	299	2,038	946
Management service fee	300	300	900	900
Media and entertainment	29	–	29	–
	3,336	3,585	11,992	11,473

The Group's revenue from external customers by geographical location of the customers is as follows:

	Nine months ended 30 September 2016	
	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Hong Kong	5,498	5,082
The PRC	6,494	6,391
	11,992	11,473

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Rental income	–	105	105	315
Sundry income	65	85	293	475
	65	190	398	790

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Interests on:				
– Other borrowings wholly repayable within five years	–	–	–	721
– Convertible bonds	–	–	–	75
	–	–	–	796

5. INCOME TAX (EXPENSE)/CREDIT

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 ended 30 September 2016 (30 September 2015: 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 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 then existing shares.

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Loss from continuing operations attributable to owners of the Company	(4,137)	(2,478)	(12,190)	(8,677)
Profit from discontinued operations attributable to owners of the Company	–	–	–	3,137
	(4,137)	(2,478)	(12,190)	(5,540)
Weighted average number of ordinary shares in issue (in thousand)	828,606	690,606	766,506	639,208

(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 2016 and 30 September 2015.

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 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Revenue	-	-	-	5,396
Expenses	-	-	-	(6,443)
Loss before tax of discontinued operations	-	-	-	(1,047)
Tax credit	-	-	-	273
Loss after tax of discontinued operations	-	-	-	(774)
Gain on disposal of subsidiaries	-	-	-	11,725
Income tax from the disposal of PRC subsidiaries	-	-	-	(6,796)
Gain on disposal of subsidiaries after tax	-	-	-	4,929
Profit for the period from discontinued operations	-	-	-	4,155

(b) The carrying amounts of assets and liabilities as of the disposal date were as follows:

	HK\$'000
Property, plant and equipment	37,412
Intangible assets	15,743
Cemetery assets use rights	239,448
Inventories:	
– Cemetery assets use rights	103,328
– Construction cost and cemetery related merchandises	14,031
Prepayments, deposits and other receivables	27,806
Cash and cash equivalents	3,264
Trade payables	(614)
Other payables and accruals	(13,828)
Deferred income	(1,494)
Deferred income tax liabilities	(77,754)
Other borrowings	(40,124)
Net assets disposed of	307,218
Non-controlling interests	(148,102)
Net assets disposed of attributable to the owners of the Company	159,116
Less: Debt assignment to Forrex (Note)	(11,360)
Less: Consideration	(137,975)
	9,781
Release of exchange reserve upon disposal of subsidiaries	(21,506)
Gain on disposal of subsidiaries	(11,725)

Note: The Company advanced a shareholder's loan of HK\$22,720,000 to Era Investment (Holding) Inc ("EIHI") and EIHI, in turn, injected such amount into Suzhou Celebrities Cemetery Industry Co. Limited ("Suzhou Celebrities") for the construction and renovation works of Suzhou Celebrities in years 2011 and 2012. Forrex (Holding) Inc. ("Forrex"), the remaining 50% shareholder of EIHI, did not make any advance to EIHI. Since Suzhou Celebrities was disposed of by the Company and the advance would be assigned to Great World Investors Limited after the disposal. After arm's length negotiation with Forrex, the Company and Forrex agreed that 50% of such amount would 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 the completion date was assigned to Forrex as the amount due to the Group according to the deed of assignment entered into among the Company, Forrex and EIHI and such amount will be repayable by Forrex to the Company within 12 months from the completion date.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profits – Continuing operations

For the nine months ended 30 September 2016, the total revenue of continuing operations (which mainly consists of the funeral services and media and entertainment) was approximately HK\$11,992,000 which was 4.52% higher than that of last year corresponding period of approximately HK\$11,473,000.

Gross profit increased from approximately HK\$6,092,000 to approximately HK\$6,605,000. The overall gross profit margin of the continuing operations for the nine months ended 30 September 2016 was approximately 55.08% and increased slightly as compared with that of last year corresponding period of approximately 53.10%.

Other Income – Continuing operations

Other income decreased from approximately HK\$790,000 to approximately HK\$398,000.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operations for the nine months ended 30 September 2016 was approximately HK\$2,397,000, which was 6.91% lower than that of last year corresponding period of approximately HK\$2,575,000. Percentage to turnover was approximately 19.99% (nine months ended 30 September 2015: 22.44%).

Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the nine months ended 30 September 2016 amounted to approximately HK\$16,537,000 which was higher as compared with last year corresponding period of approximately HK\$12,099,000. The increase was mainly due to the increase in consultancy fee and office rental.

Finance costs – Continuing operations

Finance costs of the continuing operations for nine months ended 30 September 2016 was nil which was 100% less than that of last corresponding period of approximately HK\$796,000. 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 in year 2015.

Loss for the period from continuing operations

Loss for the nine months ended 30 September 2016 from continuing operations amounted to approximately HK\$12,084,000 (nine months ended 30 September 2015: loss of approximately HK\$8,647,000).



Profit for the period from discontinued operations

No contribution had been derived from discontinued operations (which mainly consists of cemetery business) for the nine months ended 30 September 2016 (nine months ended 30 September 2015: gain of HK\$4,155,000). The Group had disposed of the cemetery business in year 2015.

Loss for the period

The Group's loss for the nine months ended 30 September 2016 was approximately HK\$12,084,000 (nine months ended 30 September 2015: loss of approximately HK\$4,492,000).

Operation Review – Hong Kong***Funeral services and Eternity Gem***

During the nine months ended 30 September 2016, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$2,531,000 and was 21.79% lower than that of the corresponding period of approximately HK\$3,236,000 in 2015. During the period, revenues were mainly generated from sales of funeral packages and 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\$2,038,000 and was 115.43% higher than that of last year corresponding period of approximately HK\$946,000. The increase was due to launch 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.

Media and entertainment

The new operating segment of media and entertainment has just started in the mid of 2016 which recorded a revenue of approximately HK\$29,000 for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil). The revenue from media and entertainment is relatively small as it is in the initial stage of business.

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 2016 and revenue during the period was approximately HK\$6,494,000, almost in line with last year corresponding period of approximately HK\$6,391,000. 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 principally engaged in the provision of deathcare services and related business in the PRC and Hong Kong. As disclosed in the announcement of the Company dated 26 May 2016, whilst the Group remains focused on developing its existing businesses, the Group has recently made investment in the media and entertainment industry in order to diversify the existing businesses.

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 filming, musical, drama, live shows and related intellectual property (“IP”) trading, etc. Upon the completion of the Subscription and the Service Agreement with Mr. Chan (please refer to the Circular of the Company dated 27 October 2016), the Target Company 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. In addition, leveraging the extensive experience and network of Mr. Chan in the region, we can further cooperate with international entertainment brands to create more musical assets, content and IP with placement of in house artists in the events.

The Board believes that the Subscription 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 through the Target Company.

For the existing deathcare business, the Company will allocate more resources on developing the Sage Eternity Gem (“EGEM”) business since the sales of EGEM had increased significantly in the current year. At the same time, the Company will streamline its operational workflow to reduce cost and hence increase its efficiency and profitability.



Currency risk exposure

As at 30 September 2016, 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 2016, the Group had 62 (nine months ended 30 September 2015: 64) employees, including Directors. Total staff costs for the nine months ended 30 September 2016, including Directors' remuneration, amounted to approximately HK\$7,355,000 (nine months ended 30 September 2015: HK\$7,861,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2015 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 2016.

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

As at 30 September 2016, 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	18.04%
	Personal	2	1,800	1,052,820	1,054,620	0.13%
			149,474,298	1,052,820	150,527,118	18.17%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	120,300,000	–	120,300,000	14.52%
	Personal		1,000,000	–	1,000,000	0.12%
			121,300,000	–	121,300,000	14.64%
Mr. Yao Kan Shan	Personal	4	–	1,500,000	1,500,000	0.18%
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:

- 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 2016 were as follow:

Name/Category of participants	Number of share options				Outstanding and exercisable as at 30 September 2016	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period				
Category 1: Directors								
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	1,316,023	1,500,000	-	-	2,816,023			

Name/Category of participants	Number of share options				Outstanding and exercisable as at 30 September 2016	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	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	-	-	1,900,000	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
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
Sub total	8,009,654	6,400,000	-	-	14,409,654			
Total	9,325,677	7,900,000	-	-	17,225,677			

There were no share options cancelled, lapsed or forfeited during the nine months ended 30 September 2016.

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

As at 30 September 2016, 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	18.04%
Mr. Chui	Interested of controlled corporations	1	149,472,498	-	149,472,498	Long	18.04%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.13%
			149,474,298	1,052,820	150,527,118		18.17%
Heading Champion Limited	Beneficial owner	3	120,300,000	-	120,300,000	Long	14.52%
Mr. Dong	Interested of controlled corporations	3	120,300,000	-	120,300,000	Long	14.52%
	Personal		1,000,000	-	1,000,000	Long	0.12%
			121,300,000	-	121,300,000		14.64%
Mr. Chan Ping Che	Beneficial owner		97,390,000	-	97,390,000	Long	11.75%

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.

Save as disclosed above, as at 30 September 2016, 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 2016.

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, as at 30 September 2016, 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 2016 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.

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 nine months ended 30 September 2016.

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 2016, 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 2016.

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 2016.

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

Hong Kong, 11 November 2016

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.

