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SAGE

Sage International Group Limited

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



Memories

Third Quarterly
Report
2017

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

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr. Yao Kan Shan (*Chairman*)

Mr. Chui Bing Sun

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 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
CONTINUING OPERATIONS					
Revenue	2	35,120	2,574	44,098	9,953
Cost of sales		(24,833)	(1,201)	(28,402)	(4,510)
Gross profit		10,287	1,373	15,696	5,443
Other income	3	2,839	65	3,157	384
Sales and marketing expenses		(535)	(334)	(2,076)	(1,726)
Administrative expenses		(6,556)	(5,135)	(18,594)	(16,143)
PROFIT/(LOSS) BEFORE TAXATION		6,035	(4,031)	(1,817)	(12,042)
Income tax expense	4	(70)	(22)	(90)	(153)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		5,965	(4,053)	(1,907)	(12,195)
DISCONTINUED OPERATIONS					
(Loss)/profit for the period from discontinued operations	7	-	(64)	(67)	111
Profit/(loss) for the period		5,965	(4,117)	(1,974)	(12,084)
Profit/(loss) attributable to:					
Owners of the Company		6,032	(4,137)	(1,884)	(12,190)
Non-controlling interests		(67)	20	(90)	106
		5,965	(4,117)	(1,974)	(12,084)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Profit/(loss) attributable to owners of the Company arises from:					
Continuing operations		6,032	(4,073)	(1,817)	(12,301)
Discontinued operations		-	(64)	(67)	111
		6,032	(4,137)	(1,884)	(12,190)
Dividend	5	-	-	-	-
EARNINGS/(LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
Basic earnings/(loss) per share (HK\$ per share)					
From continuing operations		0.0054	(0.0049)	(0.0018)	(0.0160)
From discontinued operations		-	-	-	0.0001
From profit/(loss) for the period		0.0054	(0.0049)	(0.0018)	(0.0159)
Diluted earnings/(loss) per share (HK\$ per share)					
From continuing operations		0.0054	(0.0049)	(0.0018)	(0.0160)
From discontinued operations		-	-	-	0.0001
From profit/(loss) for the period		0.0054	(0.0049)	(0.0018)	(0.0159)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME*For the three months and nine months ended 30 September 2017*

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Profit/(loss) for the period	5,965	(4,117)	(1,974)	(12,084)
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	297	(65)	713	(407)
Total comprehensive profit/(loss) for the period	6,262	(4,182)	(1,261)	(12,491)
Total comprehensive profit/(loss) for the period attributable to:				
Owners of the Company	6,307	(4,113)	(1,157)	(12,511)
Non-controlling interests	(45)	(69)	(104)	20
	6,262	(4,182)	(1,261)	(12,491)
Total comprehensive profit/(loss) attributable to owners of the Company arises from:				
Continuing operations	6,307	(4,049)	(1,090)	(12,622)
Discontinued operations	–	(64)	(67)	111
	6,307	(4,113)	(1,157)	(12,511)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	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	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	17,265	239,909	31,713	796	19	14,340	(263,876)	40,166	4,782	44,948
Loss for the period	-	-	-	-	-	-	(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
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	-	-	-	-	-	-	(1,884)	(1,884)	(90)	(1,974)
Other comprehensive loss for the period										
Exchange differences on translation of foreign operations	-	-	-	727	-	-	-	727	(14)	713
Total comprehensive loss for the period	-	-	-	727	-	-	(1,884)	(1,157)	(104)	(1,261)
Issue of shares upon placement	4,125	21,455	-	-	-	-	-	25,580	-	25,580
Issue of shares	4,105	22,165	-	-	-	-	-	26,270	-	26,270
Equity-settled share options arrangement	-	-	-	-	-	431	-	431	-	431
Lapse of share options	-	-	-	-	-	(5)	5	-	-	-
At 30 September 2017 (unaudited)	28,945	298,889	31,713	913	-	15,201	(283,048)	92,613	6,768	99,381

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 2016 ("2016 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 2016 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 started to engage in media and entertainment business in last year. As the business nature of the media and entertainment business is different from the deathcare related business, the executive Directors and senior management determine to change the operating segments from a geographic location perspective to a business nature perspective.

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

Funeral services – provision of funeral services and deathcare related business

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

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

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

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

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

	Funeral services HK\$'000 (Unaudited)	Media and entertainment business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue			
Sales to external customers	11,410	32,688	44,098
Segment results	(851)	2,969	2,118
Unallocated corporate expenses, net			(3,935)
Loss before taxation			(1,817)
Segment assets	23,969	105,822	129,791
Property, plant and equipment for corporate			5,956
Club membership			1,500
Prepayments, deposits and other receivables			2,326
Cash and cash equivalents			15,888
Total assets			155,461
Segment liabilities	(6,681)	(39,510)	(46,191)
Other payables and accruals			(2,322)
Income tax payable			(6,100)
Total liabilities			(54,613)
Other segment information:			
Depreciation and amortisation	1,163	54	1,217
Corporate depreciation and amortisation			1,152
Capital expenditure	1,296	294	1,590
Corporate capital expenditure			329

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 business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue			
Sales to external customers	9,924	29	9,953
Segment results	(6,051)	(560)	(6,611)
Unallocated corporate expenses, net			(5,431)
Loss before taxation			(12,042)
Segment assets	23,185	4,315	27,500
Property, plant and equipment for corporate			3,094
Club membership			2,700
Prepayments, deposits and other receivables			1,634
Cash and cash equivalents			31,053
Total assets			65,981
Segment liabilities	(6,807)	–	(6,807)
Other payables and accruals			(1,220)
Income tax payable			(6,458)
Total liabilities			(14,485)
Other segment information:			
Depreciation and amortisation	784	5	789
Corporate depreciation and amortisation			476
Capital expenditure	604	45	649
Corporate capital expenditure			3,552

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Rendering of funeral and cremation services	2,728	2,245	8,710	9,024
Management service fee	900	300	2,700	900
Media and entertainment business	31,492	29	32,688	29
	35,120	2,574	44,098	9,953

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

	Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Hong Kong	37,047	3,459
The PRC	7,051	6,494
	44,098	9,953

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Gain on disposal of a subsidiary (i)	2,659	–	2,659	–
Rental income	–	–	–	105
Sundry income	180	65	498	279
	2,839	65	3,157	384

Note:

- (i) On 27 June 2017, the purchaser (“Konnection Global Ltd”) entered into the sale and purchase agreement with the vendor (“Sage Funeral Services Limited”, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company), in relation to the sale and purchase of the entire issued share capital of Sage Eternity Gems Service Limited and the sale of loan at the consideration in the sum of HK\$3,000,000. For details, please refer to the announcements of the Company dated 27 June 2017 and 7 July 2017.

4. INCOME TAX EXPENSE

The Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2016: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 dividend nor transfer of any amount to reserves for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil).

6. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

On 25 July 2017, the Company issued 164,192,312 new ordinary shares pursuant to the investment agreement dated 24 January 2017, entered between Sunny Side Up (BVI) Limited, a wholly-owned subsidiary of the Company and Sun Entertainment Films Limited, a company that wholly and beneficially owned by Mr. Dong Choi Chi, Alex, an executive Director and a substantial shareholder of the Company, to jointly invest in the production of the film right “Paradox”. The issue price was HK\$0.16 per share and represented a discount to the market price of the then existing shares.

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 then existing shares. The weighted average number of shares used for current period calculations of loss per share has been adjusted for the bonus element implicit in the discount.

On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement. The placing price was HK\$0.14 per share and represented a discount to the market price of the then 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 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Profit/(loss) from continuing operations attributable to owners of the Company	6,032	(4,073)	(1,817)	(12,301)
(Loss)/profit from discontinued operations attributable to owners of the Company	-	(64)	(67)	111
	6,032	(4,137)	(1,884)	(12,190)
Weighted average number of ordinary shares in issue (in thousand)	1,114,965	828,606	1,010,596	766,895

(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 2017 and 30 September 2016.

7. DISCONTINUED OPERATIONS

On 27 June 2017, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Sage Eternity Gems Service Limited ("Sage Eternity"), which engages in sales of EGEM products, to Konnection Global Ltd. As the operation of Sage Eternity is considered as a separate major line of business which was previously classified as part of the Hong Kong operating segment, it is accounted for as a discontinued operation. The disposal was completed on 7 July 2017.

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

	HK\$'000
Property, plant and equipment	238
Inventories	290
Prepayments, deposits and other receivables	263
Cash and cash equivalents	164
Other payables and accruals	(614)
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Net assets disposed	341
Less: Consideration	(3,000)
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Gain on disposal of subsidiary	(2,659)

(b) An analysis of the result of discontinued operations is as follows:

	Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Revenue	658	2,053
Expenses	(725)	(1,942)
<hr/>		
(Loss)/profit for the period from discontinued operations	(67)	111

(c) **Cash flows**

	Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Operating cash flows	(171)	37
Investing cash flows	-	(114)
Financing cash flows	-	-
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	(171)	(77)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit – Continuing operations

For the nine months ended 30 September 2017, the total revenue of continuing operations (which mainly consists of the funeral services and media and entertainment business) was approximately HK\$44,098,000 which was 343.06% higher than that of last year corresponding period of approximately HK\$9,953,000. Gross profit increased from approximately HK\$5,443,000 to approximately HK\$15,696,000. The increase in both revenue and gross profit was mainly due to the profit generated from the concert of 《A CLASSIC TOUR 學友 • 經典》. The overall gross profit margin of the continuing operations for the nine months ended 30 September 2017 was approximately 35.59% and decreased as compared with that of last year corresponding period of approximately 54.69%. The decrease in gross profit margin was due to much lower gross profit margin in media and entertainment business as compared with funeral services.

Other income – Continuing operations

Other income increased from approximately HK\$384,000 to approximately HK\$3,157,000. The increase was mainly due to gain on disposal of a subsidiary.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operations for the nine months ended 30 September 2017 was approximately HK\$2,076,000, which was 20.28% higher than that of last year corresponding period of approximately HK\$1,726,000. Percentage to turnover was approximately 4.71% (nine months ended 30 September 2016: 17.34%).

Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the nine months ended 30 September 2017 amounted to approximately HK\$18,594,000 which was 15.18% higher as compared with last year corresponding period of approximately HK\$16,143,000. The increase was mainly due to the staff cost of hiring employees to run the media and entertainment business.

Loss for the period from continuing operations

Loss for the nine months ended 30 September 2017 from continuing operations amounted to approximately HK\$1,907,000 (nine months ended 30 September 2016: loss of approximately HK\$12,195,000).

Loss for the period from discontinued operations

Loss for the nine months ended 30 September 2017 from discontinued operations was approximately HK\$67,000 (nine months ended 30 September 2016: gain of HK\$111,000).

Loss for the period

The Group's loss for the nine months ended 30 September 2017 was approximately HK\$1,974,000 (nine months ended 30 September 2016: loss of approximately HK\$12,084,000).

Operation Review – Hong Kong***Funeral services***

During the nine months ended 30 September 2017, the Group's Hong Kong funeral services and related products recorded a revenue of approximately HK\$4,720,000 and was 37.57% higher than that of the corresponding period of approximately HK\$3,431,000 in 2016. During the period, revenues were mainly generated from sales of funeral packages and provision of management service. The revenue from sales of funeral packages for the period ended 30 September 2017 was approximately HK\$2,020,000, which was 20.19% lower than that the corresponding period of last year of approximately HK\$2,531,000. The revenue from provision of management service for the period ended 30 September 2017 was approximately HK\$2,700,000, which was 200% higher than that the corresponding period of last year of approximately HK\$900,000.

Media and entertainment business

During the nine months ended 30 September 2017, the media and entertainment segment recorded a revenue of HK\$32,688,000 (nine months ended 30 September 2016: HK\$29,000), which mainly consists of the sponsorship and marketing income, concert performance and artiste management income. The revenue of last corresponding period of last year was comparatively small due to the media and entertainment business has just started in the mid of 2016.

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 2017 and revenue during the period was approximately HK\$6,690,000, almost in line with last year corresponding period of approximately HK\$6,494,000. 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 People's Republic of China ("PRC") and Hong Kong. As disclosed in the announcement of the Company dated 26 May 2016, whilst the Group remains focused on developing its existing businesses, the Group has recently made investments in the media and entertainment industry in order to diversify the existing businesses.

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

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

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

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

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

Currency risk exposure

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

Employees and remuneration policies

As at 30 September 2017, the Group had 64 (nine months ended 30 September 2016: 62) employees, including Directors. Total staff costs for the nine months ended 30 September 2017, including Directors' remuneration, amounted to approximately HK\$9,598,000 (nine months ended 30 September 2016: HK\$7,355,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2016 Annual Report.

Charges on Group's assets and contingent liabilities

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

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

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

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held:

(A) Long positions

Name of Directors	Capacity	Notes	Number of 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	12.91%
	Personal	2	1,800	1,052,820	1,054,620	0.09%
			149,474,298	1,052,820	150,527,118	13.00%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	284,492,312	–	284,492,312	24.57%
	Personal		1,000,000	–	1,000,000	0.09%
			285,492,312	–	285,492,312	24.66%
Mr. Yao Kan Shan	Personal	4	–	1,500,000	1,500,000	0.13%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.01%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.01%

Notes:

1. These shares are held by New Brilliant Investments Limited (“New Brilliant”), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
2. Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
3. 120,300,000 shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. 164,192,312 shares are held by Sun Entertainment Films Limited, a company incorporated in Hong Kong. Both companies are wholly and beneficially owned by Mr. Dong, an executive Director of the Company.
4. For details of the underlying shares, please refer to the next section headed “share options” which stated all the details of share options granted to Directors.

(B) Share options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company’s shares, details of share options outstanding and exercisable as at 30 September 2017 were as follow:

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

Name/Category of participants	Number of share options				Outstanding and exercisable as at 30 September 2017	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2017	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	-	-	(100,000)	1,800,000	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Employees	-	5,400,000	-	-	5,400,000	25 January 2017	25 January 2020 – 24 January 2027	HK\$0.200
Consultant	382,843	-	-	-	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	-	-	-	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	-	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	4,500,000	-	-	-	4,500,000	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Consultant	-	1,500,000	-	-	1,500,000	25 January 2017	25 January 2020 – 24 January 2027	HK\$0.200
Sub total	14,409,654	6,900,000	-	(100,000)	21,209,654			
Total	17,225,677	6,900,000	-	(100,000)	24,025,677			

During the nine months ended 30 September 2017, 100,000 options were forfeited.

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

As at 30 September 2017, the following shareholders (including Directors) had interests or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	1	149,472,498	-	149,472,498	Long	12.91%
Mr. Chui	Interested of controlled corporations	1	149,472,498	-	149,472,498	Long	12.91%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.09%
			149,474,298	1,052,820	150,527,118		13.00%
Heading Champion Limited	Beneficial owner	3	120,300,000	-	120,300,000	Long	10.39%
Sun Entertainment Films Limited	Beneficial owner	4	164,192,312	-	164,192,312	Long	14.18%
Mr. Dong	Interested of controlled corporations	3 and 4	284,492,312	-	284,492,312	Long	24.57%
	Personal		1,000,000	-	1,000,000	Long	0.09%
			285,492,312	-	285,492,312		24.66%
Mr. Chan Ping Che	Beneficial owner		97,390,000	-	97,390,000	Long	8.41%

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.
4. These shares are held by Sun Entertainment Films Limited, a company incorporated in Hong Kong. It is wholly and beneficially owned by Mr. Dong.

Save as disclosed above, as at 30 September 2017, 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 2017.

Director's interests in competing business

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

Save as disclosed above, as at 30 September 2017, 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 2017 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, 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 2017.

Compliance with Corporate Governance Practices

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

Non-compliance with paragraph A2.1

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

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

Audit committee

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

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

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

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

Hong Kong, 13 November 2017

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.