



Sage International Group Limited

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



First Quarterly Report 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 GEM 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. Dong Choi Chi, Alex
Mr. Chui Bing Sun (*Chairman*)
(resigned on 19 March 2018)

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. Dong Choi Chi, Alex
(appointed on 19 March 2018)
Mr. Chui Bing Sun
(resigned on 19 March 2018)

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr. Ting Kit Lun (*Chairman*)
Mr. Jip Ki Chi
Mr. Chui Bing Sun
(resigned on 19 March 2018)

AUTHORISED REPRESENTATIVES

Mr. Dong Choi Chi, Alex
(appointed on 19 March 2018)
Mr. Jip Ki Chi
Mr. Chui Bing Sun
(resigned on 19 March 2018)

AUDITOR

Ernst & Young

SOLICITOR

Michael Li & Co.

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Hamilton HM11 Bermuda

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Hong Kong

PRINCIPAL SHARE REGISTRAR

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69 Pitts Bay Road
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HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
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PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

STOCK CODE

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CONTACT INFORMATION

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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 ended 31 March 2018 together with the comparative unaudited figures for the three months ended 31 March 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	2	13,481	5,248
Cost of sales		(9,002)	(2,136)
Gross profit		4,479	3,112
Other income		140	151
Selling, marketing and distribution expenses		(1,372)	(789)
General and administrative expenses		(6,099)	(6,069)
LOSS BEFORE TAX		(2,852)	(3,595)
Income tax expense	3	(93)	(9)
LOSS FOR THE PERIOD		(2,945)	(3,604)
Attributable to:			
Owners of the Company		(2,631)	(3,580)
Non-controlling interests		(314)	(24)
		(2,945)	(3,604)
Dividend	4	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (EXPRESSED IN HK\$ PER SHARE)	5		
– Basic		HK\$(0.002)	HK\$(0.004)
– Diluted		HK\$(0.002)	HK\$(0.004)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME*For the three months ended 31 March 2018*

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss for the period	(2,945)	(3,604)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	1,028	15
Total comprehensive loss for the period	(1,917)	(3,589)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(1,822)	(3,588)
Non-controlling interests	(95)	(1)
	(1,917)	(3,589)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2018*

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000			
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	-	-	-	-	-	(3,580)	(3,580)	(24)	(3,604)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(8)	-	-	(8)	23	15
Total comprehensive loss for the period	-	-	-	(8)	-	(3,580)	(3,580)	(1)	(3,589)
Issue of shares upon placement	4,125	21,455	-	-	-	-	25,580	-	25,580
Equity-settled share options arrangement	-	-	-	-	207	-	207	-	207
At 31 March 2017 (unaudited)	24,840	276,724	31,713	178	14,982	(284,749)	63,688	6,871	70,559
At 1 January 2018 (audited)	28,945	311,509	31,713	719	15,354	(300,810)	87,430	6,861	94,291
Loss for the period	-	-	-	-	-	(2,631)	(2,631)	(314)	(2,945)
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	809	-	-	809	219	1,028
Total comprehensive income/(loss) for the period	-	-	-	809	-	(2,631)	(1,822)	(95)	(1,917)
Equity-settled share options arrangement	-	-	-	-	76	-	76	-	76
Cancellation of share options	-	-	-	-	(15,430)	14,835	(595)	-	(595)
At 31 March 2018 (unaudited)	28,945	311,509	31,713	1,528	-	(288,606)	85,089	6,766	91,855

NOTES TO THE UNAUDITED 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 GEM 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 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Company's annual financial statements for the year ended 31 December 2017.

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 is 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

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

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

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

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

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

The segment results and other segment items for the three months ended 31 March 2018 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	3,208	10,273	13,481
Segment results	145	267	412
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(3,264)
Loss before tax			(2,852)
Segment assets	27,601	97,443	125,044
<i>Reconciliation:</i>			
Corporate and other unallocated assets			9,629
Total assets			134,673
Segment liabilities	(8,209)	(24,520)	(32,729)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(10,089)
Total liabilities			(42,818)
Other segment information:			
Depreciation and amortisation	342	21	363
Capital expenditure	154	172	326

The segment results and other segment items for the three months ended 31 March 2017 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	4,376	872	5,248
Segment results			
<i>Reconciliation:</i>	(1,120)	(1,151)	(2,271)
Corporate and other unallocated expenses, net			(1,324)
Loss before tax			(3,595)
Segment assets			
<i>Reconciliation:</i>	22,425	18,047	40,472
Corporate and other unallocated assets			46,963
Total assets			87,435
Segment liabilities			
<i>Reconciliation:</i>	(7,159)	(1,052)	(8,211)
Corporate and other unallocated liabilities			(8,662)
Total liabilities			(16,873)
Other segment information:			
Depreciation and amortisation	315	16	331
Capital expenditure	–	28	28

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

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Rendering of funeral and cremation services	3,208	2,861
Sales of eternity gem products	–	615
Management service fee	–	900
Media and entertainment business	10,273	872
	13,481	5,248

3. INCOME TAX EXPENSE

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The Group did not have any significant deferred taxation which was not provided for in respect of each of the reporting periods.

4. DIVIDEND

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the three months ended 31 March 2018 (31 March 2017: Nil).

5. LOSS PER SHARE

(a) Basic

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

On 24 March 2017, the Company issued 165,000,000 new ordinary shares through a share placement. The placing price was HK\$0.16 per share and represented a discount to the market price of the 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	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(2,631)	(3,580)
Weighted average number of ordinary shares in issued (in thousands)	1,157,798	866,466

(b) Diluted

On 19 March 2018, all the outstanding share options granted by the Company were cancelled and the Company had no share options outstanding under the Share Option Scheme. Therefore, the Group had no potentially dilutive ordinary shares in issue during the period ended 31 March 2018.

For the period ended 31 March 2017, no adjustment has been made to the basic loss per shares amounts presented for the period in respect of a dilution as the impact of the share options outstanding had an anti-diluted effect on the basic loss per share amounts presented.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue

For the three months ended 31 March 2018, the total revenue (which mainly consists of (i) the media and entertainment business; and (ii) funeral services business) was approximately HK\$13,481,000 which was 156.88% higher than that of last year corresponding period of approximately HK\$5,248,000. The increase was mainly due to the revenue generated from the concert organised by the Group in the current period under review.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the three months ended 31 March 2018 was approximately HK\$1,372,000, which was 73.89% higher than last year corresponding period of approximately HK\$789,000. Percentage to turnover was approximately 10.18% (three months ended 31 March 2017: 15.03%). The increase in selling, marketing and distribution expenses is in line with the increase in revenue in the current period under review.

General and administrative expenses

General and administrative expenses for the three months ended 31 March 2018 amounted to approximately HK\$6,099,000 which was increased slightly as compared with that of last year corresponding period of approximately HK\$6,069,000.

Loss for the period

The Group's loss for the period was approximately HK\$2,945,000 (three months ended 31 March 2017: loss of approximately HK\$3,604,000).

Operation Review – Hong Kong

Media and entertainment

During the three months ended 31 March 2018, the media and entertainment segment recorded a revenue of approximately HK\$10,273,000, representing an increase of 1,078.10% as compared with last year corresponding period of approximately of HK\$872,000. The revenue of media and entertainment was mainly comprised of concert organisation income, artiste management income and sponsorship and marketing related income. The revenue of last year corresponding period was comparatively low due to the media and entertainment business has just started and it was in an initial stage.

Funeral services

During the three months ended 31 March 2018, the Group's Hong Kong funeral services and related products recorded a revenue of approximately HK\$260,000 which was 88.75% lower than that of the corresponding period of approximately HK\$2,311,000 in 2017. During the period under review, revenues were generated from sales of funeral packages only while there were sales of funeral package, provision of management service and sales of the EGEM products in last corresponding period. The EGEM business was disposed in July 2017. The management service agreement was expired in late 2017 and the Company did not renew the management service agreement. Hence, the revenue recorded in the current period was decreased substantially.

The revenue from sales of funeral packages for the period ended 31 March 2018 was approximately HK\$260,000, which was 67.34% lower than that the corresponding period of last year of approximately HK\$796,000. The revenue from provision of management service and sales of EGEM products for the three months ended 31 March 2017 were approximately HK\$900,000 and HK\$615,000 respectively and nil for the current period under review.

Operation Review – China

Funeral services and crematorium

Huaiji funeral parlour

During the three months ended 31 March 2018, the revenue from cremation business operation in Huaiji was approximately HK\$2,948,000, representing an increase of 42.76% as compared with last year corresponding period of approximately HK\$2,065,000. The reason for the increase in revenue was mainly due to an increase in selling price of funeral services. In order to maintain a high quality of service, the Group will put forward plans to improve the repair and maintenance works in the foreseeable future.

Prospects

The growing momentum of the media and entertainment industry in Mainland China is robust in recent years. Mainland China's movie box office revenue rose 13.45% in 2017 to more than 55.9 billion yuan (8.6 billion U.S. dollars), according to the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). The Group is optimistic about the industry, particularly the film, musical, drama, online TV drama/movie, live shows and related intellectual property ("IP") trading sectors/sub-sectors.

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

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

Employees and remuneration policies

As at 31 March 2018, the Group had approximately 60 (three months ended 31 March 2017: 69) employees, including Directors. Total staff costs for the three months ended 31 March 2018, including Directors' remuneration, amounted to approximately HK\$3,098,000 (three months ended 31 March 2017: HK\$3,627,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2017 Annual Report.

Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 31 March 2018.

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

As at 31 March 2018, the interests or short positions of the Directors and chief executives in the shares, underlying shares and convertible bonds 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	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	724,732,449	62.60%
	A concert party to an agreement to buy shares described in S.317(1)(a) of the SFO	120,800	0.01%
		724,853,249	62.61%

Note:

- 724,732,449 shares were held by Heading Champion Limited ("Heading Champion") and the spouse of Mr. Cheng Ting Kong was interested in 120,800 shares as beneficial owner.

Heading Champion is a company incorporated in the British Virgin Islands, which was beneficially owned as to 40% by Mr. Dong, 40% by Simple Cheer Limited (which is wholly-owned by Mr. Cheng Ting Kong), and 20% by Mr. Chau Cheok Wa. Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are parties acting in concert in respect of Heading Champion and the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

(B) Share options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 31 March 2018 were as follow:

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding and exercisable as at 31 March 2018			
Category 1: Directors								
Mr. Chui Bing Sun (resigned as an executive Director on 19 March 2018)	1,052,820	-	-	(1,052,820)	-	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Chan Wai Man	23,927	-	-	(23,927)	-	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	-	-	(119,638)	-	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Siu Hi Lam, Alick	119,638	-	-	(119,638)	-	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Sub total	1,316,023	-	-	(1,316,023)	-			
Category 2: Employees/consultants								
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

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding and exercisable as at 31 March 2018			
Employees	1,800,000	-	-	(1,800,000)	-	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Employees	5,400,000	-	-	(5,400,000)	-	25 January 2007	25 January 2020 – 24 January 2027	HK\$0.200
Consultant	555,122	-	-	(555,122)	-	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	(135,430)	-	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	(1,052,820)	-	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	4,500,000	-	-	(4,500,000)	-	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Consultant	1,500,000	-	-	(1,500,000)	-	25 January 2007	25 January 2020 – 24 January 2027	HK\$0.200
Sub total	20,826,811	-	-	(20,826,811)	-			
Total of all categories	22,142,834	-	-	(22,142,834)	-			

All the share options granted by the Company were lapsed upon expiry and cancelled upon close of the general offer on 19 March 2018. The Company had no share option outstanding under the Share Option Scheme as at 31 March 2018.

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

As at three months ended 31 March 2018, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or convertible bonds 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 Securities and Futures Ordinance (the "SFO") and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held:

Name	Capacity	Notes	Number of shares	Long/short position	Percentage of issued share capital
Heading Champion	Beneficial owner	1	724,732,449	Long	62.60%
Mr. Dong	Interest of controlled corporation	1	724,732,449	Long	62.60%
	A concert party to an agreement to buy shares described in S.317(1)(a) of the SFO	1	120,800	Long	0.01%
			724,853,249		62.61%
Simple Cheer Limited ("Simple Cheer")	Interest of controlled corporation	1	724,732,449	Long	62.60%
Mr. Chau Cheok Wa ("Mr. Chau")	A concert party to an agreement to buy shares described in S.317(1)(a) of the SFO		724,853,249	Long	62.61%
Mr. Cheng Ting Kong ("Mr. Cheng")	Interest of controlled corporation	1	724,732,449	Long	62.60%
	Interest of spouse	1	120,800	Long	0.01%
			724,853,249		62.61%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	2	1,800	Long	0.00%
	Interest of controlled corporation	2	149,472,498	Long	12.91%
			149,474,298		12.91%
New Brilliant Investments Limited	Beneficial owner	2	149,472,498	Long	12.91%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	8.41%

Notes:

1. Heading Champion is beneficially owned as to 40% by Mr. Dong, 40% by Simple Cheer (which is wholly-owned by Mr. Cheng), and 20% by Mr. Chau. The spouse of Mr. Cheng was interested in 120,800 shares as beneficial owner. Mr. Dong, Mr. Cheng and Mr. Chau are parties acting in concert in respect of Heading Champion and the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.
2. New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui Bing Sun. Mr. Chui is also holding 1,800 shares as beneficial owner. Mr. Chui was a former executive Director, the former chairman and the former chief executive officer of the Company who resigned with effect from 19 March 2018.

Save as disclosed above, as at three months ended 31 March 2018, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or convertible bonds of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Securities transactions by directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Having made specific enquiries of all Directors, one non-compliance incident was noted during the period ended 31 March 2018, where the composite document in relation to the conditional voluntary cash offers by Sun International Securities Limited for and on behalf of Heading Champion, a company which is owned as to 40% by Mr. Dong, for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company was despatched on 13 February 2018 during the Company's black-out period. The despatch of the composite document constituted a "dealing" and thus the despatch of the same during the black-out period constituted a deviation from the requirements under the Required Standard of Dealings.

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

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

Director's interests in competing business

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

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the period ended 31 March 2018.

Arrangements to purchase shares or convertible bonds

Other than the options holdings disclosed above, at no time during the three months ended 31 March 2018 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, 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 three months ended 31 March 2018.

Compliance with corporate governance practices

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

Non-compliance with paragraph A.2.1

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

Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive Officer", the Company has met all the code provisions in the CG Code during the three months ended 31 March 2018.

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 three months ended 31 March 2018.

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

Hong Kong, 15 May 2018

As at the date of this report, the executive Director is Mr. Dong Choi Chi, Alex, and the independent non-executive Directors are Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.