



# Sage International Group Limited

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



**Third Quarterly Report 2018**

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**Given 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 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. Chong Cho Lam  
(appointed on 16 May 2018)  
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. Chong Cho Lam  
(appointed on 16 May 2018)  
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.

### REGISTERED OFFICE

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### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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### PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08, Bermuda

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
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Hong Kong

### 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 and nine months ended 30 September 2018 together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>CONTINUING OPERATIONS</b>					
Revenue	2	10,432	35,120	64,645	44,098
Cost of sales		(7,422)	(24,833)	(45,971)	(28,402)
<b>Gross profit</b>		<b>3,010</b>	<b>10,287</b>	<b>18,674</b>	<b>15,696</b>
Other income	3	776	2,839	1,640	3,157
Selling, marketing and distribution expenses		(411)	(535)	(2,990)	(2,076)
General and administrative expenses		(7,630)	(6,556)	(19,281)	(18,594)
Other expenses		(388)	-	(8,220)	-
Finance costs		(81)	-	(81)	-
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(4,724)</b>	<b>6,035</b>	<b>(10,258)</b>	<b>(1,817)</b>
Income tax expense	4	17	(70)	(19)	(90)
<b>(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>(4,707)</b>	<b>5,965</b>	<b>(10,277)</b>	<b>(1,907)</b>
<b>DISCONTINUED OPERATIONS</b>					
Loss for the period from discontinued operations	7	-	-	-	(67)
<b>(Loss)/profit for the period</b>		<b>(4,707)</b>	<b>5,965</b>	<b>(10,277)</b>	<b>(1,974)</b>
<b>(Loss)/profit attributable to:</b>					
Owners of the Company		(4,773)	6,032	(9,694)	(1,884)
Non-controlling interests		66	(67)	(583)	(90)
		<b>(4,707)</b>	<b>5,965</b>	<b>(10,277)</b>	<b>(1,974)</b>

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(Loss)/profit attributable to owners of the Company arises from:</b>					
Continuing operations		(4,773)	6,032	(9,694)	(1,817)
Discontinued operations		-	-	-	(67)
		(4,773)	6,032	(9,694)	(1,884)
<b>Dividend</b>	5	-	-	-	-
<b>(LOSS)/EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Basic and diluted ( <i>HK cents</i> )	6				
From continuing operations		(0.4)	0.5	(0.8)	(0.2)
From discontinued operations		-	-	-	-
From (loss)/profit for the period		(0.4)	0.5	(0.8)	(0.2)

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME***For the three months and nine months ended 30 September 2018*

	Three months ended 30 September 2018		Nine months ended 30 September 2018	
	HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period</b>	<b>(4,707)</b>	5,965	<b>(10,277)</b>	(1,974)
Other comprehensive loss: Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	<b>(1,008)</b>	297	<b>(1,297)</b>	713
<b>Total comprehensive (loss)/profit for the period</b>	<b>(5,715)</b>	6,262	<b>(11,574)</b>	(1,261)
<b>Attributable to:</b>				
Owners of the Company	<b>(5,480)</b>	6,307	<b>(10,714)</b>	(1,157)
Non-controlling interests	<b>(235)</b>	(45)	<b>(860)</b>	(104)
	<b>(5,715)</b>	6,262	<b>(11,574)</b>	(1,261)
<b>Total comprehensive (loss)/profit attributable to owners of the Company arises from:</b>				
Continuing operations	<b>(5,480)</b>	6,307	<b>(10,714)</b>	(1,090)
Discontinued operations	-	-	-	(67)
	<b>(5,480)</b>	6,307	<b>(10,714)</b>	(1,157)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the nine months ended 30 September 2018*

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2017 (audited)	20,715	255,269	31,713	186	14,775	(281,169)	41,489	6,872	48,361
Loss for the period	-	-	-	-	-	(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
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	-	-	-	-	-	(9,694)	(9,694)	(583)	(10,277)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	(1,020)	-	-	(1,020)	(277)	(1,297)
Total comprehensive loss for the period	-	-	-	(1,020)	-	(9,694)	(10,714)	(860)	(11,574)
Equity-settled share options arrangement	-	-	-	-	3,721	-	3,721	-	3,721
Cancellation of share options	-	-	-	-	(15,430)	14,835	(595)	-	(595)
At 30 September 2018 (unaudited)	28,945	311,509	31,713	(301)	3,645	(295,669)	79,842	6,001	85,843

## 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 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 annual financial statements for the year ended 31 December 2017 ("2017 Annual Report"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company's 2017 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

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 nine months ended 30 September 2018 are as follows:

	Funeral services HK\$'000 (Unaudited)	Media and entertainment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales to external customers	8,178	56,467	64,645
<b>Segment results</b>	(273)	1,041	768
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(11,026)
<b>Loss before tax</b>			(10,258)
<b>Segment assets</b>	24,891	125,579	150,470
<i>Reconciliation:</i>			
Corporate and other unallocated assets			16,972
<b>Total assets</b>			167,442
<b>Segment liabilities</b>	(7,456)	(65,973)	(73,429)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(8,170)
<b>Total liabilities</b>			(81,599)
<b>Other segment information:</b>			
Depreciation and amortisation	1,350	162	1,512
Capital expenditure	899	539	1,438

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 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales to external customers	11,410	32,688	44,098
<b>Segment results</b>	(851)	2,969	2,118
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(3,935)
<b>Loss before tax</b>			(1,817)
<b>Segment assets</b>	23,969	105,822	129,791
<i>Reconciliation:</i>			
Corporate and other unallocated assets			25,670
<b>Total assets</b>			155,461
<b>Segment liabilities</b>	(6,681)	(39,510)	(46,191)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(8,422)
<b>Total liabilities</b>			(54,613)
<b>Other segment information:</b>			
Depreciation and amortisation	1,163	54	1,217
Capital expenditure	1,296	294	1,590

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Rendering of funeral and cremation services	2,385	2,728	8,178	8,710
Management service fee	–	900	–	2,700
Media and entertainment business	8,047	31,492	56,467	32,688
	<b>10,432</b>	35,120	<b>64,645</b>	44,098

### 3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on disposal of a subsidiary (i)	–	2,659	–	2,659
Gain on investments in media and entertainment related projects	441	–	1,009	–
Sundry income	335	180	631	498
	<b>776</b>	2,839	<b>1,640</b>	3,157

*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% (2017: 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 2018 (nine months ended 30 September 2017: nil).

**6. (LOSS)/EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY****(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.

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
(Loss)/profit from continuing operations attributable to owners of the Company	<b>(4,773)</b>	6,032	<b>(9,694)</b>	(1,817)
(Loss)/profit from discontinued operations attributable to owners of the Company	–	–	–	(67)
	<b>(4,773)</b>	6,032	<b>(9,694)</b>	(1,884)
Weighted average number of ordinary shares in issue (in thousand)	<b>1,157,798</b>	1,114,965	<b>1,157,798</b>	1,010,596

**(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 2018 and 30 September 2017.

**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)
<b>Net assets disposed</b>	<b>341</b>
<i>Less:</i> Consideration	(3,000)
<b>Gain on disposal of subsidiary</b>	<b>(2,659)</b>

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

	Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Revenue	–	658
Expenses	–	(725)
<b>Loss for the period from discontinued operations</b>	<b>–</b>	<b>(67)</b>

- (c) Cash flows

	Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Operating cash flows	–	(171)
Investing cash flows	–	–
Financing cash flows	–	–
<b>Total cash flows</b>	<b>–</b>	<b>(171)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

#### ***Revenue and gross profit – Continuing operations***

For the nine months ended 30 September 2018, the total revenue of continuing operations (which mainly consists of (i) media and entertainment business; and (ii) the funeral services) was approximately HK\$64,645,000 which was 46.59% higher than that of last year corresponding period of approximately HK\$44,098,000. Gross profit increased from approximately HK\$15,696,000 to approximately HK\$18,674,000. The overall gross profit margin of the continuing operations for the nine months ended 30 September 2018 was approximately 28.89% and decreased as compared with that of last year corresponding period of approximately 35.59%.

#### ***Other income – Continuing operations***

Other income decreased from approximately HK\$3,157,000 to approximately HK\$1,640,000. The decrease was mainly due to gain on disposal of a subsidiary of approximately HK\$2,659,000 recorded in the last year corresponding period but nil for current period.

#### ***Selling, marketing and distribution expenses – Continuing operations***

Selling, marketing and distribution expenses of continuing operations for the nine months ended 30 September 2018 was approximately HK\$2,990,000, which was 44.03% higher than that of last year corresponding period of approximately HK\$2,076,000. Percentage to turnover was approximately 4.63% (nine months ended 30 September 2017: 4.71%). 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 – Continuing operations***

General and administration expenses of the continuing operations for the nine months ended 30 September 2018 amounted to approximately HK\$19,281,000 which was 3.69% higher as compared with last year corresponding period of approximately HK\$18,594,000.

#### ***Other expenses – Continuing operations***

Other expenses of continuing operations for the nine months ended 30 September 2018 amount to approximately HK\$8,220,000 (nine months ended 30 September 2017: nil), which mainly consists of the share of net income from entertainment events organised by the Group to co-investors.

***Loss for the period***

The Group's loss for the nine months ended 30 September 2018 was approximately HK\$10,277,000 (nine months ended 30 September 2017: loss of approximately HK\$1,974,000). The increase in loss for the current period under review was mainly due to (i) increase in equity-settled share option expense; (ii) no management service income derived for the current period as the management service agreement was expired in late 2017; and (iii) no one-off income derived from gain on disposal of a subsidiary.

**Operation Review – Hong Kong*****Media and entertainment business***

During the nine months ended 30 September 2018, the media and entertainment segment recorded a revenue of HK\$56,467,000, representing an increase of 72.75% as compared with last year corresponding period of approximately of HK\$32,688,000. The revenue was mainly consists of concert performance, the sponsorship and marketing related income and artiste management income.

***Funeral services***

During the nine months ended 30 September 2018, the Group's Hong Kong funeral services and related products recorded a revenue of approximately HK\$260,000 and was 94.49% lower than that of the corresponding period of approximately HK\$4,720,000 in 2017. During the period under review, revenues were mainly generated from sales of funeral packages only, while there were sales of funeral package of approximately HK\$2,020,000 and provision of management service of approximately HK\$2,700,000 in last corresponding period. The management service agreement was expired in late 2017 and the Company did not renew the management service agreement. Hence, the revenue recorded in the current period was decreased substantially.

**Operation Review – China*****Funeral services and crematorium******Huaiji funeral parlour***

During the nine months ended 30 September 2018, the revenue from cremation business operation in Huaiji was approximately HK\$7,918,000, representing an increase of 18.36% as compared with last year corresponding period of approximately HK\$6,690,000. The reason for the increase in revenue was mainly due to an increase in selling price of funeral services.



## 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.

## Currency risk exposure

As at 30 September 2018, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi.

## Employees and remuneration policies

As at 30 September 2018, the Group had 61 (nine months ended 30 September 2017: 64) employees, including Directors. Total staff costs for the nine months ended 30 September 2018, including Directors' remuneration, amounted to approximately HK\$7,871,000 (nine months ended 30 September 2017: HK\$9,598,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2017 Annual Report.

## Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 30 September 2018.

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

As at 30 September 2018, the interests or short positions of the Directors and chief executives in the shares and underlying shares of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of the Company, were as follows:

### Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held:

#### (A) Long positions

Name	Capacity	Notes	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Chong Cho Lam	Beneficial owner	1	–	10,000,000	10,000,000	0.86%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		287,549,682	–	287,549,682	24.84%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	2	431,324,523	–	431,324,523	37.25%
			718,874,205	–	718,874,205	62.09%

#### Notes:

- The underlying shares represent the share options granted by the Company to Mr. Chong Cho Lam to subscribe for 6,500,000 and 3,500,000 shares at exercise price of HK\$0.576 and HK\$0.484 respectively.
- Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

*(B) Share options*

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 September 2018 were as follow:

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding and exercisable as at 30 September 2018			
<b>Category 1: Directors</b>								
Mr. Chong Cho Lam	-	6,500,000	-	-	6,500,000	16 May 2018	16 May 2019 – 15 May 2028	HK\$0.576
	-	3,500,000	-	-	3,500,000	6 July 2018	6 July 2019 – 5 July 2028	HK\$0.484
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
<b>Sub total</b>	<b>1,316,023</b>	<b>10,000,000</b>	<b>-</b>	<b>(1,316,023)</b>	<b>10,000,000</b>			

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding and exercisable as at 30 September 2018			
<b>Category 2: Employees/consultants</b>								
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	1,800,000	-	-	(1,800,000)	-	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Employees	5,400,000	-	-	(5,400,000)	-	25 January 2007	25 January 2020 – 24 January 2027	HK\$0.200
Employees	-	6,000,000	-	-	6,000,000	16 May 2018	16 May 2021 – 15 May 2028	HK\$0.576
Employee	-	8,500,000	-	-	8,500,000	6 July 2018	6 July 2019 – 5 July 2028	HK\$0.484
Consultant	555,122	-	-	(555,122)	-	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	(135,430)	-	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	(1,052,820)	-	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	4,500,000	-	-	(4,500,000)	-	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Consultant	1,500,000	-	-	(1,500,000)	-	25 January 2007	25 January 2020 – 24 January 2027	HK\$0.200
Consultants	-	10,500,000	-	-	10,500,000	16 May 2018	16 May 2019 – 15 May 2028	HK\$0.576
Consultant	-	1,500,000	-	-	1,500,000	16 May 2018	16 May 2021 – 15 May 2028	HK\$0.576
Consultant	-	5,500,000	-	-	5,500,000	6 July 2018	6 July 2019 – 5 July 2028	HK\$0.484
Sub total	20,826,811	32,000,000	-	(20,826,811)	32,000,000			
Total of all categories	22,142,834	42,000,000	-	(22,142,834)	42,000,000			

All the share options granted by the Company before the general offer, were lapsed upon expiry and cancelled upon close of the general offer on 19 March 2018. Subsequently, the Company has granted 42,000,000 share options to several grantees.

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

As at 30 September 2018, the following shareholders (including Directors) had interests or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, were as follows:

#### Number of ordinary shares and underlying shares beneficially held

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

*Notes:*

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

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

**Securities transactions by directors**

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Having made specific enquiries of all Directors, one non-compliance incident was noted during the period ended 30 September 2018, where the composite document in relation to the conditional voluntary cash offers by Sun International Securities Limited for and on behalf of Heading Champion Limited, a company which is owned as to 40% by Mr. Dong, for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company was despatched on 13 February 2018 during the Company's black-out period. The despatch of the composite document constituted a "dealing" and thus the despatch of the same during the black-out period constituted a deviation from the requirements under the Required Standard of Dealings.

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

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

### **Director's interests in competing business**

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

Mr. Chong Cho Lam, an executive Director of the Company, is a substantial shareholder and the managing director of Chessman Entertainment Production Company Limited, which is principally engaged in concert co-ordination and production, advertising design and market planning, original music, record production and distribution, public relations and artiste management in Macau. He is a substantial shareholder and director of Chessman Entertainment Production (HK) Limited, which is engaged in advertising production, project planning consultation, design, publishing, entertainment production and promotion. He is also a substantial shareholder and director of Chessman Management and Investment Company Limited, which is engaged in entertainment related investments and management in Macau. He is also a substantial shareholder of Good Media Production Company Limited which is engaged in film production and filming, music production, advertising production, original music, web design, publication publishing and media in Macau. He is also a substantial shareholder of Easy Music Production Company Limited which is engaged in record distribution, artiste management, music producer management, band management, musician management, concert production and music production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the period ended 30 September 2018.

### **Arrangements to purchase shares**

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

### **Compliance with Corporate Governance Practices**

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

#### ***Non-compliance with paragraph A.2.1***

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



Save as the deviation from the code provision A.2.1, separation of roles of chairman and CEO pursuant to code provision A.2.1, the Company has met all the code provisions in the CG Code during the nine months ended 30 September 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 (the chairman of AC), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

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

The AC has reviewed the Group’s unaudited result for the nine months ended 30 September 2018.

By order of the Board

**SAGE INTERNATIONAL GROUP LIMITED**

**Dong Choi Chi, Alex**

*Executive Director*

Hong Kong, 14 November 2018

*As at the date of this report, the executive Directors are Mr. Chong Cho Lam and 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. This report will remain on the “Latest Company Announcements” page of the GEM website and the website of the Company at [www.sig.hk](http://www.sig.hk) for at least 7 days from the date of its publication.*