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SAGE

Sage International Group Limited

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



Interim Report
2016

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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

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Jip Ki Chi

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 1216-18, 12/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengjs Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited

STOCK CODE

8082

CONTACT INFORMATION

Tel: +852 3755 2200
Fax: +852 3150 8092
Email: ir@sig.hk
Website: www.sig.hk
www.sagefuneral.com

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 six months ended 30 June 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
CONTINUING OPERATIONS					
Revenue	2	4,004	4,289	8,656	7,887
Cost of sales		(1,809)	(2,033)	(3,834)	(3,716)
Gross profit		2,195	2,256	4,822	4,171
Other income	3	162	284	333	600
Sales and marketing expenses		(677)	(765)	(1,733)	(1,496)
Administrative expenses		(5,765)	(3,656)	(11,258)	(8,586)
Finance costs	4	-	-	-	(796)
LOSS BEFORE TAXATION	8	(4,085)	(1,881)	(7,836)	(6,107)
Income tax expense	5	(18)	(31)	(131)	(61)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(4,103)	(1,912)	(7,967)	(6,168)
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	9	-	-	-	4,155
Loss for the period		(4,103)	(1,912)	(7,967)	(2,013)
(Loss)/profit attributable to:					
Owners of the Company		(4,087)	(1,942)	(8,053)	(3,062)
Non-controlling interests		(16)	30	86	1,049
		(4,103)	(1,912)	(7,967)	(2,013)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
(Loss)/profit attributable to owners of the Company arises from:					
Continuing operations		(4,087)	(1,942)	(8,053)	(6,199)
Discontinued operations		-	-	-	3,137
		(4,087)	(1,942)	(8,053)	(3,062)
Dividend	6	-	-	-	-
(LOSS)/EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic (loss)/earnings per share (HK\$ per share)	7				
From continuing operations		(0.005)	(0.003)	(0.011)	(0.010)
From discontinued operations		-	-	-	0.005
From loss for the period		(0.005)	(0.003)	(0.011)	(0.005)
Diluted (loss)/earnings per share (HK\$ per share)					
From continuing operations		(0.005)	(0.003)	(0.011)	(0.010)
From discontinued operations		-	-	-	0.005
From loss for the period		(0.005)	(0.003)	(0.011)	(0.005)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS*For the three months and six months ended 30 June 2016*

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Loss for the period	(4,103)	(1,912)	(7,967)	(2,013)
Other comprehensive loss:				
Exchange differences on translation of foreign operations	(454)	67	(342)	(1,115)
Release of exchange differences upon disposal of subsidiaries	–	–	–	(21,506)
Total comprehensive loss for the period	(4,557)	(1,845)	(8,309)	(24,634)
Total comprehensive loss for the period attributable to:				
Owners of the Company	(4,206)	(1,895)	(8,398)	(25,280)
Non-controlling interests	(351)	50	89	646
	(4,557)	(1,845)	(8,309)	(24,634)
Total comprehensive loss attributable to owners of the Company arises from:				
Continuing operations	(4,206)	(1,895)	(8,398)	(4,927)
Discontinued operations	–	–	–	(20,353)
	(4,206)	(1,895)	(8,398)	(25,280)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2016*

	<i>Notes</i>	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		13,607	10,310
Intangible assets		12,096	12,307
Deposits		67	145
		25,770	22,762
Current assets			
Inventories	<i>10</i>	277	184
Prepayments, deposits and other receivables		5,548	2,489
Restricted cash		–	316
Cash and cash equivalents		38,520	34,657
		44,345	37,646
Liabilities			
Current liabilities			
Trade payables	<i>11</i>	43	133
Other payables and accruals		2,588	4,398
Income tax payables		6,458	6,458
Deferred income		207	212
		9,296	11,201

	<i>Notes</i>	30 June 2016 HK\$' 000 (Unaudited)	31 December 2015 HK\$' 000 (Audited)
Net current assets		35,049	26,445
Total assets less current liabilities		60,819	49,207
Non-current liabilities			
Deferred income		2,401	1,858
Deferred income tax liabilities		2,349	2,401
		4,750	4,259
Net assets		56,069	44,948
Equity			
Capital and reserves			
Share capital	12	20,715	17,265
Other reserves		302,393	286,777
Accumulates losses		(271,910)	(263,876)
Equity attributable to owners of the Company		51,198	40,166
Non-controlling interests		4,871	4,782
		56,069	44,948

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2016*

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Option deed HK\$'000	Share-based payment reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	4,441	128,187	31,713	23,604	19	222,528	28,609	(457,548)	(18,447)	152,468	134,021
Loss for the period	-	-	-	-	-	-	-	(3,062)	(3,062)	1,049	(2,013)
Other comprehensive loss for the period	-	-	-	(712)	-	-	-	-	(712)	(403)	(1,115)
Exchange differences on translation of foreign operations	-	-	-	(712)	-	-	-	-	(712)	(403)	(1,115)
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(21,506)	-	-	-	-	(21,506)	-	(21,506)
Total comprehensive loss for the period	-	-	-	(22,218)	-	-	-	(3,062)	(25,280)	646	(24,634)
Issue of shares upon placement	1,750	12,250	-	-	-	-	-	-	14,000	-	14,000
Share issuance costs	-	(531)	-	-	-	-	-	-	(531)	-	(531)
Issue of shares upon open offer	8,881	60,514	-	-	-	-	-	-	69,395	-	69,395
Issue of shares upon conversion of convertible bonds	2,193	39,214	-	-	-	(21,790)	-	-	19,617	-	19,617
Disposal of subsidiaries	-	-	-	-	-	(186,399)	(28,609)	215,008	-	(148,102)	(148,102)
At 30 June 2015 (unaudited and restated)	17,265	239,634	31,713	1,386	19	14,339	-	(245,602)	58,754	5,012	63,766
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	-	-	-	-	-	-	-	(8,053)	(8,053)	86	(7,967)
Other comprehensive loss for the period	-	-	-	(345)	-	-	-	-	(345)	3	(342)
Exchange differences on translation of foreign operations	-	-	-	(345)	-	-	-	-	(345)	3	(342)
Total comprehensive loss for the period	-	-	-	(345)	-	-	-	(8,053)	(8,398)	89	(8,309)
Issue of shares upon placement	3,450	15,360	-	-	-	-	-	-	18,810	-	18,810
Equity-settled share options arrangement	-	-	-	-	-	620	-	-	620	-	620
Lapse of option deed	-	-	-	-	(19)	-	-	19	-	-	-
At 30 June 2016 (unaudited)	20,715	255,269	31,713	451	-	14,960	-	(271,910)	51,198	4,871	56,069

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2016*

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000 (Unaudited and restated)
Operating activities		
(Loss)/profit before taxation including discontinued operations	(7,836)	4,572
Adjustments for:		
Depreciation of property, plant and equipment	940	985
Amortisation of cemetery assets use right	–	574
Write-off of property, plant and equipment	46	208
Gain on disposal of subsidiaries	–	(11,725)
Equity-settled share options expenses	620	–
Fair value change on financial instruments	–	811
Finance income	(3)	(2)
Finance costs	–	1,022
Income tax paid	(131)	(61)
Operating cash flow before movements of working capital	(6,364)	(3,616)
(Increase)/decrease in inventories	(93)	1,539
Increase in prepayments, deposits and other receivables	(2,665)	(4,234)
Decrease in accounts payable	(90)	(127)
Decrease in other payables and accruals	(1,810)	(15,038)
Increase in deferred income	543	5
Cash used in operations	(10,479)	(21,471)
Interest received	3	2
Interest paid	–	(509)
Net cash used in operating activities	(10,476)	(21,978)

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Investing activities		
Purchase of property, plant and equipment	(4,352)	(356)
Disposal of subsidiaries	–	(2,968)
Net cash used in investing activities	(4,352)	(3,324)
Financing activities		
Proceeds from open offer	–	69,395
Proceeds from placing	18,811	13,469
Repayment of other borrowings	–	(32,000)
Net cash generated from financing activities	18,811	50,864
Net increase in cash and cash equivalents	3,983	25,562
Cash and cash equivalents at beginning of the reporting period	34,657	11,767
Effect of foreign exchange rate changes, net	(120)	698
Cash and cash equivalents at the end of the reporting period	38,520	38,027

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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").

The unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2015 ("2015 Annual Report"). The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Company's 2015 Annual Report, except for the adoption of new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2016. The adoption of these new and revised HKFRSs has no material effect on the Interim Results.

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

2. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments from a geographic locations perspective, mainly Hong Kong and Mainland China.

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

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

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

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	4,586	4,070	8,656
Operating profit/(loss)	406	(4,332)	(3,926)
Unallocated corporate expenses, net			(3,910)
Finance costs			-
Loss before taxation from continuing operations			(7,836)

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

	Mainland China HK\$'000 (Unaudited and restated)	Hong Kong HK\$'000 (Unaudited and restated)	Total HK\$'000 (Unaudited and restated)
Segment revenue:			
Sales to external customers	4,377	3,510	7,887
Operating profit/(loss)	167	(3,103)	(2,936)
Unallocated corporate expenses, net			(2,375)
Finance costs			(796)
Loss before taxation from continuing operations			(6,107)

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

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Rendering of funeral and cremation services	2,940	3,569	6,779	6,640
Sales of Eternity Gem products	764	420	1,277	647
Management service fee	300	300	600	600
	4,004	4,289	8,656	7,887

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Rental income	–	105	105	210
Sundry income	162	179	228	390
	162	284	333	600

4. FINANCE COSTS

An analysis of the finance costs is as follows:

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

5. 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.

6. DIVIDEND

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

7. (LOSS)/EARNINGS PER SHARE**(a) Basic**

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

On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement. The placing price was HK\$0.14 per share and represented a discount to the market price of the then existing shares.

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

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

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Loss from continuing operations attributable to owners of the Company	(4,087)	(1,942)	(8,053)	(6,199)
Profit from discontinued operations attributable to owners of the Company	–	–	–	3,137
	(4,087)	(1,942)	(8,053)	(3,062)
Weighted average number of ordinary shares in issue (in thousand)	747,970	690,606	735,116	612,796

(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 June 2016 and 30 June 2015.

8. LOSS FOR THE PERIOD

Loss for the period is stated after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Cost of inventories recognised as expense	72	93	180	194
Employees benefits expenses	2,800	2,604	5,369	5,666
Depreciation of property, plant and equipment	527	397	940	893
Equity-settled shares options expenses for employee	620	–	620	–
Minimum lease payments under operating leases in respect of land and buildings	1,050	225	2,160	1,393

9. DISCONTINUED OPERATIONS

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

As the operation of the cemetery business group is considered as a separate major line of business, it is accounted for as a discontinued operation. The disposal was completed on 17 February 2015.

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

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited and restated)
Revenue	-	-	-	5,396
Expenses	-	-	-	(6,443)
Loss before tax of discontinued operations	-	-	-	(1,047)
Tax credit	-	-	-	273
Loss after tax of discontinued operations	-	-	-	(774)
Gain on disposal of subsidiaries	-	-	-	11,725
Income tax from the disposal of PRC subsidiaries	-	-	-	(6,796)
Gain on disposal of subsidiaries after tax	-	-	-	4,929
Profit for the period from discontinued operations	-	-	-	4,155

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

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

Note: The Company advanced a shareholder's loan of HK\$22,720,000 to EIHI, and EIHI, in turn, injected such amount into Suzhou Celebrities for the construction and renovation works of Suzhou Celebrities in years 2011 and 2012. Forrex (Holding) Inc. ("Forrex"), the remaining 50% shareholder of EIHI, did not make any advance to EIHI. Since Suzhou Celebrities was disposed of by the Company and the advance would be assigned to Great World Investors Limited after the disposal. After arm's length negotiation with Forrex, the Company and Forrex agreed that 50% of such amount would be taken up by Forrex as its obligation to such advance. As such, HK\$11,360,000 of such advance which was due by EIHI to the Company as at the completion date was assigned to Forrex as the amount due to the Group according to the deed of assignment entered into among the Company, Forrex and EIHI and such amount will be repayable by Forrex to the Company within 12 months from the completion date.

(c) Cash flows

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Operating cash flows	–	(2,585)
Investing cash flows	–	–
Financing cash flows	–	–
Total cash flows	–	(2,585)

10. INVENTORIES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Funeral related merchandises	277	184

11. TRADE PAYABLES

The following is an analysis of trade payable by age, presented based on the invoice date:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0–30 days	33	29
31–60 days	2	5
Over 60 days	8	99
	43	133

12. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.025 each at 1 January 2015, 31 December 2015 and 30 June 2016		3,200,000	80,000
Issued and fully paid:			
Ordinary shares of HK\$0.025 each at 1 January 2015		177,629	4,441
Issue of shares upon placement	<i>(i)</i>	70,000	1,750
Issue of shares under open offer	<i>(i)</i>	355,258	8,881
Issue of shares for conversion of convertible bonds	<i>(ii)</i>	87,719	2,193
Ordinary shares of HK\$0.025 each at 31 December 2015		690,606	17,265
Issue of shares upon placement	<i>(iii)</i>	138,000	3,450
Ordinary shares of HK\$0.025 each at 30 June 2016		828,606	20,715

Notes:

- (i) On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and open offer respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The net proceeds of approximately HK\$13,620,000 and HK\$69,180,000 through placement of shares and open offer respectively. The new shares ranked pari passu with the then existing share in all aspects.
- (ii) On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder. The conversion price was HK\$0.228 per share and represented a discount to the market price of the then existing shares.
- (iii) 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 net proceeds were approximately HK\$18,836,000.

13. RELATED PARTY TRANSACTIONS

During the reporting period, the Group has the following related party transactions.

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Management fee income from: – a company owned by a Director	300	300	600	600
Rental expense paid to: – a company owned by a Director	165	225	390	450
Interest on:				
– Loan from a Director (<i>Note (i)</i>)	–	–	–	205
– Convertible bonds issued to a company owned by a Director (<i>Note (ii)</i>)	–	75	–	150
	–	75	–	355
Remuneration of directors of the Group: – Short-term benefits	270	291	540	1,012

Notes:

- (i) The interest was accrued for an unsecured loan borrowed from Mr. Chui, a director of the Company, with amount of approximately HK\$10,000,000. The interest rates were 19% per annum. The loan was fully repaid on 18 February 2015.
- (ii) The convertible bonds with principal amount of HK\$20,000,000 was issued to New Brilliant Investments Limited, which is wholly owned by Mr. Chui.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profits – Continuing operations

For the six months ended 30 June 2016, the total revenue of continuing operations (which mainly consists of the funeral services and crematorium) was approximately HK\$8,656,000 which was 9.75% higher than that of last year corresponding period of approximately HK\$7,887,000. The overall gross profit of the continuing operations for the six months ended 30 June 2016 increased by approximately 15.61% to HK\$4,822,000 and gross profit margin was approximately 55.71% and increased as compared with that of last year corresponding period of approximately 52.88%.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operation for the six months ended 30 June 2016 was approximately HK\$1,733,000, which was 15.84% higher than last corresponding period of approximately HK\$1,496,000. The increase was mainly due to the increase in sales volume and corresponding commission expenses. Percentage to turnover was approximately 20.02% (six months ended 30 June 2015: 18.97%).

Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the six months ended 30 June 2016 amounted to approximately HK\$11,258,000 which was higher as compared with last year corresponding period of approximately HK\$8,586,000. The increase was mainly due to increase in office rental and consultancy fee.

Finance costs – Continuing operations

Finance costs of the continuing operations for the six months ended 30 June 2016 was nil, which was 100% less than that of last corresponding period of approximately HK\$796,000. The decrease in the finance costs was a result of the pay off of all interest bearing debts by funding raised from the open offer and the placing.

Loss for the period from continuing operations

Loss for the six months ended 30 June 2016 from continuing operations amounted to approximately HK\$7,967,000 (six months ended 30 June 2015: loss of approximately HK\$6,168,000).

Profit for the period from discontinued operations

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

Loss for the period

The Group's loss for the six months ended 30 June 2016 was approximately HK\$7,967,000 (six months ended 30 June 2015: loss of approximately HK\$2,013,000).

Operation Review – Hong Kong***Funeral services, Eternity Gem and pre-planning funeral arrangement***

During the six months ended 30 June 2016, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$2,193,000 and was in line with that of the corresponding period in 2015 of approximately HK\$2,262,000. During the period, revenues were mainly generated from sales of funeral packages and EGEM, the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the period and sales of EGEM increased to approximately HK\$1,277,000 (six months ended 30 June 2015: HK\$647,000) during the six months ended 30 June 2016 as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.

Operation Review – China***Funeral services and crematorium***

Cremation business operation in Huaiji was performing steadily in the six months ended 30 June 2016 and revenue during the period was approximately HK\$4,586,000, representing an increase of 4.77% as compared with last year corresponding period of approximately HK\$4,377,000. 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 Group is currently principally engaged in the provision of funeral and deathcare related services in both Hong Kong and the PRC.

As set out in the annual report of the Company for the year ended 31 December 2015, the Group reported an increase of approximately 25.55% in revenue for the year ended 31 December 2015 as compared with the year ended 31 December 2014. Although the management of the Company is still optimistic about the deathcare related business in the region, the business grows at a slower pace than expected and the Group's continuing business still suffered operating losses of approximately HK\$23,465,000 for the year ended 31 December 2015.

Given the slower than expected performance of the Group's deathcare related businesses, the Directors have been exploring other business opportunities in order to diversify the existing business of the Group. As set out in the annual report of the Company for the year ended 31 December 2015, among other things, the Group plans to develop business in the media and entertainment industry. During the six months ended 30 June 2016, the Group had set up a new business unit to target on certain concert related projects and had raised additional funds of approximately HK\$19 million through placing to meet the operational needs of the new business. The Directors expect that the new development in the media and entertainment industry would provide diversification and broadening the Group's income source and possibly enhance its financial performance. The new segment represents a first step forward in the implementation of the Group's development plan.

The Board will continue to explore other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential.

Liquidity and financial resources

As at 30 June 2016, the Group has cash and bank balances of approximately HK\$38,520,000 (31 December 2015: HK\$34,657,000) and the total assets of the Group were HK\$70,115,000 (31 December 2015: HK\$60,408,000). The net current assets of the Group were HK\$35,049,000 (31 December 2015: HK\$26,445,000) and the current ratio, which represented the current assets over the current liabilities, is 4.77 times (31 December 2015: 3.36 times). The gearing ratio of the Group as at 30 June 2016 (as calculated by the total liabilities of HK\$14,046,000 over equity attributable to the owners of the Company of HK\$51,198,000 is 27.43% (31 December 2015: 38.49%).

Currency risk exposure

As at 30 June 2016, 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 June 2016, the Group had 61 (six months ended 30 June 2015: 63) employees, including Directors. Total staff costs for the six months ended 30 June 2016, including Directors' remuneration, amounted to approximately HK\$5,369,000 (six months ended 30 June 2015: HK\$5,666,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2015 Annual Report.

Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2016.

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

As at 30 June 2016, 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	Notes	Number of issued ordinary shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	1	149,472,498	–	149,472,498	18.04%
	Personal	2	1,800	1,052,820	1,054,620	0.13%
			149,474,298	1,052,820	150,527,118	18.17%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	120,300,000	–	120,300,000	14.52%
	Personal		1,000,000	–	1,000,000	0.12%
			121,300,000	–	121,300,000	14.64%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.02%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.01%

Notes:

- These shares are held by New Brilliant Investments Limited ("New Brilliant"), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
- Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
- These shares are held by Heading Champion Limited a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Dong, an executive Director of the Company.
- For details of the underlying shares, please refer to the next section headed "share options" which stated all the details of share options granted to Directors.

(B) Share options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 June 2016 were as follow:

	Number of share options				Outstanding and exercisable as at 30 June 2016	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period				
<i>Category 1: Directors</i>								
Mr. Chui	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Chan Wai Man	23,927	-	-	-	23,927	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. 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			

	Number of share options				Outstanding and exercisable as at 30 June 2016	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period				
<i>Category 2: Employees/consultants</i>								
Employee	38,284	-	-	-	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	981,034	-	-	-	981,034	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.784
Employee	153,137	-	-	-	153,137	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Employees	430,698	-	-	-	430,698	9 September 2010	9 September 2010 – 8 September 2020	HK\$4.791
Employees	765,686	-	-	-	765,686	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.474
Employees	693,903	-	-	-	693,903	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.455
Employee	1,196,386	-	-	-	1,196,386	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Employee	1,624,311	-	-	-	1,624,311	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.102
Employees	-	1,900,000	-	-	1,900,000	11 April 2016	11 April 2016 – 10 April 2026	HK\$0.188
Consultant	382,843	-	-	-	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	-	-	-	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	-	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	-	4,500,000	-	-	4,500,000	11 April 2016	11 April 2016 – 10 April 2026	HK\$0.188
Sub total	8,009,654	6,400,000	-	-	14,409,654			
Total of all categories	9,325,677	6,400,000	-	-	15,725,677			

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

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

As at 30 June 2016, the following shareholders (including Directors) had interests 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, were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	1	149,472,498	-	149,472,498	Long	18.04%
Mr. Chui	Interest of controlled corporations	1	149,472,498	-	149,472,498	Long	18.04%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.13%
			149,474,298	1,052,820	150,527,118		18.17%
Heading Champion Limited	Beneficial owner	3	120,300,000	-	120,300,000	Long	14.52%
Mr. Dong	Interest of controlled corporations	3	120,300,000	-	120,300,000	Long	14.52%
	Personal		1,000,000	-	1,000,000	Long	0.12%
			121,300,000	-	121,300,000		14.64%
Mr. Chan Ping Che	Beneficial owner		97,390,000	-	97,390,000	Long	11.75%

Notes:

1. These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
2. Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
3. These shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. It is wholly owned by Mr. Dong.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Securities transactions by Directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the six months ended 30 June 2016.

Director's interests in competing business

Mr. Dong Choi Chi, Alex (“**Mr. Dong**”), an executive Director of the Company, is the founder of Sun Entertainment Culture Limited, who is principally engaged in the production and distribution of films and organization of live concerts. He is also the director and/or shareholder of several other private companies which are also engaged in the business of media and entertainment industry. 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 GM Listing Rules).

Save as disclosed above, as at 30 June 2016, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

Arrangements to purchase shares or convertible bonds

Other than the options holdings and the convertible bonds disclosed above, at no time during the six months ended 30 June 2016 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or convertible bonds of, the Company or any other body corporate.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2016.

Compliance with corporate governance practices

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

Non-compliance with paragraph A2.1

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. During the six months ended 30 June 2016, Mr. Chui held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Office in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Save as the deviation from the code provision A2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A2.1 as disclosed in the section “Chairman and Chief Executive Officer”, the Company has met all the code provisions in the CG Code during the six months ended 30 June 2016.

Audit committee

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

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

The AC has reviewed the Group’s unaudited result for the six months ended 30 June 2016.

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

Hong Kong, 12 August 2016

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