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SAGE INTERNATIONAL GROUP LIMITED

仁智國際集團有限公司

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8082)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Directors”) presents the consolidated results of Sage International Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	<i>Note</i>	2016 HK\$’000	2015 HK\$’000
Continuing operations			
Revenue	3	16,287	14,608
Cost of sales	5	<u>(6,298)</u>	<u>(6,261)</u>
Gross profit		9,989	8,347
Other income	4(a)	5,173	1,124
Other losses, net	4(b)	–	(377)
Sales and marketing expenses	5	(3,938)	(4,001)
Administrative expenses	5	<u>(29,147)</u>	<u>(28,558)</u>
Operating loss		(17,923)	(23,465)
Finance income	6	–	4
Finance costs	6	<u>–</u>	<u>(796)</u>
Loss before taxation	5	(17,923)	(24,257)
Income tax expense	7	<u>(291)</u>	<u>(100)</u>
Loss for the year from continuing operations		(18,214)	(24,357)
Discontinued operations			
Profit for the year from discontinued operations		<u>–</u>	<u>4,155</u>
Loss for the year		<u>(18,214)</u>	<u>(20,202)</u>
(Loss)/profit attributable to:			
Owners of the Company		(17,293)	(21,336)
Non-controlling interests		<u>(921)</u>	<u>1,134</u>
		<u>(18,214)</u>	<u>(20,202)</u>

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
(Loss)/profit attributable to owners of the Company arises from:			
Continuing operations		(17,293)	(24,473)
Discontinued operations		—	3,137
		<u>(17,293)</u>	<u>3,137</u>
		<u>(17,293)</u>	<u>(21,336)</u>
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in HK\$ per share)			
	<i>9</i>		
Basic (loss)/earnings per share			
From continuing operations		(0.02)	(0.04)
From discontinued operations		—	0.01
		<u>(0.02)</u>	<u>0.01</u>
From loss for the year		<u>(0.02)</u>	<u>(0.03)</u>
Diluted (loss)/earnings per share			
From continuing operations		(0.02)	(0.04)
From discontinued operations		—	0.01
		<u>(0.02)</u>	<u>0.01</u>
From loss for the year		<u>(0.02)</u>	<u>(0.03)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year	<u>(18,214)</u>	<u>(20,202)</u>
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(600)	(2,020)
Release of exchange reserve upon disposal of subsidiaries	–	(21,506)
Lapse of option deed	<u>(19)</u>	<u>–</u>
Total comprehensive loss for the year	<u><u>(18,833)</u></u>	<u><u>(43,728)</u></u>
Total comprehensive (loss)/profit for the year attributable to:		
Owners of the Company	(17,922)	(44,144)
Non-controlling interests	<u>(911)</u>	<u>416</u>
	<u><u>(18,833)</u></u>	<u><u>(43,728)</u></u>
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	(17,922)	(23,791)
Discontinued operations	<u>–</u>	<u>(20,353)</u>
	<u><u>(17,922)</u></u>	<u><u>(44,144)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		18,622	10,310
Intangible assets		10,486	12,307
Available-for-sale financial assets	<i>10</i>	7,769	–
Deposits		450	145
		<u>37,327</u>	<u>22,762</u>
Current assets			
Inventories		294	184
Trade and other receivables	<i>11</i>	2,437	2,489
Available-for-sale financial assets	<i>10</i>	3,254	–
Restricted cash		–	316
Cash and cash equivalents		22,615	34,657
		<u>28,600</u>	<u>37,646</u>
Total assets		<u>65,927</u>	<u>60,408</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		20,715	17,265
Other reserves		301,943	286,777
Accumulated losses		<u>(281,169)</u>	<u>(263,876)</u>
		41,489	40,166
Non-controlling interests		<u>6,872</u>	<u>4,782</u>
Total equity		<u>48,361</u>	<u>44,948</u>

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Deferred income		2,484	1,858
Deferred income tax liabilities		<u>2,247</u>	<u>2,401</u>
		<u>4,731</u>	<u>4,259</u>
Current liabilities			
Trade payables	<i>12</i>	236	133
Other payables and accruals		6,211	4,398
Income tax payables		6,076	6,458
Deferred income		<u>312</u>	<u>212</u>
		<u>12,835</u>	<u>11,201</u>
Total liabilities		<u>17,566</u>	<u>15,460</u>
Total equity and liabilities		<u>65,927</u>	<u>60,408</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards are mandatory for financial year beginning on or after 1 January 2016. The adoption of these new standards and amendments to standards does not have any significant impact to the results and financial position of the Group.

Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements 2012-2014 cycle

(b) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendment to HKAS 7	Disclosure Initiative	1 January 2017
Amendment to HKAS 12	Recognition of Deferred Tax Assets For Unrealised Losses	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the related impact of adopting the new standards and amendments to standards but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new standards and amendments to standards when they become mandatory.

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources.

The Group started to engage in media and entertainment business during the year. As the business nature of the media and entertainment business is different from the deathcare related business, the executive directors and senior management determine to change the operating segments from a geographic location perspective to a business nature perspective.

No comparative figures of 2015 is presented since there was no operation related to media and entertainment business involved for the year ended 31 December 2015.

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

Funeral services – provision of funeral services and deathcare related business

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

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

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

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

The segment results and other segment items for the year ended 31 December 2016 are as follow:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales from external customers	16,311	–	16,311
Net loss from investments in media and entertainment related projects	–	(24)	(24)
	<u>16,311</u>	<u>(24)</u>	<u>16,287</u>
Segment results	<u>(8,459)</u>	<u>(3,836)</u>	<u>(12,295)</u>
Unallocated corporate expenses, net			(5,628)
Loss before taxation			<u>(17,923)</u>
Segment assets	23,054	18,315	41,369
Property, plant and equipment for corporate			6,787
Club membership			1,500
Prepayments, deposits and other receivables			1,593
Cash and cash equivalents			<u>14,678</u>
Total assets			<u>65,927</u>
Segment liabilities	(7,187)	(75)	(7,262)
Other payables and accruals			(4,263)
Income tax payables			<u>(6,041)</u>
Total liabilities			<u>(17,566)</u>
Other segment information:			
Depreciation and amortisation	1,266	12	1,278
Corporate depreciation and amortisation	–	–	720
Impairment loss on intangible assets	–	–	1,200
Impairment of other receivables	–	–	291
Capital expenditure	3,256	297	3,553
Corporate capital expenditure	<u>–</u>	<u>–</u>	<u>7,489</u>

The segment results and other segment items for the year ended 31 December 2015 are as follows:

	Funeral services <i>HK\$'000</i>	Media and entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	<u>14,608</u>	<u>–</u>	<u>14,608</u>
Segment results	<u>(7,661)</u>	<u>–</u>	<u>(7,661)</u>
Unallocated corporate expenses, net			(15,804)
Finance income			4
Finance costs			<u>(796)</u>
Loss before taxation			<u>(24,257)</u>
Segment assets	25,586	–	25,586
Property, plant and equipment for corporate			18
Club membership			2,700
Prepayments, deposits and other receivables			1,784
Cash and cash equivalents			<u>30,320</u>
Total assets			<u>60,408</u>
Segment liabilities	(7,088)	–	(7,088)
Other payables and accruals			(1,914)
Income tax payables			<u>(6,458)</u>
Total liabilities			<u>(15,460)</u>
Other segment information:			
Depreciation and amortisation	1,796	–	1,796
Corporate depreciation and amortisation	–	–	2
Impairment of property, plant and equipment	980	–	980
Impairment of goodwill	–	–	396
Impairment of other receivables	–	–	9,860
Capital expenditure	1,342	–	1,342
Corporate capital expenditure	<u>–</u>	<u>–</u>	<u>17</u>

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

	2016	2015
	HK\$'000	HK\$'000
Rendering of funeral, cremation and preneed services	11,637	12,305
Sales of Eternity Gem products	2,874	1,256
Management service fee	1,800	1,047
Net loss from investments in media and entertainment related projects	(24)	–
	<u>16,287</u>	<u>14,608</u>

The Group has a major customer which accounts for 11% (2015: 7%) of the total revenue of the Group for the year ended 31 December 2016. The Group does not have any major customer which accounts for 10% or more of the total revenue of the Group for the year ended 31 December 2015.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong is HK\$7,864,000 (2015: HK\$6,094,000) and total revenue from external customers in Mainland China is HK\$8,447,000 (2015: HK\$8,514,000).

4 OTHER INCOME AND OTHER LOSSES, NET

The Group's other income and other losses, net are analysed as follows:

(a) Other income

	2016	2015
	HK\$'000	HK\$'000
Rental income	105	420
Reversal of provision for impairment of other receivable	4,500	–
Sundry income	568	704
	<u>5,173</u>	<u>1,124</u>

(b) Other losses, net

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gain on disposal of a subsidiary (i)	–	6
Fair value changes on convertible bonds measured as share-based payment transactions	–	(383)
	<u>–</u>	<u>(377)</u>

Note:

- (i) During the year ended 31 December 2015, Solar Finance Limited, one of the Company's wholly owned subsidiaries, was disposed of at a consideration of HK\$100,000 to Computech Online Limited, a company wholly owned by Mr. Chui Bing Sun ("Mr. Chui"), an Executive Director and Chairman of the Board. The share transfer was completed on 31 March 2015.

On the date of disposal, the net asset value of Solar Finance Limited was HK\$94,000 which approximated its fair value. The transaction represents a related party transaction.

5 LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories recognised as expense	880	483
Employees benefits expenses	15,176	10,777
Depreciation of property, plant and equipment	1,998	1,798
Impairment of property, plant and equipment	–	980
Impairment of goodwill	–	396
Impairment of intangible assets	1,200	–
Impairment of other receivable	291	9,860
Auditors' remuneration		
– Audit services	1,100	1,000
– Non-audit services	–	250
Minimum lease payments under operating leases in respect of land and buildings	<u>4,586</u>	<u>1,999</u>

6 FINANCE INCOME AND COSTS

The Group's finance income and costs are analysed as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on:		
– Other borrowings	–	(721)
– Convertible bonds	–	(75)
	<u>–</u>	<u>(796)</u>
Total finance costs	-----	-----
Finance income:		
– Interest income on short-term bank deposits	–	4
	<u>–</u>	<u>4</u>
Total finance income	-----	-----
Net finance costs	<u>–</u>	<u>(792)</u>

7 INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
Current income tax for the year	189	100
Under-provision of prior years	102	–
	<u>189</u>	<u>–</u>
Income tax expense	<u>291</u>	<u>100</u>

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2015: Nil).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2015: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to loss before taxation at the statutory rates for the countries (or jurisdictions) in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2016	2015
	HK\$'000	HK\$'000
Loss before taxation	(17,923)	(24,257)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(2,309)	(2,867)
Income not subject to tax	(71)	(59)
Expenses not deductible for tax	950	1,869
Others	17	51
Under-provision of previous year	102	–
Tax losses for which no deferred income tax asset was recognised	1,602	1,106
	<u> </u>	<u> </u>
Income tax expense	291	100
	<u> </u>	<u> </u>

8 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement. The placing price was HK\$0.14 per share and represented a discount to the market price of the then existing shares. The weighted average number of shares used for current year calculations of loss per share has been adjusted for the bonus element implicit in the discount.

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

On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and an open offer to all existing shareholders 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 weighted average number of shares used for last year calculations of loss per share has been adjusted for the bonus element implicit in the discount.

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from continuing operations attributable to owners of the Company	(17,293)	(24,473)
Profit from discontinued operations attributable to owners of the Company	<u> – </u>	<u> 3,137 </u>
	<u> (17,293) </u>	<u> (21,336) </u>
Weighted average number of ordinary shares in issue (in thousands)	<u> 784,550 </u>	<u> 652,305 </u>

(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 (2015: one) of dilutive potential ordinary shares: share options (2015: 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.

The dilutive potential ordinary shares in respect of the Company's outstanding share options for the year ended 31 December 2016 and 2015 are anti-dilutive.

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	–	–
Additions	11,047	–
Losses recognised in the consolidated statement of profit or loss	<u>(24)</u>	–
At 31 December	11,023	–
Less: non-current portion	<u>(7,769)</u>	–
Current portion	<u>3,254</u>	<u>–</u>

During the year ended 31 December 2016, the Group entered into agreements with two independent third parties to invest 5% and 10% interest respectively in two concerts. The Group is entitled to recover its investment amount and share the net profit or loss according to its contribution proportion. Both concerts were completed during the year with a net share of loss of HK\$24,000. As at 31 December 2016, the carrying amount of HK\$3,254,000 represented the net proceeds receivables from these concerts.

During the year ended 31 December 2016, the Group entered into an agreement with an independent third party to acquire 3.33% of ownership interest in a film right with a consideration of US\$1,000,000 (equivalent to HK\$7,769,000). The Group is entitled to recover its investment amount and share the net profit or loss according to its contribution proportion. The carrying amount of the investment in film right approximates its fair value as it was acquired near the year end.

The carrying amounts of available-for-sale financial assets approximate their fair values and are denominated in the following currencies:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
HK\$	3,254	–
US\$	<u>7,769</u>	–
	<u>11,023</u>	<u>–</u>

11 TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	1,993	104
Prepayments and other receivables	5,682	12,034
Rental and other deposits	572	111
Amount due from a director of a subsidiary	<u>291</u>	<u>245</u>
	8,538	12,494
Impairment of other receivables and amount due from a director of the subsidiary	<u>(5,651)</u>	<u>(9,860)</u>
	2,887	2,634
Less: non-current portion Deposits	<u>(450)</u>	<u>(145)</u>
Current portion	<u>2,437</u>	<u>2,489</u>

All non-current receivables are due within five years from the end of the year.

The majority of the Group's sales are mainly on average credit terms of 30 days. Trade receivables of HK\$184,000 (2015: Nil) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. No provision for impairment of receivables was provided. The ageing analysis of these trade receivables is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<u>1,809</u>	<u>104</u>
0 – 30 days past due	140	–
31 – 60 days past due	21	–
Over 60 days past due	<u>23</u>	<u>–</u>
Past due but not impaired	<u>184</u>	<u>–</u>
	<u>1,993</u>	<u>104</u>

12 TRADE PAYABLES

An aging analysis of trade payables which are non-interest bearing at end of the reporting period, based on the invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	92	29
31-60 days	13	5
61-90 days	21	1
91 days-1 year	<u>110</u>	<u>98</u>
	<u>236</u>	<u>133</u>

The average credit period on purchases of certain goods is 30 days. The carrying amount of trade payables approximates its fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13 EVENTS AFTER THE REPORTING PERIOD

On 24 January 2017, Sunny Side Up (BVI) Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with Sun Entertainment Films Limited (“Sun Entertainment”), 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 a film right. The investment is subject to approval by the Company’s shareholders. Upon completion, the Company will issue 164,192,312 new shares of the Company to Sun Entertainment in exchange of 20% of the income right of the film right.

On 24 March 2017, the Group issued 165,000,000 new ordinary shares at the placing price of HK\$0.16 per placing share to several independent third parties. The net proceeds of the placement is approximately HK\$25,506,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profits – Continuing operations

For the year ended 31 December 2016, the total revenue of continuing operations (which mainly consists of the funeral services and media and entertainment business) was approximately HK\$16,287,000 which was 11.49% higher than the corresponding period of last year of approximately HK\$14,608,000. The increase was mainly due to the increase in sales of Eternity Gem (“EGEM”).

Gross profits increased from approximately HK\$8,347,000 to approximately HK\$9,989,000. The overall gross profit margin of the continuing operations for the year ended 31 December 2016 was approximately 61.33% and increase slightly as compared with the corresponding period of last year of approximately 57.14%.

Other Income – Continuing operations

Other income increased from approximately HK\$1,124,000 to approximately HK\$5,173,000. The increase was mainly due to the reversal of provision for impairment of other receivable.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operations for the year ended 31 December 2016 was approximately HK\$3,938,000, being 24.18% of turnover and was decreased as compared with the corresponding period of last year of approximately HK\$4,001,000, being 27.39% of turnover.

Administrative expenses – Continuing operations

Administrative expenses of the continuing operations for the year ended 31 December 2016 amounted to approximately HK\$29,147,000 which was in line with the corresponding period of last year of approximately HK\$28,558,000.

Finance costs – Continuing operations

Finance costs of the continuing operations for year ended 31 December 2016 was nil which was 100% less than the corresponding period of last year of approximately HK\$796,000. The decrease in the finance costs was a result of the pay off of all interest bearing debts by funding raised from the open offer and the placing in February 2015.

Loss for the year from continuing operations

Loss for the year ended 31 December 2016 from continuing operations amounted to approximately HK\$18,214,000 (31 December 2015: loss of approximately HK\$24,357,000).

Profit for the year from discontinued operations

No contribution had been derived from discontinued operations for the year ended 31 December 2016 (31 December 2015: profit of HK\$4,155,000). The Group had disposed of the cemetery business in the year 2015.

Loss for the year

The Group's loss for the year was approximately HK\$18,214,000 (31 December 2015: loss of approximately HK\$20,202,000). The main reasons for such reduction in loss were mainly due to the reversal of provision for impairment of other receivable and increase in gross profit as compared to the corresponding period of last year.

OPERATION REVIEW – HONG KONG

Funeral services and Eternity Gem

During the year ended 31 December 2016, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$7,864,000 which was 29.04% higher than that of the corresponding period of approximately HK\$6,094,000 in 2015. During the year, revenues were mainly generated from sales of funeral packages, provision of management service and sales of the EGEM products, which transforms the cremated ash into durable memorial gem stone. The revenue from sales of funeral packages for the year ended 31 December 2016 was approximately HK\$3,190,000, which was 15.85% lower than that the corresponding period of last year of approximately HK\$3,791,000. The revenue from provision of management service for the year ended 31 December 2016 was approximately HK\$1,800,000, which was 71.92% higher than that the corresponding period of last year of approximately HK\$1,047,000.

EGEM gained popularity during the year and sales of EGEM increased 128.82% to approximately HK\$2,874,000 as compared with that of corresponding period of last year of approximately HK\$1,256,000 during the period 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.

Media and entertainment business

The new operating segment of media and entertainment has just started in the mid of 2016 which recorded a segment loss of approximately HK\$3,836,000 for the year ended 31 December 2016 (year ended 31 December 2015: nil). The segment loss was mainly attributable to the one off non-cash item of share based payment of approximately HK\$3,001,000 in relation to shares issued to Keith Productions Limited during the year.

OPERATION REVIEW – CHINA

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2016 and revenue during the year was approximately HK\$8,447,000, almost in line with last year corresponding period of approximately HK\$8,514,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the year.

PROSPECTS

The Group is principally engaged in the provision of deathcare services and related business in the PRC and Hong Kong. As disclosed in the announcement of the Company dated 26 May 2016, whilst the Group remains focused on developing its existing businesses, the Group has recently made investment in the media and entertainment industry in order to diversify the existing businesses.

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group has cash, cash equivalents and restricted cash of approximately HK\$22,615,000 (as at 31 December 2015: HK\$34,973,000) and the total assets of the Group were HK\$65,927,000 (as at 31 December 2015: HK\$60,408,000). The net current assets of the Group were approximately HK\$15,765,000 (as at 31 December 2015: HK\$26,445,000) and the Group’s current ratio, which represents the current assets over its current liabilities, was approximately 2.23 times (as at 31 December 2015: 3.36 times). The gearing ratio of the Group as at 31 December 2016 (calculated by the total liabilities of HK\$17,566,000 over equity attributable to the owners of the Company of HK\$41,489,000) is 42.34% (31 December 2015: 38.49%).

PLACING OF NEW SHARES

1. On 26 May 2016, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising in aggregate 138,000,000 new Shares at the Placing Price of HK\$0.14 per Placing Share on behalf of the Company to not fewer than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The Placing was subject to the conditions set out in the Placing Agreement. On 5 June 2016, 138,000,000 Placing shares were allotted and issued by the Company, pursuant to the Placing Agreement.

The net proceeds arising from the Placing amounted to approximately HK\$18,810,000, net of expenses, which were used to develop the new business unit for the media and entertainment industry.

For further details of the Share Placing, please refer to the Company's announcements dated 26 May 2016 and 8 June 2016 respectively.

2. On 8 March 2017, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising in aggregate 165,000,000 new Shares at the Placing Price of HK\$0.16 per Placing Share on behalf of the Company to not fewer than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The Placing was subject to the conditions set out in Placing Agreement. On 24 March 2017, 165,000,000 Placing shares were allotted and issued by the Company pursuant to the Placing Agreement.

The net proceeds arising from the Placing amounted to approximately HK\$25,506,000 net of expense, which were used to develop the business segment for media and entertainment industry.

For further details of the Share Placing, please refer to the Company's announcements dated 8 March 2017 and 24 March 2017 respectively.

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake research and identify potential deathcare related and media and entertainment business investment opportunities to enhance its investment portfolio.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any material acquisition or disposal during the year.

CURRENCY RISK EXPOSURE

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 31 December 2016, the Group had 61 employees and including Directors (31 December 2015: 61). Total staff costs for the year ended 31 December 2016, including Directors' remuneration, amounted to approximately HK\$11,150,000 (31 December 2015: approximately HK\$10,054,000). The Group's employees remuneration packages are mainly on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets and the Group did not have any significant contingent liabilities for the year ended 31 December 2016.

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 during the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

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.

CORPORATE GOVERNANCE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

Save as the deviation from the code provision A.2.1 as described below, the Company has complied with the Corporate Governance Code (the "CG Code") during the year ended 31 December 2016.

Non-compliance code provision 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 year ended 31 December 2016, Mr. Chui Bing Sun currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and CEO 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.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company reviewed the annual results announcement and the consolidated annual financial statements of the Group for the year ended 31 December 2016.

The figures in respect of the preliminary announcement of the Group for the year ended 31 December 2016 have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 December 2016 is published on the website of GEM of the Stock Exchange at www.hkgem.com and the website of the Company at www.sig.hk. The 2016 Annual Report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. I would also like to express my appreciation to the continuous support of our shareholders and investors.

On behalf of the board of
Sage International Group Limited
Chui Bing Sun
Chairman and executive Director

Hong Kong, 29 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chui Bing Sun (Chairman), Mr. Dong Choi Chi, Alex and Mr. Yao Kan Shan, and three independent non-executive Directors, namely, Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.

This announcement will remain on the "Latest Company Announcement" page of the GEM Website for at least 7 days from the day of its publication and on the website of the Company at www.sig.hk.