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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 2019**

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chong Cho Lam (*Chief executive officer*)
Mr. Dong Choi Chi, Alex (*Chairman*)

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

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
Mr. Jip Ki Chi

AUTHORISED REPRESENTATIVES

Mr. Dong Choi Chi, Alex
Mr. Jip Ki Chi

AUDITOR

Ernst & Young

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor, Fun Tower
35 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

STOCK CODE

8082

CONTACT INFORMATION

Tel: +852 2977 8082
Fax: +852 3150 8092
Email: ir@sig.hk
Website: www.sig.hk

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 2019 together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	2	31,618	40,732	49,197	54,213
Cost of sales		(18,983)	(29,547)	(36,618)	(38,549)
Gross profit		12,635	11,185	12,579	15,664
Other income	3	2,627	724	3,756	864
Selling, marketing and distribution expenses		(2,179)	(1,207)	(3,552)	(2,579)
General and administrative expenses		(11,691)	(5,552)	(19,558)	(11,651)
Other expenses		(4,648)	(7,832)	(3,813)	(7,832)
Finance costs		(36)	-	(73)	-
LOSS BEFORE TAX	7	(3,292)	(2,682)	(10,661)	(5,534)
Income tax expense	4	(909)	57	(1,008)	(36)
LOSS FOR THE PERIOD		(4,201)	(2,625)	(11,669)	(5,570)
Attributable to:					
Owners of the Company		(3,976)	(2,290)	(10,482)	(4,921)
Non-controlling interests		(225)	(335)	(1,187)	(649)
		(4,201)	(2,625)	(11,669)	(5,570)
Dividend	5	-	-	-	-
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
- Basic and diluted (<i>HK cents</i>)		(0.3)	(0.2)	(0.9)	(0.4)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period	(4,201)	(2,625)	(11,669)	(5,570)
Other comprehensive loss:				
Exchange differences on translation of foreign operations	(44)	(1,317)	99	(289)
Total comprehensive loss for the period	(4,245)	(3,942)	(11,570)	(5,859)
Attributable to:				
Owners of the Company	(3,913)	(3,412)	(10,373)	(5,234)
Non-controlling interests	(332)	(530)	(1,197)	(625)
	(4,245)	(3,942)	(11,570)	(5,859)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2019*

	<i>Notes</i>	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		15,687	15,549
Right-of-use assets		2,736	–
Intangible assets		13,516	13,636
Investment in a film right		–	7,769
Deposits		549	447
Total non-current assets		32,488	37,401
Current assets			
Inventories	8	130	117
Film and drama under production		7,931	5,505
Investments in concert and film production projects		41,194	24,139
Trade receivables	9	12,725	19,862
Prepayments, other receivables and other assets	10	44,194	14,003
Cash and cash equivalents		19,764	37,972
Total current assets		125,938	101,598
Current liabilities			
Trade payables, other payables and accruals	11	33,127	11,585
Deferred income		501	501
Lease liabilities		922	–
Other borrowing		2,957	2,960
Tax payable		10,537	9,640
Total current liabilities		48,044	24,686
Net current assets		77,894	76,912
Total assets less current liabilities		110,382	114,313

	<i>Notes</i>	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current liabilities			
Deferred income		2,600	2,853
Lease liabilities		1,906	–
Deferred tax liabilities		2,289	2,291
Total non-current liabilities		6,795	5,144
Net assets			
Equity			
Equity attributable to owners of the Company			
Issued capital	12	30,445	30,445
Reserves		70,224	74,609
		100,669	105,054
Non-controlling interests		2,918	4,115
Total equity		103,587	109,169

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2019*

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
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	-	-	-	-	-	(4,921)	(4,921)	(649)	(5,570)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	(313)	-	-	(313)	24	(289)
Total comprehensive loss for the period	-	-	-	(313)	-	(4,921)	(5,234)	(625)	(5,859)
Equity-settled share options arrangement	-	-	-	-	885	-	885	-	885
Cancellation of share options	-	-	-	-	(15,430)	14,835	(595)	-	(595)
At 30 June 2018 (unaudited)	28,945	311,509	31,713	406	809	(290,896)	82,486	6,236	88,722
At 1 January 2019 (audited)	30,445	329,188	31,713	(217)	7,270	(293,345)	105,054	4,115	109,169
Loss for the period	-	-	-	-	-	(10,482)	(10,482)	(1,187)	(11,669)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	109	-	-	109	(10)	99
Total comprehensive loss for the period	-	-	-	109	-	(10,482)	(10,373)	(1,197)	(11,570)
Equity-settled share options arrangement	-	-	-	-	5,988	-	5,988	-	5,988
Transfer of share-based payment reserve upon the cancellation of share options	-	-	-	-	(13,258)	13,258	-	-	-
At 30 June 2019 (unaudited)	30,445	329,188	31,713	(108)	-	(290,569)	100,669	2,918	103,587

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2019*

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Operating activities		
Loss before taxation	(10,661)	(5,534)
Adjustments for:		
Depreciation of property, plant and equipment	1,681	1,800
Depreciation of right-of-use assets	722	–
Amortisation of deferred income	(254)	(258)
Amortisation of an intangible asset	112	–
Impairment on other receivable	112	–
Equity-settled share options expenses	5,988	885
Cancellation of share options	–	(595)
Interest expense	173	–
Finance costs	73	–
Income tax paid	(70)	(198)
	(2,124)	(3,900)
Increase in inventories	(13)	(27)
Decrease/(increase) in trade receivables	7,136	(4,114)
(Increase)/decrease in prepayments, other receivables and other assets	(30,516)	370
Increase in film and drama under production	(2,426)	(746)
Increase in investments in concert and film production projects	(17,055)	(11,223)
Increase in trade payables, other payables and accruals	21,472	1,410
Decrease in deferred income	–	(770)
Net cash used in operating activities	(23,526)	(19,000)

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(23,526)	(19,000)
Investing activities		
Purchase of property, plant and equipment	(1,601)	(1,011)
Decrease in investment in a film right	7,769	–
Net cash generated from/(used in) investing activities	6,168	(1,011)
Financing activities		
Principal portion of lease payments	(803)	–
Net cash used in financing activities	(803)	–
Net decrease in cash and cash equivalents	(18,161)	(20,011)
Cash and cash equivalents at beginning of the reporting period	37,972	28,977
Effect of foreign exchange rate changes, net	(47)	(141)
Cash and cash equivalents at the end of the reporting period	19,764	8,825
Analysis of balances of cash and cash equivalents		
Cash and bank balances	19,764	8,825

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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 GEM 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 2018 (“2018 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 2018 Annual Report, other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Accordingly, the Group recognised right-of-use assets and lease liabilities of HK\$2,369,000 respectively, as at 1 January 2019.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK\$'000
Operating lease commitments as at 31 December 2018	3,826
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	3,568
<i>Less:</i> Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2020	(1,023)
<i>Less:</i> Commitments relating to leases of low-value assets	(176)
	2,369

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets HK\$'000	Lease liabilities HK\$'000
As at 1 January 2019	2,369	2,369
Addition	1,089	1,089
Depreciation charge	(722)	-
Interest expense	-	173
Payments	-	(803)
As at 30 June 2019	2,736	2,828

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/organisation of films and concerts and other media 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 six months ended 30 June 2019 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	5,871	43,326	49,197
Segment results	505	1,948	2,453
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(13,041)
Finance costs			(73)
Loss before tax			(10,661)
Segment assets	24,571	118,536	143,107
<i>Reconciliation:</i>			
Corporate and other unallocated assets			15,319
Total assets			158,426
Segment liabilities	(6,316)	(37,906)	(44,222)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(11,675)
Total liabilities			(55,897)
Other segment information:			
Depreciation and amortisation	927	289	1,216
Capital expenditure	1,527	–	1,527

The segment results and other segment items for the six months ended 30 June 2018 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	5,793	48,420	54,213
Segment results	(244)	716	472
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(6,006)
Loss before tax			(5,534)
Segment assets	25,813	74,176	99,989
<i>Reconciliation:</i>			
Corporate and other unallocated assets			9,838
Total assets			109,827
Segment liabilities	(7,793)	(4,924)	(12,717)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(8,388)
Total liabilities			(21,105)
Other segment information:			
Depreciation and amortisation	911	104	1,015
Capital expenditure	507	495	1,002

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>				
Sale of goods and provision of cremation and funeral services	1,347	1,239	2,944	2,897
Entertainment event income	25,684	38,016	39,177	48,284
Artist management and performance services income	1,813	131	2,046	136
	28,844	39,386	44,167	51,317
<i>Revenue from other sources</i>				
Rendering of cremation services*	1,348	1,346	2,927	2,896
Gain on investments in concert projects	1,426	-	2,103	-
	2,774	1,346	5,030	2,896
	31,618	40,732	49,197	54,213

* *Being government subsidies received for the rendering of cremation services in certain location. There are no unfulfilled conditions or contingencies relating to these subsidies.*

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Gross rental income	204	-	408	-
Gain on investments in media and entertainment related projects	-	568	-	568
Fair value gain on investment in film right	2,282	-	2,282	-
Others	141	156	1,066	296
	2,627	724	3,756	864

4. 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.

5. 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 2019 (six months ended 30 June 2018: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

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

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss attributable to owners of the Company	(3,976)	(2,290)	(10,482)	(4,921)
Weighted average number of ordinary shares in issue (in thousands)	1,217,798	1,157,798	1,217,798	1,157,798

(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. No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. During the period ended 30 June 2019, the Company has no category of dilutive potential ordinary shares as all outstanding share options were cancelled upon close of general offer on 12 June 2019.

7. LOSS BEFORE TAX

Loss before tax is stated after charging the following:

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	453	537
Employees benefits expenses	5,788	5,674
Depreciation of property, plant and equipment	1,681	1,800
(a) Depreciation of right-of-use assets	722	–
(b) Amortisation of intangible asset	112	–
Minimum lease payments under operating leases in respect of land and buildings	–	1,359

8. INVENTORIES

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Funeral related merchandises	130	117

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or equivalent, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	12,760	19,931
Impairment	(35)	(69)
	12,725	19,862

The Group's trading terms with its credit sales customers for cremation and funeral business are generally 30 days. For the media and entertainment business, other than ticket sales and certain sponsorship arrangements whereby payments in advance are normally required, the credit period is generally 30 to 60 days from the date of billing, while ticketing agency and/or other relevant parties normally settle the corresponding amounts received by them attributable to the Group within 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed trade receivables as at the end of the reporting period, based on the invoice date or equivalent and net of loss allowance is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	590	586
1 to 2 months	-	-
2 to 3 months	-	-
Over 3 months	-	-
	590	586

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Prepayments	36,466	9,445
Deposits	642	750
Other receivables	13,583	10,091
Amount due from a former director of a subsidiary	291	291
	50,982	20,577
Impairment allowance	(6,239)	(6,127)
	44,743	14,450
Less: Non-current rental deposit	(549)	(447)
Current portion	44,194	14,003

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables	77	106
Contract liabilities	1,956	2,856
Other payables and accruals	30,742	6,385
Financial liabilities at fair value through profit or loss	352	2,238
	33,127	11,585

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	73	102
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	4	4
	77	106

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

12. ISSUED CAPITAL

	<i>Note</i>	Number of shares '000	Issued capital HK\$'000
Authorised:			
Ordinary shares of HK\$0.025 each at 1 January 2018, 31 December 2018 and 30 June 2019		3,200,000	80,000
Issued and fully paid:			
Ordinary shares of HK\$0.025 each at 1 January 2018		1,157,798	28,945
Issue of shares upon placement	<i>(i)</i>	60,000	1,500
Ordinary shares of HK\$0.025 each at 31 December 2018 and 30 June 2019		1,217,798	30,445

Note:

- (i) On 11 December 2018, the Company allotted and issued 60,000,000 new ordinary shares of the Company of HK\$0.025 each through a share placement to several independent third parties at a placing price of HK\$0.33 per placing share, for a total consideration before expenses, of HK\$19,800,000. The net proceeds were approximately HK\$19,179,000.

13. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Related companies:					
Rentals paid/payable	(i)	90	165	180	330
Agency fee paid	(ii)	370	-	370	-
Remuneration of directors of the Group:					
Short term benefits		315	544	664	768

Notes:

- (i) The rentals were charged in accordance with a tenancy agreement entered into between the relevant parties. A director of the Company during the relevant period has beneficial equity interest in the related company.
- (ii) The agency fee is in connection with a concert organized by the Group and was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit

For the six months ended 30 June 2019, the total revenue (which mainly consists of (i) the media and entertainment business; and (ii) the funeral services business) was approximately HK\$49,197,000 which was 9.25% lower than that of last year corresponding period of approximately HK\$54,213,000. The overall gross profit for the six months ended 30 June 2019 amounted to HK\$12,579,000, which was 19.69% lower than last year corresponding period.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the six months ended 30 June 2019 was approximately HK\$3,552,000, which was 37.73% higher than last corresponding period of approximately HK\$2,579,000. Percentage to turnover was approximately 7.22% (six months ended 30 June 2018: 4.76%). The increase was attributable to more concerts organised by the Group during the current period under review.

General and administrative expenses

General and administrative expenses for the six months ended 30 June 2019 amounted to approximately HK\$19,558,000 which was 67.87% higher as compared with last year corresponding period of approximately HK\$11,651,000. The increase was mainly attributable to non-cash share-based payment expense of approximately HK\$5,988,000 in relation to share options granted to several grantees in the year of 2018.

Other expenses, net

Other expenses mainly consist of co-investors' share of net profit or loss from concerts organised by the Group.

Loss for the period

The Group's loss for the six months ended 30 June 2019 was approximately HK\$11,669,000 (six months ended 30 June 2018: loss of approximately HK\$5,570,000). The increase in loss was mainly due to the non-cash item of share-based payment expenses of approximately HK\$5,988,000.

Operation review

Media and entertainment

During the six months ended 30 June 2019, the media and entertainment segment recorded a revenue of approximately HK\$43,326,000, representing a decrease of 10.52% as compared with last year corresponding period of approximately of HK\$48,420,000. The decrease was mainly due to some of the concerts organised by the group have unexpected occupancy rate and resulted in losses. The revenue of media and entertainment was mainly comprised of concert organisation income, artiste management income, sponsorship income and gain on investment in concert projects.

Funeral services and crematorium

During the six months ended 30 June 2019, the revenue from funeral and cremation business was approximately HK\$5,871,000, which was in line with last year corresponding period of approximately HK\$5,793,000. 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 growing momentum of the media and entertainment industry in Mainland China is robust in recent years. Mainland China's movie box office revenue rose 9.06% in 2018 to more than 60.9 billion yuan (8.9 billion U.S. dollars), according to the China Film Administration (“國家電影局”). 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.

The Greater Bay Area, consists of nine contiguous cities in the Pearl River Delta region of the Guangdong Province-Guangzhou, Shenzhen, Dongguan, Foshan, Huizhou, Jiangmen, Zhaoqing, Zhongshan and Zhuhai, and the Hong Kong and Macao Special Administrative Regions. With the completion of the Hong Kong-Zhuhai-Macao Bridge, there will be significantly increased connectivity amongst these eleven cities, providing an engine of accelerated growth for the entire Greater Bay Area. The Group will expand its live entertainment businesses further in the Greater Bay Area, as the economic prosperity of the region continues to increase, the disposable income of its inhabitants likewise increases, creating a demand for experiences, travel and entertainment. We will also 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.

Liquidity and financial resources

As at 30 June 2019, the Group has cash and bank balances of approximately HK\$19,764,000 (31 December 2018: HK\$37,972,000) and the total assets of the Group were HK\$158,426,000 (31 December 2018: HK\$138,999,000). The net current assets of the Group were HK\$77,894,000 (31 December 2018: HK\$76,912,000) and the current ratio, which represented the current assets over the current liabilities, is 2.62 times (31 December 2018: 4.12 times). The gearing ratio of the Group as at 30 June 2019 as calculated by the total liabilities of HK\$54,839,000 over equity attributable to the owners of the Company of HK\$100,699,000 is 54.47% (31 December 2018: 28.39%).

Currency risk exposure

As at 30 June 2019, 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 2019, the Group had 62 (six months ended 30 June 2018: 59) employees, including Directors. Total staff costs for the six months ended 30 June 2019, including Directors' remuneration, amounted to approximately HK\$5,788,000 (six months ended 30 June 2018: HK\$5,674,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2018 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 2019.

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

As at 30 June 2019, 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	Note	Number of shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		287,549,682	287,549,682	23.61%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,346,823	431,346,823	35.42%
			718,896,505	718,896,505	59.03%

Note:

1. 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 June 2019 were as follow:

	Number of share options				Outstanding and exercisable as at 30 June 2019	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Forfeited/lapsed/cancelled during the period				
Category 1: Directors								
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
Sub total	10,000,000	-	-	(10,000,000)	-			
Category 2: Employees/consultants								
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
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	32,000,000	-	-	(32,000,000)	-			
Total of all categories	42,000,000	-	-	(42,000,000)	-			

All the share options granted by the Company were cancelled upon close of the general offer on 12 June 2019.

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

As at 30 June 2019, 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 A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	287,549,682	Long	23.61%
			431,346,823	Long	35.42%
			718,896,505		59.03%
Mr. Chau Cheok Wa ("Mr. Chau")	Beneficial owner A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,346,823	Long	35.42%
			287,549,682	Long	23.61%
			718,896,505		59.03%
Mr. Cheng Ting Kong ("Mr. Cheng")	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	718,896,505	Long	59.03%
New Brilliant Investments Limited	Beneficial owner	2	134,472,498	Long	11.04%
Grand Sea Limited	Beneficial owner	3	15,000,000	Long	1.23%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner Interest of controlled corporation	4 2 and 3	1,800	Long	0.00%
			149,472,498	Long	12.27%
			149,474,298		12.27%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	8.00%

Notes:

- 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.
- New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
- Grand Sea Limited is incorporated in Hong Kong. It is wholly and beneficially owned by Mr. Chui.
- 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 June 2019, 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. 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 for the six months ended 30 June 2019.

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 June 2019.

Arrangements to purchase shares

Other than the options holdings disclosed above, at no time during the six months ended 30 June 2019 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 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 2019.

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. 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. On 17 June 2019, Mr. Dong Choi Chi, Alex was appointed as the Chairman, and Mr. Chong Cho Lam was appointed as CEO.

Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section “Chairman and Chief Executive Officer”, the Company has met all the code provisions in the CG Code during the six months ended 30 June 2019.

Audit committee

The Company has established an Audit Committee (the “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 six months ended 30 June 2019.

By order of the Board
SAGE INTERNATIONAL GROUP LIMITED
Dong Choi Chi, Alex
Chairman and executive Director

Hong Kong, 14 August 2019

As at the date of this report, the Board comprises two executive Directors, namely Mr. Chong Cho Lam and Mr. Dong Choi Chi, Alex, and three independent non-executive Directors, namely, Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.

This report 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.