



Sun International Resources Limited
太陽國際資源有限公司



2017

Interim Report

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached other than companies listed on the Stock 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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FINANCIAL SUMMARY (UNAUDITED)

- Turnover of the Group was approximately HK\$38,919,000 for the six months ended 30 September 2017, representing a decrease of approximately 37% from the corresponding period in the previous fiscal year.
- For the six months ended 30 September 2017, gross profit of the Group was approximately HK\$22,586,000 as compared to the gross profit of approximately HK\$36,973,000 from the corresponding period in the previous fiscal year.
- Loss attributable to shareholders of the Group for the six months ended 30 September 2017 amounted to approximately HK\$21,665,000 as compared to net loss of approximately HK\$7,474,000 from the corresponding period in the previous fiscal year.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

CONSOLIDATED INTERIM RESULTS FOR 2017 (UNAUDITED)

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Group for the three months and six months ended 30 September 2017, together with the comparative unaudited figures for the corresponding period in 2016 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

| | Notes | For the three months ended 30 September | | For the six months ended 30 September | |
|--|-------|--|--------------|--|--------------|
| | | 2017 HK\$ | 2016 HK\$ | 2017 HK\$ | 2016 HK\$ |
| Revenue | 2 | 25,292,085 | 40,605,594 | 38,919,387 | 61,645,644 |
| Direct costs | | (8,219,925) | (17,672,255) | (16,333,840) | (24,672,840) |
| Gross profit | | 17,072,160 | 22,933,339 | 22,585,547 | 36,972,804 |
| Other operating income | | 1,101,633 | 16,773,839 | 10,624,835 | 21,062,712 |
| Administrative expenses | | (11,163,716) | (25,741,942) | (35,814,777) | (70,838,648) |
| Share of losses of associates | | - | - | - | (43,800) |
| Profit on disposal of associates | | - | 14,753,487 | - | 14,753,487 |
| Finance costs | | (12,102,977) | (5,155,106) | (21,480,907) | (8,392,840) |
| (Loss)/Profit before taxation | 3 | (5,092,900) | 23,563,617 | (24,085,302) | (6,486,285) |
| Income tax expense | 4 | (366,216) | (1,036,454) | (416,900) | (1,202,100) |
| (Loss)/Profit for the period | | (5,459,116) | 22,527,163 | (24,502,202) | (7,688,385) |
| Other comprehensive (loss)/income: | | | | | |
| Currency translation differences | | (6,655,286) | (7,115,202) | (9,042,622) | (494,659) |
| Other comprehensive (loss)/ income for the period | | (6,655,286) | (7,115,202) | (9,042,622) | (494,659) |
| Total comprehensive (loss)/ income for the period | | (12,114,402) | 15,411,961 | (33,544,824) | (8,183,044) |

CONSOLIDATED INTERIM RESULTS
FOR 2017 (UNAUDITED)

| | Notes | For the three months ended 30 September | | For the six months ended 30 September | |
|--|-------|--|--------------|--|--------------|
| | | 2017 HK\$ | 2016 HK\$ | 2017 HK\$ | 2016 HK\$ |
| (Loss)/Profit attributable to: | | | | | |
| Equity holders of the Company | | (5,384,693) | 22,638,479 | (21,665,085) | (7,473,965) |
| Non-controlling interests | | (74,423) | (111,316) | (2,837,117) | (214,420) |
| | | (5,459,116) | 22,527,163 | (24,502,202) | (7,688,385) |
| Total comprehensive (loss)/ income attributable to: | | | | | |
| Equity holders of the Company | | (12,039,979) | 15,523,277 | (30,707,707) | (7,968,624) |
| Non-controlling interests | | (74,423) | (111,316) | (2,837,117) | (214,420) |
| | | (12,114,402) | 15,411,961 | (33,544,824) | (8,183,044) |
| Dividend | 5 | - | - | - | - |
| Earnings per share | | | | | |
| Basic (HK cents per share) | 6 | (0.39) | 1.63 | (1.56) | (0.54) |
| Diluted (HK cents per share) | | (0.39) | 1.63 | (1.56) | (0.54) |

CONSOLIDATED INTERIM RESULTS
FOR 2017 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

| | | At 30 September 2017 HK\$ (Unaudited) | At 31 March 2017 HK\$ (Audited) |
|---|----|---|---|
| Non-current assets | | | |
| Intangible assets | 7 | 2,461,789 | 2,503,208 |
| Goodwill | 8 | 53,037,756 | 53,037,756 |
| Property, plant and equipment | 9 | 49,987,401 | 51,420,369 |
| Biological assets – non-current portion | | 49,491,724 | 42,536,204 |
| Other asset | | 275,000 | 275,000 |
| | | 155,253,670 | 149,772,537 |
| Current assets | | | |
| Inventories | | – | 218,526 |
| Biological assets – current portion | | 106,981,966 | 113,427,384 |
| Loan receivable | | 33,000,000 | 38,000,000 |
| Trade receivables | 10 | 21,629,430 | 10,936,585 |
| Advances to customers in margin financing | | 71,974,705 | 60,072,809 |
| Prepayments, deposits and other receivables | 11 | 9,831,457 | 8,990,673 |
| Bank balances and cash | | 52,492,512 | 61,854,123 |
| Cash held on behalf of customers | | 80,212,747 | 116,987,023 |
| | | 376,122,817 | 410,487,123 |
| Current liabilities | | | |
| Trade payables | 12 | 91,501,282 | 124,828,674 |
| Accruals and other payables | | 34,729,927 | 34,297,723 |
| Deposits received and deferred income | | 1,387,663 | 1,513,248 |
| Amount due to related companies | | 3,798 | 113,514 |
| Medium-term bonds | | 12,000,000 | 212,000,000 |
| Promissory note | 13 | – | 2,573,905 |
| Tax payables | | 442,440 | 104,683 |
| | | 140,065,110 | 375,431,747 |

CONSOLIDATED INTERIM RESULTS
FOR 2017 (UNAUDITED)

| | Notes | At 30 September 2017 HK\$ (Unaudited) | At 31 March 2017 HK\$ (Audited) |
|--------------------------------------|-------|---|---|
| Net current assets | | 236,047,707 | 35,055,376 |
| Total asset less current liabilities | | 391,311,377 | 184,827,913 |
| Non-current liabilities | | | |
| Promissory note | 13 | 117,244,104 | 109,215,816 |
| Medium-term bonds | | 36,000,000 | 36,000,000 |
| Interest bearing borrowings | | 277,000,000 | 45,000,000 |
| | | 430,244,104 | 190,215,816 |
| | | (38,932,727) | (5,387,903) |
| Capital and reserves | | | |
| Share capital | 14 | 55,656,000 | 55,656,000 |
| Reserves | | (94,462,389) | (63,754,682) |
| Non-controlling interest | | (126,338) | 2,710,779 |
| | | (38,932,727) | (5,387,903) |

CONSOLIDATED INTERIM RESULTS
FOR 2017 (UNAUDITED)

CONDENSED CONSOLIDATION INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|--------------------|----------------------------------|-------------------|----------------------------|------------------------------------|-----------------------------------|---------------------|----------------------------------|---------------------|
| | Share Capital | Share Premium | Capital Redemption Reserve | Merger Deficit | Share Option Reserve | Exchange Translation Reserve | Accumulated Profits/ (Loss) | Sub- total | Non- Controlling Interests | Total |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| At 1 April 2016 (Audited) | 55,656,000 | 775,075,169 | 254,600 | 369,866 | 46,554,612 | 22,170,362 | (820,929,651) | 79,150,958 | 3,236,749 | 82,387,707 |
| Profit for the six months ended 30 September 2016 | - | - | - | - | - | - | (7,473,965) | (7,473,965) | (214,420) | (7,688,385) |
| Other comprehensive income: Currency translation differences | - | - | - | - | - | (494,659) | - | (494,659) | - | (494,659) |
| Total comprehensive income for the six months ended 30 September 2016 | - | - | - | - | - | (494,659) | (7,473,965) | (7,968,624) | (214,420) | (8,183,044) |
| At 30 September 2016 (Unaudited) | 55,656,000 | 775,075,169 | 254,600 | 369,866 | 46,554,612 | 21,675,703 | (828,403,616) | 71,182,334 | 3,022,329 | 74,204,663 |
| At 1 April 2017 (Audited) | 55,656,000 | 775,075,169 | 254,600 | 369,866 | 46,554,612 | 20,279,680 | (906,288,609) | (8,098,682) | 2,710,779 | (5,387,903) |
| Loss for the six months ended 30 September 2017 | - | - | - | - | - | - | (21,665,085) | (21,665,085) | (2,837,117) | (24,502,202) |
| Other comprehensive income: Currency translation differences | - | - | - | - | - | (9,042,622) | - | (9,042,622) | - | (9,042,622) |
| Total comprehensive income for the six months ended 30 September 2017 | - | - | - | - | - | (9,042,622) | (21,665,085) | (30,707,707) | (2,837,117) | (33,544,824) |
| At 30 September 2017 (Unaudited) | 55,656,000 | 775,075,169 | 254,600 | 369,866 | 46,554,612 | 11,237,058 | (927,953,694) | (38,806,389) | (126,338) | (38,932,727) |

CONSOLIDATED INTERIM RESULTS
FOR 2017 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

| | For the six months ended 30 September | |
|--|--|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Net cash used in operating activities | (8,242,879) | (47,560,555) |
| Net cash used in investing activities | (5,502,118) | 139,793,233 |
| Net cash generated from financing activities | 10,519,093 | (133,392,840) |
| Net decrease in cash and cash equivalent | (3,225,904) | (41,160,162) |
| Cash and cash equivalent at the beginning of the period | 61,854,123 | 105,525,721 |
| Effect of exchange rate changes | (6,135,707) | (563,255) |
| Cash and cash equivalent at the ended of the period | 52,492,512 | 63,802,304 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2017.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 April 2017, the adoption has no significant impact on the Group’s results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

The unaudited consolidated results have been prepared under the historical cost convention except for certain properties and certain financial instruments, which are measured at fair values.

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2017.

The unaudited consolidated results of the Group for the six months ended 30 September 2017 are unaudited but have been reviewed by the Company’s Audit Committee and auditors.

2. REVENUE

Revenue represents the net amounts received and receivable from services provided by the Group to outside customers.

Segment information is presented by way in two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Business segments

The Group’s operating business are structured and managed separately, according to the nature of their operations and services they provided. Each of the Group’s business segments represents a strategic business unit that offers services which are subject to risk and returns that are different from those of the other business segments.

For management purposes, the Group is currently organized into four business segments – financial services, equine services, computer software solution and services and others.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

2. REVENUE (Continued)

Segment Information

For the period ended 30 September 2017 (Unaudited)

| | Financial services HK\$ | Equine services HK\$ | Computer software solution and services HK\$ | Others HK\$ | Consolidated HK\$ |
|---------------------|-------------------------------|----------------------------|--|----------------|----------------------|
| Turnover | | | | | |
| External sales | 14,809,208 | 23,526,179 | 584,000 | – | 38,919,387 |
| Result | | | | | |
| Segment result | 8,963,095 | (1,258,763) | (4,008,391) | (6,300,334) | (2,604,393) |
| Finance cost | | | | | (21,480,909) |
| Profit before tax | | | | | (24,085,302) |
| Income tax expense | | | | | (416,900) |
| Loss for the period | | | | | (24,502,202) |

For the period ended 30 September 2016 (Unaudited)

| | Financial services HK\$ | Equine services HK\$ | Computer software solution and services HK\$ | Others HK\$ | Consolidated HK\$ |
|--------------------------------|-------------------------------|----------------------------|--|----------------|----------------------|
| Turnover | | | | | |
| External sales | 25,217,824 | 26,797,820 | 9,630,000 | – | 61,645,644 |
| Result | | | | | |
| Segment result | 5,646,317 | (13,244,963) | 1,007,510 | 11,653,246 | 5,062,110 |
| Unallocated corporate income | | | | | 2,097 |
| Unallocated corporate expenses | | | | | (3,257,568) |
| Finance cost | | | | | (8,292,924) |
| Profit before tax | | | | | (6,486,285) |
| Income tax expense | | | | | (1,202,100) |
| Loss for the period | | | | | (7,688,385) |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

2. REVENUE (Continued)

Geographical segments

The Group's operations are principally located in Hong Kong, Macau and Australia. The following table provides an analysis of the Group's turnover by geographical market:

Revenue from external customers

| | For the six months ended 30 September | |
|-----------|--|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Hong Kong | 14,809,208 | 25,218,488 |
| Macau | 584,000 | 9,630,000 |
| Australia | 23,526,179 | 26,797,156 |
| | 38,919,387 | 61,645,644 |

The following is an analysis of the carrying amount of segment non-current assets and capital expenditures analysed by geographical area in which the assets are located:

| | Non-current assets | |
|-----------|-----------------------------|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Hong Kong | 53,931,455 | 63,399,890 |
| Macau | 1,400 | 6,450 |
| Australia | 101,320,815 | 115,092,947 |
| | 155,253,670 | 178,499,287 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|--|-----------------------------|--|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Employee benefits expense including those of directors – wages, salaries and others | 8,609,585 | 8,777,706 | 16,652,910 | 18,518,958 |
| Depreciation for property, plant and equipment – owned assets | 913,969 | 2,151,438 | 3,047,476 | 4,373,296 |
| Interest income | 61,341 | 131,140 | 149,847 | 307,917 |

4. INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2016: 16.5%) and at the rates of taxation prevailing in the country in which the Group operates respectively.

| | For the three months ended 30 September | | For the six months ended 30 September | |
|-------------------------|--|-----------------------------|--|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Continuing operations | | | | |
| Current income tax | | | | |
| – Hong Kong profits tax | 366,216 | 1,036,454 | 416,900 | 1,202,100 |
| – Overseas taxation | – | – | – | – |
| | 366,216 | 1,036,454 | 416,900 | 1,202,100 |

5. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--|--|-----------------------------|--|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share | (5,384,693) | 22,638,479 | (21,665,085) | (7,473,965) |

| | Number of shares | | Number of shares | |
|--|----------------------|---------------------|----------------------|---------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) | 2017 (Unaudited) | 2016 (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,391,400,000 | 1,391,400,000 | 1,391,400,000 | 1,391,400,000 |
| Effect of dilutive potential ordinary shares: share options | - | - | - | - |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,391,400,000 | 1,391,400,000 | 1,391,400,000 | 1,391,400,000 |

7. INTANGIBLE ASSETS

| | 30 September 2017 HK\$ | 31 March 2017 HK\$ |
|---------------------|------------------------------|--------------------------|
| Trading rights (a) | 500,000 | 500,000 |
| Breeding rights (b) | 1,961,789 | 2,003,208 |
| | 2,461,789 | 2,503,208 |

- (a) Upon the adoption of HKAS 38 "Intangible assets", the Group's eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited at carrying amount of HK\$500,000 is considered to have infinite useful lives, accordingly it is not amortised.
- (b) The breeding rights acquired in 2016 was with respect to breeding rights of a stallion, Golden Horn. In term of the breeding right agreement, the Group is granted one nomination in every breeding season.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

8. GOODWILL

| | 30 September 2017 HK\$ | 31 March 2017 HK\$ |
|----------------------------------|------------------------------|--------------------------|
| Cost | | |
| Balance at 1 April 2017/2016 | 484,422,342 | 484,422,342 |
| Additions | – | – |
| Balance at 30 September/31 March | 484,422,342 | 484,422,342 |
| Impairment | | |
| Balance at 1 April 2017/2016 | 431,384,586 | 431,384,586 |
| Impairment for the year | – | – |
| Balance at 30 September/31 March | 431,384,586 | 431,384,586 |
| Carrying amounts | | |
| At 30 September/31 March | 53,037,756 | 53,037,756 |

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units. The carrying amount of goodwill (net of accumulated impairment losses) as at 30 September 2017 is allocated as follow:

| | 30 September 2017 HK\$ | 31 March 2017 HK\$ |
|--|------------------------------|--------------------------|
| Securities brokerage and asset management business | 52,537,757 | 52,537,757 |
| Money lending business | 499,999 | 499,999 |
| | 53,037,756 | 53,037,756 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

9. PROPERTY, PLANT AND EQUIPMENT

| | 30 September 2017 HK\$ (Unaudited) | 31 March 2017 HK\$ (Audited) |
|---|---|---------------------------------------|
| Cost: | | |
| Balance at 1 April 2017/2016 | 96,881,091 | 94,983,648 |
| Additions | 114,533 | 4,845,503 |
| Disposals | – | (1,781,421) |
| Foreign currency realignment | 1,646,144 | (1,166,639) |
| Balance at 30 September/31 March | 98,641,768 | 96,881,091 |
| Accumulated Depreciation: | | |
| Balance at 1 April 2017/2016 | 45,460,722 | 36,521,323 |
| Depreciation charge | 3,047,476 | 9,639,602 |
| Written back | – | (126,756) |
| Foreign currency realignment | 146,169 | (573,447) |
| Balance at 30 September/31 March | 48,654,367 | 45,460,722 |
| Net book values: | | |
| At 30 September/31 March | 49,987,401 | 51,420,369 |

10. TRADE RECEIVABLES

| | 30 September 2017 HK\$ (Unaudited) | 31 March 2017 HK\$ (Audited) |
|---|---|---------------------------------------|
| Trade receivables | 25,272,933 | 13,616,333 |
| Less: Provision for bad debts | (3,931,129) | (3,791,761) |
| | 21,341,804 | 9,824,572 |
| Accounts receivables from brokers, dealers and clearing house | 287,626 | 1,112,013 |
| | 21,629,430 | 10,936,585 |

Accounts receivables from brokers, dealers and clearing house are due and settled on two business days after the trade date and denominated in Hong Kong Dollars. Therefore, no ageing analysis is disclosed.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

10. TRADE RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables (excluding accounts receivables from brokers, dealers and clearing house) after provision for bad debts at the end of the reporting period:

| | 30 September 2017 HK\$ (Unaudited) | 31 March 2017 HK\$ (Audited) |
|----------------|---|---------------------------------------|
| Within 30 days | 10,026,986 | 5,951,087 |
| 31–60 days | 3,971,098 | – |
| 61–90 days | 735,633 | 1,120,745 |
| Over 90 days | 6,608,087 | 2,752,740 |
| | 21,341,804 | 9,824,572 |

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 September 2017 HK\$ (Unaudited) | 31 March 2017 HK\$ (Audited) |
|-------------------|---|---------------------------------------|
| Deposits | 4,563,787 | 1,991,718 |
| Prepayments | 2,246,475 | 3,937,866 |
| Other receivables | 3,021,195 | 3,061,089 |
| | 9,831,457 | 8,990,673 |

The Directors consider that the carrying amount of prepayments, deposits and other receivables approximates its fair value.

12. TRADE PAYABLES

| | 30 September 2017 HK\$ (Unaudited) | 31 March 2017 HK\$ (Audited) |
|---|---|---------------------------------------|
| Trade payables | 10,330,647 | 2,444,234 |
| Accounts payables to clients and clearing house | 81,170,635 | 122,384,440 |
| | 91,501,282 | 124,828,674 |

Majority of the accounts payables to clients are repayable on demand except where certain accounts payables to clients represent deposits received from clients for their securities trading activities under normal course of business. Only the excess amounts over the required margin deposits are repayable on demand.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

12. TRADE PAYABLES (Continued)

No ageing analysis for accounts payables to clients and clearing house is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of the business.

The following is an ageing analysis of trade payables (excluding account payment to clients and clearing house) at the end of reporting date:

| | 30 September 2017 HK\$ (Unaudited) | 31 March 2017 HK\$ (Audited) |
|----------------|---|---|
| Within 30 days | 3,491,802 | 1,029,780 |
| 31–90 days | 550,385 | 1,382,105 |
| 91–120 days | 6,288,460 | 32,349 |
| | 10,330,647 | 2,444,234 |

13. PROMISSORY NOTE

| | 30 September 2017 HK\$ | 31 March 2017 HK\$ |
|-------------|---------------------------------------|-----------------------------------|
| Current | – | 2,573,905 |
| Non-current | 117,244,104 | 109,215,816 |
| | 117,244,104 | 111,789,721 |

At 30 September 2017, the promissory note was unsecured, bears interest at 2% per annum and will mature on 28 February 2019.

The directors consider that the carrying amount of promissory note approximates to its fair value.

14. SHARE CAPITAL

| | Number of ordinary shares | Amount HK\$ |
|---|--------------------------------------|------------------------|
| Ordinary shares of | | |
| Authorised: | | |
| At 31 March/30 September 2017 (HK\$0.04 each) | 40,000,000,000 | 1,600,000,000 |
| Issued and fully paid: | | |
| At 31 March/30 September 2017 | 1,391,400,000 | 55,656,000 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

15. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of directors and key executives as key management of the Group during the period was as follows:

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--------------------------|--|-----------------------------|--|-----------------------------|
| | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) | 2017 HK\$ (Unaudited) | 2016 HK\$ (Unaudited) |
| Short-term benefits | 882,225 | 991,523 | 1,764,450 | 2,211,023 |
| Post-employment benefits | 13,500 | 15,000 | 27,000 | 33,000 |
| | 895,725 | 1,006,523 | 1,791,145 | 2,244,023 |

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$38,919,000 for the six months ended 30 September 2017, a decrease of 37% when compared to the corresponding period in the last fiscal year. The decrease was mainly due to decrease in revenue generated from financial services segment and computer services segment.

The direct costs were decreased to approximately HK\$16,334,000 from approximately HK\$24,673,000 compared with the same period last year and the decrease in gross profit margin was mainly due to decrease in revenue generated from financial services segment and computer services segment.

Administrative expenses made an decrease of 49% to approximately HK\$35,815,000 compared to approximately HK\$70,839,000 in 2016. The decrease was mainly due to decrease in administrative expenses of equine services business.

The loss attributable to equity holders of the Company for the six months ended 30 September 2017 was approximately HK\$21,665,000 as compared to net loss of HK\$7,474,000 from the corresponding period in the previous fiscal year. The increase was mainly due to increase in finance cost increase in net loss of equine services business.

Under the condensed consolidated statement of cash flows, net cash from operating activities were increased in approximately HK\$38 million compared with the same period last year, it was mainly due to decrease in bloodstock, loan receivable, cash held on behalf of customers and accounts payable in approximately HK\$10 million, HK\$5 million, HK\$37 million and HK\$34 million respectively; increase in accounts receivable, advance to customers in margin finance and prepayment, deposit and other receivable in approximately HK\$10 million, HK\$12 million and HK\$700,000 respectively during the reporting period whilst increase in bloodstock, loan receivable, accounts receivable, advance to customers in margin finance in approximately HK\$11 million, HK\$8 million, HK\$6 million and HK\$28 million respectively; decrease in cash held on behalf of customers, accrual and other payable and prepayment, deposit and other receivable in approximately HK\$69 million, HK\$60 million and HK\$3 million respectively in the corresponding period of the last fiscal year.

BUSINESS REVIEW

The East Asia and Pacific region, where most of the Group's operations are situated, achieved a lower than expected economic growth of approximately 5.5% in 2017. The economic development in the region last year was characterized by continuous growth in personal consumption expenditure, stagnated performance in industrial consumptions and high activities level in the financial sector. As the Group's operations covered a wide range of segments, the economic environment faced by the business units varied from one to another.

MANAGEMENT DISCUSSION AND ANALYSIS

While the Group continued to implement cost controls and to improve operating results, the board of directors also identified opportunities in the financial services segment to diversify the business scope and broaden the revenue base of the Group. During the previous reporting period, the Group acquired a money lending business in November 2015 and completed the acquisition of the entire issued share capital of Sun International Securities Limited (“SISL”) and Sun International Asset Management Limited (“SIAML”) in February 2016. SISL is principally engaged in the provision of type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) in Hong Kong, while SIAML is principally engaged in the provision of type 4, (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong.

Apart from the operating results, the board of directors was also mindful of the overall financial position of the Group. Whilst the Group has successfully secured new interest-bearing borrowings of HK\$232,000,000 during the period ended 30 September 2017 the board of directors would continue to closely monitor the financial position of the Group and the financial market environment in order to establish a more sustainable foundation for the Group.

Equine services

The growth in personal consumption expenditure in the region has created a favorable environment for the equine services segment. This was also reflected in the increase in participants from the Asia countries in the Australian equine industry. Building on its experience in Australia, the Group has expanded the operation to Europe and Singapore. As of the latest practical date, approximately 18% of the Group’s stallions and bloodstocks are located outside Australia.

The income from horse breeding services remained stable as the number of stallions held by the Group was at similar level as last year. However, the results from rearing of bloodstocks for trading and racing were relatively volatile. This was partly due to the mixed racing performance of the off springs of our stallions and mares, including the off springs trained by other stables. Moreover, the performance of some colts and fillies acquired from third parties when the business was established in late 2013 were below expectation. The Group considered that the results can be improved by increasing the percentage of bloodstocks bred from its own mares and stallions because (i) the cost of bloodstock will be lower and (ii) the Group can have more influence on the training and development of the horses. This has laid a good foundation for enhancing the results from horse trading and racing. Besides improving the sales performance, the Group has implemented stringent cost controls and efficiency improvement measures.

Financial services

Whilst the financial systems in Asia have improved in the past decade, it is generally agreed that further deepening of banks and capital markets as well as broader access to households and firms are important to sustain growth and enhance equity. During the period ended 30 September 2017, the demand for financing by private enterprises in China remained high. The government had also implemented structural reforms in the capital markets in China to liberalize the market and to increase the linkage with the Hong Kong capital markets.

The board of directors considered this a growth area to further broaden its revenue base. On 29 February 2016, the Company completed to acquire the entire issued capital of Sun International Securities Limited (“SISL”) and Sun International Asset Management Limited (“SIAML”), signaling the Group’s expansion into the financial services segment.

To supplement the product offerings of SISL and SIAML, the Group acquired a money lending business in November 2015 with primary focus on equity financing, equity mortgage and corporate finance. As at 30 September 2017, loan portfolio of the money lending business amounted to HK\$33 million, representing approximately 6% of the total assets of the Group. The maturity of the loans is typically within one year and the average interest rate is in the range of 20% to 25% per annum.

Since taking over of the operations of SISL and SIAML on 29 February 2016, the Group has successfully secured several mandates for placement and other corporate finance activities. The operating results of SISL have significantly improved over the corresponding period last year. Furthermore, we have secured the services of several seasoned investment managers for SIAML.

On 29 September 2017, the Company announced that it had entered into a Sale and Purchasing Agreement with Eminent Crest Holdings Limited, Peak Stand Holdings Limited and Sheen Light Holdings Limited (“the Vendors”) (which are all beneficially owned by Mr. Chau Cheok Wa and Mr. Cheng Ting Kong) to acquire Sun Finance Company Limited (“Target Company”). The Target Company is a licensed money lender. The consideration for the proposed acquisition would be HK\$378 million and settled by promissory notes upon completion.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The region's economic outlook remained modest with elevated risk of slowdown in economic growth as well as higher volatility in the financial markets. On the one hand, this is unlikely to have any material impact on the equine services business which will further solidify its foundation for growth. With its enhanced facilities and its global reach in trading activities of thoroughbred horses, the Group will continue to offer superior service to our clients and take our brand to the global stage. On the other hand, this presents both opportunities and challenges for the financial services segment. The continuous liberalization of the PRC financial market and its integration with the Hong Kong financial market would provide opportunities for the Group to offer more professional services to investors and small and medium sized enterprises in China. However, the results of the Group's financial services segment would be heavily influenced by the performance of the stock markets in China and Hong Kong.

The Group would continue to use its best endeavor to improve the efficiency and effectiveness of the operation. Moreover, the board of directors would seek opportunities to establish strategic alliance to accelerate the growth of its businesses, to rebalance its business portfolio and to strengthen its financial position so as to create value for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 September 2017, the Group's net liabilities increased to approximately HK\$38,933,000 from net liabilities of approximately HK\$5,388,000 as at 31 March 2017. The cash and bank balances as at 30 September 2017 was approximately HK\$52,493,000, representing a decrease of approximately 31% when compared with the balance as at 31 March 2017. During the six months ended 30 September 2017, the Group's operation was mainly financed by the internal financial resources of the Group.

CHARGES ON GROUP ASSETS

As at 30 September 2017, no plant and equipment of the Group was held under finance lease (2016: HK\$Nil).

CONTINGENT LIABILITIES

As at 30 September 2017, the Group had no contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group were denominated in Hong Kong dollars and Australian dollars, the impact of foreign exchange exposure of the Group were considered minimal. Hence, no hedging or the arrangements to reduce the currency risk have been implemented.

EMPLOYEE INFORMATION

The total number of employees was 82 as at 30 September 2017 (2016: 89), and the total remuneration for the six months ended 30 September 2017 was approximately HK\$16,653,000 (2016: HK\$19,635,000). The Group's remuneration policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident fund, are also provided to employees where appropriate. Discretionary bonus is linked to performance of the individual specific to each case. The Group may offer options to reward employees who make significant contributions and to retain key staff pursuant to the share option scheme of the Group. The remuneration policy of the Group is reviewed and approved by the Remuneration Committee as well as by the Board.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares of the Company Ordinary share of HK\$0.04 each of the Company

| Name of Director | Nature of interests | Number of ordinary shares held | Capacity | Percentage of issued shares |
|---------------------|---------------------|--------------------------------|--------------------------------------|-----------------------------|
| Mr. Cheng Ting Kong | Corporate (Note) | 656,928,290 | Interest of a controlled corporation | 47.14% |

Note: These ordinary shares are held by First Cheer Holdings Limited. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Chau Check Wa and as to 50% by Mr. Cheng Ting Kong.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

(2) Long positions in the underlying shares of the Company

Pursuant to the new share option scheme adopted by the Company on 5 December 2006 (the "New Scheme"), several Directors in the capacity as beneficial owner were granted share options to subscribe for shares of the Company, details of which as at 30 September 2017 were as follows:

| Name of Director | Date of grant | Number of share options | Exercised during the year | Share option lapsed | Exercise price of share options HK\$ | Exercise period from | Exercise period until | Number of options outstanding as at 30 September 2017 |
|---------------------|---------------|-------------------------|---------------------------|---------------------|--------------------------------------|----------------------|-----------------------|---|
| Mr. Cheng Ting Kong | 25/11/2010 | 1,251,250 | — | — | 1.120 | 25/11/2010 | 24/11/2020 | 1,251,250 |
| Ms. Cheng Mei Ching | 9/2/2010 | 11,492,308 | — | — | 0.650 | 9/2/2010 | 8/2/2020 | 11,492,308 |
| | 25/11/2010 | 12,581,250 | — | — | 1.120 | 25/11/2010 | 24/11/2020 | 12,581,250 |
| | 10/9/2014 | 1,391,400 | — | — | 0.315 | 10/9/2014 | 9/9/2024 | 1,391,400 |
| Mr. Lui Man Wah | 10/9/2014 | 13,914,000 | — | — | 0.315 | 10/9/2014 | 9/9/2024 | 13,914,000 |

Save as disclosed above, during the six months ended 30 September 2016, the company grant no new share options for the Directors or their respective associates to subscribe for shares of the Company and had not been exercised such rights.

Save as disclosed above, during the six months ended 30 September 2017, none of the Directors or Chief Executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Under the terms of the option scheme adopted by the Company on 5 December 2006, the board of Directors is authorized, at its absolute discretion, to grant options to employee (including any executive and non-executive director), proposed employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group, to subscribe for shares in the Company. No share option was granted or exercised during the six months ended 30 September 2017. Following the expiry of the 2006 Share Option Scheme on 4 December 2016, no further share option can be granted, but the provisions of the 2006 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2006 Share Option Scheme.

As at 30 September 2017, details of share options outstanding were as follows:

| Date of grant | Number of share options | | | | Exercise period of share options | Exercise price of share options HK\$ |
|---------------|-------------------------|-----------------------------|--------------------------|----------------------|----------------------------------|---|
| | At 1 April 2017 | Exercised during the period | Lapsed during the period | At 30 September 2017 | | |
| 13/08/2007 | 24,112,728 | - | 24,112,728 | - | 13/8/2007 to 12/8/2017 | 0.550 |
| 17/08/2007 | 13,292,308 | - | 13,292,308 | - | 17/8/2007 to 16/8/2017 | 0.520 |
| 21/08/2007 | 13,248,000 | - | 13,248,000 | - | 21/08/2007 to 20/08/2017 | 0.500 |
| 19/08/2008 | 91,241,206 | - | - | 91,241,206 | 19/08/2008 to 18/08/2018 | 0.830 |
| 27/08/2008 | 6,628,572 | - | - | 6,628,572 | 27/08/2008 to 26/08/2018 | 0.840 |
| 16/12/2009 | 68,244,444 | - | - | 68,244,444 | 16/12/2009 to 15/12/2019 | 0.540 |
| 09/02/2010 | 22,984,616 | - | - | 22,984,616 | 09/02/2010 to 08/02/2020 | 0.650 |
| 25/11/2010 | 65,408,750 | - | - | 65,408,750 | 25/11/2010 to 24/11/2020 | 1.120 |
| 07/12/2010 | 12,635,714 | - | - | 12,635,714 | 07/12/2010 to 06/12/2020 | 1.260 |
| 10/09/2014 | 29,219,400 | - | - | 29,219,400 | 10/09/2014 to 09/09/2024 | 0.315 |
| | 347,015,738 | - | 50,653,036 | 296,362,702 | | |

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Group was a party and in which a Director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as is known to any Directors or chief executives of the Company, as at 30 September 2017, the following person or corporations had equity interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Ordinary share of HK\$0.04 each of the Company

| Name of Shareholders | Nature of interests | Number of ordinary shares held | Capacity | Percentage of issued shares |
|--|---------------------|--------------------------------|--------------------------------------|-----------------------------|
| First Cheer Holdings Limited (Note 1) | Corporate | 654,677,040 | Beneficial owner | 47.05% |
| Cheng Ting Kong (Note 1) | Corporate | 654,677,040 | Interest of a controlled corporation | 47.05% |
| Chau Cheek Wa (Note 1) | Corporate | 654,677,040 | Interest of a controlled corporation | 47.05% |
| Raywell Holdings Limited (Note 2) | Corporate | 135,430,000 | Beneficial owner | 9.73% |
| Yeung Hak Kan (Note 2) | Corporate | 135,430,000 | Interest of a controlled corporation | 9.73% |

Notes:

1. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Cheng Ting Kong and as to 50% by Mr. Chau Cheok Wa. Accordingly, both Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are deemed under the SFO to be interested in the 654,677,040 shares beneficially owned by First Cheer Holdings Limited.
2. Raywell Holdings Limited is wholly and beneficially owned by Mr. Yeung Hak Kan. Accordingly, Mr. Yeung Hak Kan is deemed under the SFO to be interested in the 135,430,000 shares beneficially owned by Raywell Holdings Limited.

Save as disclosed above, as at 30 September 2017, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined in the GEM Listing Rules), has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company set up an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. During the period under review, the Audit Committee comprised three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun, all of them are independent non-executive Directors and Mr. Tou Kin Chuen was appointed as the chairman of the Audit Committee. The results for the six months ended 30 September 2017 were reviewed by the Audit Committee.

REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee (“Remuneration Committee”) on 18 March 2005. During the period under review, the Remuneration Committee comprised three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun, all of them are independent non-executive Directors and Mr. Chan Tin Lup, Trevor was appointed as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group’s policy and structure in relation to the remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September 2017, the Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “CG Code”), save for the deviations discussed below:

Pursuant to E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Cheng Ting Kong (chairman of the Board) was unable to attend the 2017 AGM due to unexpected engagement. Mr. Lui Man Wah (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2017 AGM in replying to questions raised by shareholders at the 2017 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises three executive Directors, namely, Mr. Cheng Ting Kong, Ms. Cheng Mei Ching and Mr. Lui Man Wah and three independent non-executive Directors, namely, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun.

By order of the Board
Sun International Resources Limited
Cheng Ting Kong
Chairman

Hong Kong, 9 November 2017