



太陽娛樂集團
SUN ENTERTAINMENT GROUP

**SUN
ENTERTAINMENT
GROUP LIMITED**

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

STOCK CODE: 8082

**INTERIM
REPORT 2020**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Sun Entertainment Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sun Entertainment Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this report misleading.

CORPORATE INFORMATION**EXECUTIVE DIRECTORS**

Mr. Dong Choi Chi, Alex (*Chairman*)
Mr. Chong Cho Lam (*Chief Executive Officer*)

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

ADMINISTRATION COMMITTEE

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

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@8082.com.hk
Website: www.8082.com.hk

UNAUDITED FINANCIAL RESULTS

The Board of Directors (the “Directors”) of Sun Entertainment 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 2020 together with the comparative unaudited figures for the corresponding periods in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	2	2,121	31,618	6,080	49,197
Cost of sales		(565)	(18,983)	(3,147)	(36,618)
Gross profit		1,556	12,635	2,933	12,579
Other income and gains	3	402	2,627	947	3,756
Selling, marketing and distribution expenses		(847)	(2,179)	(2,086)	(3,552)
General and administrative expenses		(6,890)	(11,691)	(15,100)	(19,558)
Other expenses, net		–	(4,648)	70	(3,813)
Finance costs		(18)	(36)	(43)	(73)
LOSS BEFORE TAX	7	(5,797)	(3,292)	(13,279)	(10,661)
Income tax expense	4	(23)	(909)	(23)	(1,008)
LOSS FOR THE PERIOD		(5,820)	(4,201)	(13,302)	(11,669)
Attributable to:					
Owners of the Company		(5,763)	(3,976)	(13,137)	(10,482)
Non-controlling interests		(57)	(225)	(165)	(1,187)
		(5,820)	(4,201)	(13,302)	(11,669)
Dividend	5	–	–	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
– Basic and diluted (HK cents)		(0.5)	(0.3)	(1.1)	(0.9)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period	(5,820)	(4,201)	(13,302)	(11,669)
Other comprehensive income/(loss):				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	205	(44)	(389)	99
Total comprehensive loss for the period	(5,615)	(4,245)	(13,691)	(11,570)
Attributable to:				
Owners of the Company	(5,564)	(3,913)	(13,483)	(10,373)
Non-controlling interests	(51)	(332)	(208)	(1,197)
	(5,615)	(4,245)	(13,691)	(11,570)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2020*

	<i>Notes</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		13,052	14,820
Right-of-use assets		338	1,834
Intangible assets		13,360	13,644
Prepayments and deposits		10,553	14,244
Total non-current assets		37,303	44,542
Current assets			
Inventories	8	454	95
Investments in concert, other entertainment event and film production projects		10,070	21,374
Trade receivables	9	4,280	19,836
Prepayments, deposits and other receivables	10	25,713	44,202
Cash and cash equivalents		29,384	19,039
Total current assets		69,901	104,546
Current liabilities			
Trade payables, other payables, accruals and other financial liabilities	11	16,593	39,916
Deferred income		483	492
Other borrowing		—	335
Lease liabilities		357	1,652
Tax payable		7,291	10,275
Total current liabilities		24,724	52,670
Net current assets		45,177	51,876
Total assets less current liabilities		82,480	96,418

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	Notes		
Non-current liabilities			
Deferred income		2,023	2,308
Lease liabilities		–	150
Deferred tax liabilities		2,293	2,248
Total non-current liabilities		4,316	4,706
Net assets		78,164	91,712
Equity			
Equity attributable to owners of the Company			
Issued capital	12	31,270	31,270
Reserves		45,467	58,807
		76,737	90,077
Non-controlling interests		1,427	1,635
Total equity		78,164	91,712

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2020*

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Share-based payment reserve	Shares held under share awarded scheme	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 January 2020 (audited)	31,270	350,143	31,713	(428)	6,979	(391)	(329,209)	90,077	1,635	91,712
Loss for the period	–	–	–	–	–	–	(13,137)	(13,137)	(165)	(13,302)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	(346)	–	–	–	(346)	(43)	(389)
Total comprehensive loss for the period	–	–	–	(346)	–	–	(13,137)	(13,483)	(208)	(13,691)
Equity-settled share award arrangements	–	–	–	–	143	–	–	143	–	143
At 30 June 2020 (unaudited)	31,270	350,143	31,713	(774)	7,122	(391)	(342,346)	76,737	1,427	78,164

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020*

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Loss before taxation	(13,279)	(10,661)
Adjustments for:		
Depreciation of property, plant and equipment	1,758	1,681
Depreciation of right-of-use assets	772	722
Amortisation of deferred income of government grants	(243)	(254)
Write-off of property, plant and equipment	157	–
Amortisation of an intangible asset	112	112
Reversal of impairment on trade receivables, net	(17)	–
(Reversal of)/impairment on other receivables, net	(56)	112
Equity-settled share-based payments	3,753	5,988
Interest expense	42	173
Finance costs	1	73
Income tax paid	(2,910)	(70)
	(9,910)	(2,124)
Increase in inventories	(359)	(13)
Decrease in trade receivables	15,573	7,136
Decrease/(increase) in prepayments, deposits and other receivables	18,626	(30,516)
Increase in film and drama under production	–	(2,426)
Decrease/(increase) in investments in concert, other entertainment event and film production projects	11,304	(17,055)
(Decrease)/increase in trade payables, other payables, accruals and other financial liabilities	(23,323)	21,472
Net cash generated from/(used in) operating activities	11,911	(23,526)
Investing activities		
Purchase of property, plant and equipment	(375)	(1,601)
Decrease in investment in a film right	–	7,769
Net cash (used in)/generated from investing activities	(375)	6,168

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Financing activities		
Principal portion of lease payments	(807)	(803)
Interest portion of lease payments	(42)	—
Repayment of other borrowing	(335)	—
Interest paid	(1)	—
Net cash used in financing activities	(1,185)	(803)
Net increase/(decrease) in cash and cash equivalents	10,351	(18,161)
Cash and cash equivalents at beginning of the reporting period	19,039	37,972
Effect of foreign exchange rate changes, net	(6)	(47)
Cash and cash equivalents at the end of the reporting period	29,384	19,764
Analysis of balances of cash and cash equivalents		
Cash and bank balances	29,384	19,764

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”).

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2019 (“2019 Annual Report”). The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the 2019 Annual Report.

Impact of new and revised HKFRSs which are issued but not effective

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

The Group is in the process of assessing the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the media and entertainment segment primarily engages in the organisation/production of and investments in concerts and other entertainment events, and other media and entertainment related businesses; and
- (b) the cremation and funeral services segment primarily engages in the provision of cremation and funeral services and deathcare related business.

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 finance costs, share-based payment expense and 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 2020 are as follows:

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	956	5,124	6,080
Segment results	(8,273)	297	(7,976)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(5,260)
Finance costs			(43)
Loss before tax			(13,279)
Segment assets	57,600	24,449	82,049
<i>Reconciliation:</i>			
Corporate and other unallocated assets			25,155
Total assets			107,204
Segment liabilities	(13,414)	(6,696)	(20,110)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(8,930)
Total liabilities			(29,040)
Other segment information:			
Depreciation and amortisation	288	613	901
Capital expenditure	42	333	375

The segment results and other segment items for the six months ended 30 June 2019 are as follows:

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

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue from contracts with customers				
Provision of cremation and funeral services and sale of related goods	1,170	1,347	2,352	2,944
Concert and other entertainment event income and sale of related goods	(5)	25,684	1,264	39,177
Artiste management and performance services income	14	1,813	29	2,046
	1,179	28,844	3,645	44,167
Revenue from other sources				
Rendering of cremation services	1,280*	1,348*	2,772*	2,927*
(Loss)/gain on investments in concert and other entertainment event projects, net	(338)	1,426	(337)	2,103
	942	2,774	2,435	5,030
	2,121	31,618	6,080	49,197

* 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 AND GAINS

An analysis of the other income and gains is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Gross rental income	–	204	–	408
Gain on investment in film project	–	2,282	2	2,282
Management fee income	204	–	408	–
Others	198	141	537	1,066
	402	2,627	947	3,756

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 2020 (six months ended 30 June 2019: 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss attributable to owners of the Company	(5,763)	(3,976)	(13,137)	(10,482)
Weighted average number of ordinary shares in issue (in thousands)	1,250,798	1,217,798	1,250,798	1,217,798

(b) Diluted

For the period ended 30 June 2020 and 30 June 2019, no adjustment has been made to the basic loss per share amounts presented for the period in respect of a dilution as the impact of the share options outstanding and the unvested share awards had an anti-diluted effect on the basic loss per share amounts presented.

7. LOSS BEFORE TAX

Loss before tax is stated after charging the following:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories recognised as expense	315	453
Employees benefits expenses	6,215	5,788
Depreciation of property, plant and equipment	1,758	1,681
Depreciation of right-of-use assets	772	722
Amortisation of an intangible asset	112	112

8. INVENTORIES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Merchandises	454	95

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	4,307	19,880
Impairment	(27)	(44)
	4,280	19,836

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	1,600	18,089
1 to 2 months	51	1,235
2 to 3 months	2,047	51
Over 3 months	582	71
	4,280	19,446

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Prepayments	20,890	25,528
Deposits	638	700
Other receivables	21,227	38,763
Amount due from a former director of a subsidiary	291	291
	43,046	65,282
Impairment allowance	(6,780)	(6,836)
	36,266	58,446
Less: Non-current portion	(10,553)	(14,244)
Current portion	25,713	44,202

11. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables	139	880
Contract liabilities	307	307
Other payables and accruals	9,608	13,746
Financial liabilities at fair value through profit or loss	6,539	24,983
	16,593	39,916

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	18	876
31 to 60 days	14	—
61 to 90 days	14	—
Over 90 days	93	4
	139	880

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

12. ISSUED CAPITAL

	Note	Number of shares '000	Issued capital HK\$'000
--	------	-----------------------------	-------------------------------

Authorised:

Ordinary shares of HK\$0.025 each at 1 January 2019,
31 December 2019 and 30 June 2020

3,200,000 80,000

		Number of shares in issue '000	Issued capital HK\$'000
--	--	---	-------------------------------

Issued and fully paid:

Ordinary shares of HK\$0.025 each at 1 January 2019
Issue of shares

1,217,798 30,445
(i) 33,000 825

Ordinary shares of HK\$0.025 each at 31 December 2019
and 30 June 2020

1,250,798 31,270

Note:

- (i) On 13 December 2019, the Company allotted and issued 33,000,000 additional ordinary shares of the Company of HK\$0.025 each at their fair value based on the quoted market price of the Company's ordinary shares of HK\$0.66 per share as at that date to a third party consultant.

13. RELATED PARTY TRANSACTIONS

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

		Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Related companies:					
Rentals paid/payable	(i)	–	90	–	180
Agency fee paid	(ii)	–	370	–	370
Management fee received	(iii)	90	–	180	–
Remuneration of directors of the Group:					
Short term benefits		651	315	1,431	664

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.
- (iii) The management fee 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 2020, the total revenue (which mainly consists of (i) the media and entertainment business; and (ii) cremation and funeral services business) was approximately HK\$6,080,000 which was 87.64% lower than that of last year corresponding period of approximately HK\$49,197,000. The overall gross profit for the six months ended 30 June 2020 amounted to HK\$2,933,000, which was 76.68% lower than last year corresponding period. The decrease was mainly due to the media and entertainment business has been affected by the outbreak of the Coronavirus Disease 2019 ("COVID-19") since January 2020.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the six months ended 30 June 2020 was approximately HK\$2,086,000, which was 41.27% lower than last corresponding period of approximately HK\$3,552,000. Percentage to revenue was approximately 34.31% (six months ended 30 June 2019: 7.22%).

General and administrative expenses

General and administrative expenses for the six months ended 30 June 2020 amounted to approximately HK\$15,100,000 which was 22.79% lower as compared with last year corresponding period of approximately HK\$19,558,000. The decrease was mainly attributable to non-cash share-based payment expense of approximately HK\$3,753,000 for the six months ended 30 June 2020, which was approximately HK\$2,235,000 less than last year corresponding period of approximately HK\$5,988,000.

Other expenses, net

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

Loss for the period

The Group's loss for the six months ended 30 June 2020 was approximately HK\$13,302,000 (six months ended 30 June 2019: loss of approximately HK\$11,669,000).

Operation review

Media and entertainment

During the six months ended 30 June 2020, the media and entertainment segment recorded a revenue of approximately HK\$956,000, representing a decrease of 97.79% as compared with last year corresponding period of approximately of HK\$43,326,000. The decrease was mainly due to the media and entertainment business has been affected by the outbreak of the COVID-19 since January 2020.

Cremation and funeral services

During the six months ended 30 June 2020, the revenue from cremation and funeral business was approximately HK\$5,124,000, which was 12.72% lower than last year corresponding period of approximately HK\$5,871,000.

Prospects

The year 2020 will be a challenging year for most of the business sectors across the world including People Republic of China, Hong Kong and Macau. The outbreak and wide spreading of the COVID-19 since January 2020 has affected our entertainment businesses in Hong Kong and Macau, causing closure of leisure and entertainment venues or facilities. As such, a number of our concert and exhibition events were forced to be postponed or even been cancelled. With the interruption brought by the COVID-19 in early 2020 and social distancing policies which generally prohibit group gatherings in public places and various other measures implemented by the Government of the Hong Kong Special Administrative Region, the Group's financial results for the first half of 2020 have been affected due to the overall market condition. Having said that, the Group believes that the outbreak of the COVID-19 will have short term effects on the entertainment sector in the region. The Group is actively taking measures to enhance operational efficiency, reduce costs and maintain sufficient cashflow. The Group will respond to forthcoming market challenges and capture business opportunities by focusing on high quality entertainment related projects with proven track records and commercial viability and discussing with co-organisers, promoters and artists for rescheduling certain concerts and exhibitions in the second half of 2020. In addition, the Group will further explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

Liquidity and financial resources

As at 30 June 2020, the Group has cash and bank balances of approximately HK\$29,384,000 (31 December 2019: HK\$19,039,000) and the total assets of the Group were HK\$107,204,000 (31 December 2019: HK\$149,088,000). The net current assets of the Group were HK\$45,177,000 (31 December 2019: HK\$51,876,000) and the current ratio, which represented the current assets over the current liabilities, is 2.83 times (31 December 2019: 1.98 times). The gearing ratio of the Group as at 30 June 2020 (as calculated by the total liabilities of HK\$29,040,000 over equity attributable to the owners of the Company of HK\$76,737,000) is 37.84% (31 December 2019: 63.70%).

Currency risk exposure

As at 30 June 2020, 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 2020, the Group had 59 (six months ended 30 June 2019: 62) employees, including Directors. Total staff costs for the six months ended 30 June 2020, including Directors' remuneration, amounted to approximately HK\$6,215,000 (six months ended 30 June 2019: HK\$5,788,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2019 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 2020.

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

As at 30 June 2020, 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

			Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Name	Capacity	Notes				
Mr. Chong Cho Lam	Beneficial owner	1	2,000,000	1,000,000	3,000,000	0.24%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner	2	287,549,682	–	287,549,682	22.99%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO		431,346,823	–	431,346,823	34.49%
			718,896,505	–	718,896,505	57.48%

Notes:

1. The underlying shares represent 1,000,000 awarded shares, which shall be vested within 1 business day after an audited consolidated net profit after tax of the Group of not less than HK\$5 million is recorded in any annual report of the Company published within 3 years from the grant date (i.e. 13 December 2019).
2. 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 2020 were as follow:

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding as at 30 June 2020			
<i>Category 1: Employees/consultants</i>								
Employees	9,000,000	–	–	–	9,000,000	12 July 2019	12 July 2019 – 11 July 2029	HK\$0.740
Consultants	7,800,000	–	–	–	7,800,000	12 July 2019	12 July 2019 – 11 July 2029	HK\$0.740
Total	16,800,000	–	–	–	16,800,000			

There were no share options cancelled, lapsed or forfeited during the six months ended 30 June 2020.

(C) *Share award scheme*

On 6 December, 2019, the Company adopted a share award scheme (the "Share Award Scheme"), which is not subject to the provisions of Chapter 23 of the GEM Listing Rules, to recognise and reward the contribution of certain eligible persons to the growth and development of the Group and to attract suitable personnel for further development of the Group, through an award of the shares. Details of Share Award Scheme are set out in the announcement of the Company dated 6 December 2019.

A summary of the awarded shares granted to eligible participant is set forth below:

Name of awardee	Date of grant	Number of awarded shares				Outstanding as at 30 June 2020
		Outstanding as at 1 January 2020	Granted during the period	Vested during the period	Lapsed during the period	
Mr. Chong Cho Lam	13 December 2019	1,000,000	-	-	-	1,000,000

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

As at six months ended 30 June 2020, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or convertible bonds 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 Securities and Futures Ordinance (the "SFO") and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held:

Name	Capacity	Notes	Number of shares	Long/short position	Percentage of issued share capital
Mr. Dong	Beneficial owner		287,549,682	Long	22.99%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,346,823	Long	34.49%
			718,896,505		57.48%
Mr. Chau Cheok Wa ("Mr. Chau")	Beneficial owner		431,346,823	Long	34.49%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	287,549,682	Long	22.99%
			718,896,505		57.48%
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	57.48%
New Brilliant Investments Limited	Beneficial owner	2	98,472,498	Long	7.87%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	3	1,800	Long	0.00%
	Interest of controlled corporation	2	149,472,498	Long	11.95%
			149,474,298		11.95%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	7.79%

Notes:

1. Mr. Dong, Mr. Cheng and Mr. Chau are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.
2. New Brilliant Investments Limited ("New Brilliant"), Checkmate Capital Limited ("Checkmate Capital") and Grand Sea Limited ("Grand Sea") are holding 98,472,498, 36,000,000 and 15,000,000 shares respectively. New Brilliant is incorporated in the British Virgin Islands, Checkmate Capital and Grand Sea are incorporated in Hong Kong. They are wholly and beneficially owned by Mr. Chui.
3. 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 2020, 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 2020.

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. 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 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 six months ended 30 June 2020.

Arrangements to purchase shares

Other than the share option scheme and the Share Award Scheme disclosed above, at no time during the six months ended 30 June 2020 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 2020.

Compliance with corporate governance practices

During the six months ended 30 June 2020, the Company has complied with all the code provisions of 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.

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 2020.

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

Hong Kong, 13 August 2020

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 Listed Company Information” 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.8082.com.hk.