

Interim Report 2020



太陽國際集團有限公司
SUN INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability) | Stock Code: 8029

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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)

- Revenue of the Group was approximately HK\$41,811,000 for the six months ended 30 September 2020, representing an decrease of approximately 15% from the corresponding period in the previous fiscal year.
- For the six months ended 30 September 2020, gross profit of the Group was approximately HK\$39,570,000 as compared to the gross profit of approximately HK\$41,307,000 from the corresponding period in the previous fiscal year.
- Profit attributable to owners of the Company for the six months ended 30 September 2020 amounted to approximately HK\$7,780,000 as compared to net loss of approximately HK\$23,872,000 from the corresponding period in the previous fiscal year.
- The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

CONSOLIDATED INTERIM RESULTS FOR 2020 (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 2020, together with the comparative unaudited figures for the corresponding period in 2019 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2020

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	24,253	27,040	41,811	49,464
Direct costs		(1,184)	(2,439)	(2,241)	(8,157)
Gross profit		23,069	24,601	39,570	41,307
Other operating income		924	4,377	2,425	4,691
Gain on disposal of a subsidiary		–	770	–	770
Impairment losses, net of reversal		16,116	3,393	16,228	3,393
Administrative expenses		(22,480)	(36,023)	(39,315)	(65,716)
Finance costs		(5,484)	(774)	(11,128)	(7,924)
Profit/(Loss) before taxation	3	12,145	(3,656)	7,780	(23,479)
Income tax expense	4	–	(216)	–	(393)
Profit/(Loss) for the period		12,145	(3,872)	7,780	(23,872)
Other comprehensive income:					
Exchange differences arising on translation of financial statements of foreign operations		38	9,463	7,354	15,031
Total comprehensive income/(loss) for the period		12,183	5,591	15,134	(8,841)

CONSOLIDATED INTERIM RESULTS FOR 2020 (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Profit/(Loss) attributable to:					
Owners of the Company		12,145	(3,872)	7,780	(23,872)
		12,145	(3,872)	7,780	(23,872)
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		12,183	5,591	15,134	(8,841)
		12,183	5,591	15,134	(8,841)
Dividend	5	-	-	-	-
Earnings/Loss per share (HK cents)					
Basic and diluted	6	0.56	(0.17)	0.36	(1.08)

CONSOLIDATED INTERIM RESULTS FOR 2020 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Intangible assets	7	1,252	1,231
Goodwill		18,429	18,429
Property, plant and equipment	8	38,886	34,448
Right-of-use assets		3,829	4,748
Biological assets – non-current portion		24,794	22,688
Other asset		230	230
Loan receivables		5,647	11,701
		93,067	93,475
Current assets			
Biological assets – current portion		–	17
Loan receivable		23,350	26,214
Trade receivables	9	29,951	37,512
Advances to customers in margin financing		77,180	82,744
Prepayments, deposits and other receivables	10	5,546	11,213
Tax Recoverable		2,474	2,474
Cash and cash equivalents		124,760	110,506
Cash held on behalf of customers		506,642	194,455
		769,903	465,135
Current liabilities			
Trade payables	11	511,706	208,139
Accruals and other payables		32,395	24,066
Amount due to related companies		991	847
Medium-term Bonds		9,743	26,569
Lease Liabilities		2,340	2,269
		557,175	261,890

CONSOLIDATED INTERIM RESULTS FOR 2020 (UNAUDITED)

	Notes	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Net current assets		212,728	203,245
Total asset less current liabilities		305,795	296,720
Non-current liabilities			
Promissory note	12	178,215	183,333
Lease Liabilities		1,882	2,823
		180,097	186,156
Net Assets		125,698	110,564
Capital and reserves			
Share capital	13	86,869	86,869
Reserves		38,829	23,695
Total Equity		125,698	110,564

CONSOLIDATED INTERIM RESULTS FOR 2020 (UNAUDITED)

CONDENSED CONSOLIDATION STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company							Amounts relating to non-current assets held for sale	Accumulated Losses	Total
	Share Capital HK\$'000	Share Premium HK\$'000	Capital Contribution Reserve HK\$'000	Capital Redemption Reserve HK\$'000	Merger Reserve HK\$'000	Share Option Reserve HK\$'000	Translation Reserve HK\$'000			
At 1 April 2019 (Audited, Restated)	55,656	775,075	-	255	370	24,200	33,070	5,241	(1,079,095)	(185,228)
Loss for the period ended 30 September 2019	-	-	-	-	-	-	-	-	(23,872)	(23,872)
Other comprehensive income/(loss):										
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	20,272	(5,241)	-	15,031
Total comprehensive income/(loss) for the period ended 30 September 2019	-	-	-	-	-	-	20,272	(5,241)	(23,872)	(8,841)
Waive of accrued Promissory note	-	-	12,545	-	-	-	-	-	-	12,545
Issue of shares (note i)	31,213	238,002	-	-	-	-	-	-	-	269,215
At 30 September 2019(Unaudited)	86,869	1,013,077	12,545	255	370	24,200	53,342	-	(1,102,967)	87,691
At 31 March 2020 and 1 April 2020	86,869	1,012,660	98,060	255	370	17,734	27,532	-	(1,132,916)	110,564
Profit for the period ended 30 September 2020	-	-	-	-	-	-	-	-	7,780	7,780
Other comprehensive income:										
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	7,354	-	-	7,354
Total comprehensive income for the period ended 30 September 2020	-	-	-	-	-	-	7,354	-	7,780	15,134
At 30 September 2020(Unaudited)	86,869	1,012,660	98,060	255	370	17,734	34,886	-	(1,125,136)	125,698

Note:

- On 28 June 19, upon Subscription Completion, a total of 780,332,000 Subscription Shares have been allotted and issued at the Subscription Price of HK\$0.345 per Subscription Share.

CONSOLIDATED INTERIM RESULTS FOR 2020 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash used in operating activities	42,746	(53,487)
Net cash used in investing activities	(1,610)	(197)
Net cash generated from financing activities	(17,983)	47,824
Net increase/(decrease) in cash and cash equivalent	23,153	(5,860)
Cash and cash equivalent at the beginning of the period	110,506	110,525
Effect of exchange rate changes	(8,899)	27,168
Cash and cash equivalent at the ended of the period	124,760	131,833

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 (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”), HKAS34 “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.

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 2020 except for the adoption of certain revised HKFRSs (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA for the first time for the current period’s unaudited condensed consolidated financial statements of the Group. The adoption of the new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

The unaudited consolidated results of the Group for the six months ended 30 September 2020 are unaudited but have been reviewed by the Company’s Audit Committee.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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 three business segments – financial services, equine services and others.

Segment Information

For the period ended 30 September 2020 (Unaudited)

	Financial services HK\$'000	Equine services HK\$'000	Total HK\$'000
Segment revenue	27,319	14,492	41,811
Segment results	31,786	441	32,227
Unallocated corporate income			582
Unallocated finance costs			(11,123)
Unallocated corporate expenses			(13,906)
Profit before taxation			7,780

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

2. REVENUE (Continued)

For the period ended 30 September 2019 (Unaudited)

	Financial services HK\$'000	Equine services HK\$'000	Total HK\$'000
Segment revenue	27,097	22,367	49,464
Segment results	13,234	(18,881)	(5,647)
Unallocated finance costs			(7,715)
Unallocated corporate expenses			(10,117)
Loss before taxation			(23,479)

Geographical segments

The Group's operations are principally located in Hong Kong 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	27,319	27,097
Australia	14,492	22,367
	41,811	49,464

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

2. REVENUE (Continued)

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	
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Hong Kong	66,211	71,630
Australia	28,997	26,443
	95,208	98,073

3. PROFIT/(LOSS) BEFORE TAXATION

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

	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Employee benefit expense (including directors' remuneration):				
– Directors' emoluments	1,050	982	2,119	1,961
– Salaries and other benefits	5,923	5,524	11,110	12,173
– Retirement benefit scheme contributions	416	299	754	713
	7,389	6,805	13,983	14,847
Depreciation for property, plant and equipment – owned assets	1,430	1,335	2,649	1,957
Interest income	19	14	37	38

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

4. INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2019: 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax				
– Hong Kong Profits Tax	–	216	–	393
	–	216	–	393

5. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

6. EARNINGS/(LOSS) 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	
	2020	2019	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit/(Loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	12,145	(3,872)	7,780	(23,872)

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	'000	'000	'000	'000
Number of shares Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	2,171,732	2,171,732	2,171,732	2,171,732

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

7. INTANGIBLE ASSETS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trading rights (a)	500	500
Breeding rights (b)	752	731
	1,252	1,231

- (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 2017 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. PROPERTY, PLANT AND EQUIPMENT

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Cost:		
Balance at 1 April 2020/2019	86,529	91,420
Additions	3,655	2,897
Disposals	(1,483)	–
Foreign currency realignment	10,397	(7,788)
Balance at 30 September 2020/ 31 March 2020	99,098	86,529
Accumulated Depreciation:		
Balance at 1 April 2020/2019	52,081	48,779
Depreciation charge	2,649	5,177
Written back	(1,134)	–
Foreign currency realignment	6,616	(1,875)
Balance at 30 September 2020/ 31 March 2020	60,212	52,081
Net book values:		
At 30 September 2020/31 March 2020	38,886	34,448

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

9. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	11,328	5,601
Less: allowance for expected credit losses	(3,788)	(5,004)
	7,540	597
Accounts receivables from brokers, dealers and clearing house	22,410	36,915
	29,951	37,512

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.

The following is an aging 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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	6,912	584
31–60 days	628	13
	7,540	597

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Deposits	2,629	6,898
Prepayments	1,997	1,502
Other receivables	920	2,813
	5,546	11,213

11. TRADE PAYABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables	630	2,292
Accounts payables to clients and clearing house	511,076	205,847
	511,706	208,139

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

11. TRADE PAYABLES (Continued)

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.

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

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	630	1,965
31–90 days	–	302
91–120 days	–	25
	630	2,292

12. PROMISSORY NOTE

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Current	–	–
Non-current	178,215	183,333
	178,215	183,333

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

13. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Ordinary shares of Authorised: At 31 March 2020/30 September 2020 (HK\$0.04 each)	40,000,000	1,600,000
Issued and fully paid: At 31 March 2020/30 September 2020	2,171,732	86,869

14. RELATED PARTY TRANSACTIONS

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	1,036	968	2,092	1,934
Post-employment benefits	14	14	27	27
	1,050	982	2,119	1,961

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded revenue of approximately HK\$41,811,000 for the six months ended 30 September 2020, an decrease of 15% when compared to the corresponding period in the last fiscal year. The decrease was mainly due to the disposal of an Australian subsidiary as compared with last fiscal year.

The direct costs were decreased to approximately HK\$2,241,000 from approximately HK\$8,157,000 compared with the same period last year.

Administrative expenses made an decrease of 40% to approximately HK\$39,315,000 compared to approximately HK\$65,716,000 in 2019. The decrease was mainly due to a decrease in exchange loss generated from equine services business during the period, and the improvement of internal control.

The profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$7,780,000 as compared to net loss of HK\$23,872,000 from the corresponding period in the previous fiscal year. Such change was mainly due to a decrease in exchange loss and administrative cost as compared with the corresponding period in the last fiscal year.

BUSINESS REVIEW

The Group has been operating in the equine business for years and the result is disappointing. As a result, the Board disposed one of the subsidiaries in the equine segment (completed in July 2019). The Board will continue reviewing the performance of equine segment and will take necessary action to improve the performance of the Group.

Following the acquisition of two money lending business in November 2015 and January 2018, and Sun International Securities Limited (“SISL”) and Sun International Asset Management Limited (“SIAML”) in February 2016, the Group can provide wide range of financial services. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

While the Group continued to implement cost controls and to improve operating results, the Board also identified new and extra opportunities in the financial services segment.

Equine services

The income from horse breeding services remained stable as the number of stallions held by the Group was at similar level as last year. One of the subsidiaries in the equine segment, Sun Kingdom Pty Ltd, was disposed in July 2019. Sun Kingdom Pty Ltd mainly engages in bloodstocks trading and racing. The performance has been disappointing for the years. The Group considers such disposal will bring positive effect to the Group's performance. For the six months ended 30 September 2020, the revenue of the equine service segment was approximately HK\$14,492,000 (2019: HK\$22,367,000).

Financial services

Following the escalation of the US-China trade dispute, the accelerated increase of US interest rate and the rise of protectionism, the International Monetary Fund (IMF) stated that great uncertainties will occur in the global stock and capital markets. The U.S. trade and fiscal policy may even hinder global economic growth. Hong Kong, being an open and outward-looking economy, is hard to be an exception for the situations. Nevertheless, we are all optimistic about a more clear picture and recovery of the economy will come eventually. 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.

The Board considered this a growth area to further broaden its revenue base and on 19 August 2015, Infinite Success Investments Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), entered into a sales and purchase agreement (the "Sale and Purchase Agreement") with Sun International Financial Group Limited (the "Vendor") to acquire the entire issued capital of SISL and SIAML (the "Target Companies"). The transaction was subsequently completed on 29 February 2016 signaling the Group's expansion into the financial services segment.

To supplement the product offerings of Target Companies, the Group acquired a money lending business in November 2015 and January 2018 with primary focus on equity financing and equity mortgage.

Since taking over of the operations of Target Companies 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Following the US-China trade dispute and the outbreak of COVID-19, the global economy and consumer confidence have been adversely affected. The worldwide stock index drops significantly in 2020 due to the drop of crude oil price and the market panic of the outbreak of the COVID-19. The crisis may have a material impact on our 2020 financial results and our development plan. The management foresees that there is full of challenging in 2020. 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 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 2020, the Group's net asset is approximately HK\$125,698,000, compared with the net assets of approximately HK\$110,564,000 as at 31 March 2020. The cash and bank balances as at 30 September 2020 was approximately HK\$124,760,000, representing an increase of approximately 13% when compared with the balance as at 31 March 2020. During the six months ended 30 September 2020, the Group's operation was mainly financed by the internal fund.

CHARGES ON GROUP ASSETS

As at 30 September 2020, no plant and equipment of the Group was held under finance lease (2019: HK\$Nil).

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are denominated in Hong Kong Dollars, and Australian Dollars. The Company has not entered into any foreign exchange hedging arrangement. The management is required to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The Group may use financial tools such as foreign exchange forward contracts, dual currency options etc. to manage the foreign exchange risks.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

The total number of employees was 67 as at 30 September 2020 (2019: 72), and the total remuneration for the six months ended 30 September 2020 was approximately HK\$13,983,000 (2019: HK\$14,847,000). 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.

CONTINGENT LIABILITIES

On 30 October 2018, Guangdong Higher People's Court (the "Guangdong Higher Court") has been directed by the Supreme People's Court of the PRC to hear the claims (the "Original Claims") made by Mr. Chiu Ming ("Mr. Chiu") and Diamond Ocean Development Limited ("Diamond Ocean") (collectively the "Original Plaintiffs") against, among others, Sun Finance, Mr. Cheng and Mr. Chau (collectively the "Original Defendants") in relation to, among others, an enforcement of the share charge in 2011 over certain shares (the "Diamond Ocean Share Charge") of a listed company (the "Listed Company") in Hong Kong provided by Diamond Ocean, being the security for a loan provided by Sun Finance to Diamond Ocean, which was alleged by the Original Plaintiffs to have infringed their rights. According to the Original Claims, the Original Plaintiffs requested the court to order the Original Defendants to compensate the Original Plaintiffs for direct economic loss of RMB500,000,000 and bear all the litigation costs. In addition, the Original Plaintiffs will seek compensation for indirect loss after the valuation company engaged by the court has assessed the assets of a PRC subsidiary (the "PRC Subsidiary") of the Listed Company.

On 3 July 2020, the PRC legal advisor of the Group received the amended form of claim (the "Amended Form of Claim") from the Guangdong Higher Court. For more information, please refer to note 50 to the consolidated financial statements of Annual Report 2020. Further announcement will be made for any important update or progress regarding the claims.

As at the date of approval of these condensed consolidated financial statements, no hearing notice issued by the Guangdong Higher Court has been received by the Group.

Details of the Original Claims were set out in the announcements of the Company dated 4 April 2019 and 8 April 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 2020, 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 (<i>Note</i>)	1,436,260,290	Interest of a controlled corporation	66.13%

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

(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 2020 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 until		Number of options outstanding as at 30 September 2020
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	25/11/2010	12,581,250	–	–	1.120	25/11/2010	24/11/2020	12,581,250
	10/09/2014	1,391,400	–	–	0.315	10/09/2014	09/09/2024	1,391,400
Mr. Lui Man Wah	10/09/2014	13,941,000	–	–	0.315	10/09/2014	09/09/2024	13,941,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

Save as disclosed above, during the six months ended 30 September 2020, no new share options granted 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 2020, 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 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 2020. 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 2020, details of share options outstanding were as follows:

Date of grant	Number of share options			At 30 September 2020	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2020	Exercised during the period	Lapsed during the period			
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
	107,263,864	–	–	107,263,864		

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 2020, 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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

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	1,435,009,040	Beneficial owner	66.08%
Cheng Ting Kong (Note 1)	Corporate	1,435,009,040	Interest of a controlled corporation	66.08%
Chau Cheek Wa (Note 1)	Corporate	1,435,009,040	Interest of a controlled corporation	66.08%
Raywell Holdings Limited (Note 2)	Corporate	135,430,000	Beneficial owner	6.24%
Yeung Hak Kan (Note 2)	Corporate	135,430,000	Interest of a controlled corporation	6.24%

Notes:

1. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Cheng Ting Kong and as to 50% by Mr. Chau Cheek Wa. Accordingly, both Mr. Cheng Ting Kong and Mr. Chau Cheek Wa are deemed under the SFO to be interested in the 1,435,009,040 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 2020, 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

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 2020 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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

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 2020, 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 2019 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 2020 AGM in replying to questions raised by shareholders at the 2020 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 Group Limited
Cheng Ting Kong
Chairman

Hong Kong, 12 November 2020