



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



2017

Third Quarterly 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 of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, 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 herein or this report misleading.

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FINANCIAL SUMMARY (UNAUDITED)

- Turnover of the Group was approximately HK\$81,605,000 for the nine months ended 31 December 2017, representing a decrease of approximately 5% from the corresponding period in the previous fiscal year.
- For the nine months ended 31 December 2017, gross profit of the Group was approximately HK\$44,944,000 as compared to the gross profit approximately HK\$57,921,000 from the corresponding period in the previous fiscal year.
- Loss attributable to shareholders of the Group for the nine months ended 31 December 2017 amounted to approximately HK\$33,938,000 as compared to loss of approximately HK\$41,407,000 from the corresponding period in the previous fiscal year.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (2016: Nil).

CONSOLIDATED THIRD QUARTERLY 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 nine months ended 31 December 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 nine months ended 31 December 2017

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2017	2016	2017	2016
		HK\$	HK\$	HK\$	HK\$
Revenue	2	42,685,818	24,145,894	81,605,205	85,791,538
Direct cost		(20,327,771)	(3,197,207)	(36,661,611)	(27,870,047)
Gross profit		22,358,047	20,948,687	44,943,594	57,921,491
Other operating income		4,626,161	4,720,934	15,250,996	25,783,646
Gain on disposal of associate		-	-	-	14,753,487
Administrative expenses		(32,141,464)	(52,807,124)	(67,956,241)	(123,645,771)
Share of losses of associates		-	-	-	(43,800)
Finance costs		(6,573,091)	(6,372,374)	(28,053,998)	(14,765,214)
(Loss)/Profit before taxation	3	(11,730,347)	(33,509,877)	(35,815,649)	(39,996,161)
Income tax expense	4	(589,064)	(536,910)	(1,005,964)	(1,739,010)
(Loss)/Profit for the period		(12,319,411)	(34,046,787)	(36,821,613)	(41,735,171)
Other comprehensive income/(loss):					
Currency translation differences		1,016,888	14,413,209	(8,025,734)	13,918,551
Other comprehensive income/(loss) for the period		1,016,888	14,413,209	(8,025,734)	13,918,551
Total comprehensive (loss)/income for the period		(11,302,523)	(19,633,578)	(44,847,347)	(27,816,620)

CONSOLIDATED THIRD QUARTERLY RESULTS
FOR 2017 (UNAUDITED)

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2017	2016	2017	2016
		HK\$	HK\$	HK\$	HK\$
(Loss)/Profit attributable to:					
Equity holders of the company		(12,272,841)	(33,933,275)	(33,937,926)	(41,407,240)
Non-controlling interests		(46,570)	(113,512)	(2,883,687)	(327,931)
		(12,319,411)	(34,046,787)	(36,821,613)	(41,735,171)
Total comprehensive (loss)/ income for the period attributable to:					
Equity holders of the company		(11,255,953)	(19,520,066)	(41,963,660)	(27,488,689)
Non-controlling interests		(46,570)	(113,512)	(2,883,687)	(327,931)
		(11,302,523)	(19,633,578)	(44,847,347)	(27,816,620)
Dividend	5	-	-	-	-
Earnings per share	6				
Basic (HK cents per share)		(0.88)	(2.44)	(2.44)	(2.98)
Diluted (HK cents per share)		(0.88)	(2.44)	(2.44)	(2.98)

**CONSOLIDATED THIRD QUARTERLY RESULTS
FOR 2017 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Attributable to equity holders of the Company								Non-Controlling Interests	Total
	Share Capital	Share Premium	Capital Redemption Reserve	Merger Deficit	Share Option Reserve	Exchange Translation Reserve	Accumulated Profits/(Loss)	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 April 2016 (Audit)	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
Loss for the nine months ended 31 December 2016	-	-	-	-	-	-	(41,407,240)	(41,407,240)	(327,931)	(41,735,171)
Other comprehensive income: Currency translation differences	-	-	-	-	-	13,918,549	-	13,918,549	-	13,918,549
Total comprehensive income for the nine months ended 31 December 2016	-	-	-	-	-	13,918,549	(41,407,240)	(27,488,691)	(327,931)	(27,816,622)
At 31 December 2016 (Unaudited)	55,656,000	775,075,169	254,600	369,866	46,554,612	36,088,911	(862,336,891)	51,662,267	2,908,818	54,571,085

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Attributable to equity holders of the Company								Non-Controlling Interests	Total
	Share Capital	Share Premium	Capital Redemption Reserve	Merger Deficit	Share Option Reserve	Exchange Translation Reserve	Accumulated Profits/(Loss)	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 April 2017 (Audit)	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 nine months ended 31 December 2017	-	-	-	-	-	-	(33,937,926)	(33,937,926)	(2,883,687)	(36,821,613)
Other comprehensive income: Currency translation differences	-	-	-	-	-	(8,025,734)	-	(8,025,734)	-	(8,025,734)
Total comprehensive loss for the nine months ended 31 December 2017	-	-	-	-	-	(8,025,734)	(33,937,926)	(41,963,660)	(2,883,687)	(44,847,347)
At 31 December 2017 (Unaudited)	55,656,000	775,075,169	254,600	369,866	46,554,612	12,253,946	(940,226,535)	(50,062,342)	(172,908)	(50,235,250)

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 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 2017.

The unaudited consolidated results of the Group for the nine months ended 31 December 2017 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

Revenue represents the net amounts received and receivable from services provided by the Group to outside customers and is analysed as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$	HK\$	HK\$	HK\$
Financial services	10,492,314	8,847,915	25,301,522	34,065,739
Equine services	31,914,504	12,129,319	55,440,683	38,927,139
Computer software solution and service	279,000	3,168,660	863,000	12,798,660
	42,685,818	24,145,894	81,605,205	85,791,538

3. PROFIT BEFORE TAXATION

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Employee benefits expense including those of directors				
– wages, salaries and others	8,684,715	11,185,424	25,337,625	29,704,382
Interest on debenture	656,803	6,325,397	8,651,925	14,615,616
Interest on interest-bearing borrowing	5,745,534	328,767	10,925,589	608,219
Interest on Promissory note	2,841,760	2,644,156	8,296,143	7,719,264
Depreciation for property, plant and equipment				
– owned assets	584,621	2,123,532	3,632,091	6,496,828
Interest income	77,537	120,166	227,384	428,083

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% (2016: 16.5%) and at the rates of taxation prevailing in the country in which the Group operates respectively.

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)
Deferred taxation	-	-	-	-
Current income tax				
– Hong Kong profits tax	589,064	536,910	1,005,964	1,739,010
– Overseas taxation	-	-	-	-
	589,064	536,910	1,005,964	1,739,010

5. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (2016: Nil).

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 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)
Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	(12,272,841)	(33,933,275)	(33,937,926)	(41,407,240)

	Number of shares		Number of shares	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(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

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$81,605,000 for the nine months ended 31 December 2017, representing a decrease of 5% when compared to the corresponding period in the last fiscal year. The decrease was mainly due to the decrease in revenue generated from computer service and financial services businesses.

The direct cost was increased to approximately HK\$36,662,000 from approximately HK\$27,870,000 compared with the same period of last year. The decrease in gross profit margin was mainly due to increase in direct cost from equine services business.

Administrative expenses were recorded an decrease of 45% to approximately HK\$67,956,000 compared to approximately HK\$123,646,000 in the last fiscal year.

The loss after taxation for the three months period ended 31 December 2017 recorded as approximately HK\$12,319,000 as compared with approximately HK\$34,047,000 for the same period of last year.

The loss attributable to equity holders of the Company for the nine months ended 31 December 2017 was approximately HK\$33,938,000 as compared to net loss of HK\$41,407,000 from the corresponding period in the previous fiscal year. The decrease was mainly due to increase in revenue from equine services business and decrease in administrative expenses for equine services and financial services businesses during the reporting period.

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 segment, the economic environment faced by the business units varied from one to another.

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\$242,000,000 during the period ended 31 December 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 16% of the Group's stallions and bloodstocks are located outside Australia. To better reflect the Group's global presence, the Group has changed the name of the operating company from Eliza Park International Pty. Limited to Sun Stud Pty. Limited.

The income from horse breeding services remained stable as the number of stallions held by the Group was at similar level as last reporting period. 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. 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 31 December 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 31 December 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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. For example, it is envisaged that the Shenzhen-Hong Kong Stock Connect program will be launched within this fiscal year. 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 31 December 2017, the Group's net liabilities increased by approximately HK\$44,847,000 from approximately HK\$5,388,000 as at 31 March 2017 to approximately HK\$50,235,000 as at 31 December 2017. The cash and bank balances as at 31 December 2017 was approximately HK\$53,699,000, representing a decrease of approximately 13% when compared with the balance as at 31 March 2017. The decrease was mainly due to increase of investment in equine services business and the general administrative expenses for the Group during the reporting period. During the nine months ended 31 December 2017, the Group's operation was mainly financed by loans from financial institutions.

CHARGES ON GROUP ASSETS

As at 31 December 2017, no plant and equipment of the Group was held under finance lease (2016: Nil).

CONTINGENT LIABILITIES

As at 31 December 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 arrangements to reduce the currency risk have been implemented.

EMPLOYEE INFORMATION

The total number of employees was 78 as at 31 December 2017 (2016: 88), and the total remuneration for the nine months ended 31 December 2017 was approximately HK\$25,338,000 (2016: HK\$29,704,000). 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.

EVENTS AFTER REPORTING PERIOD

Very Substantial Acquisition and Connected Transaction in relation to the acquisition of the entire issued shares of Sun Finance Company Limited

On 31 January 2018, the Company had completed the very substantial acquisition of the entire issued share capital of Sun Finance Company Limited, at a total consideration of HK\$378,000,000 by means of issuing the Promissory Notes to the Venders. Details of the transaction are disclosed in the Circular dated 22 December 2017.

Following the acquisition of the Sun Finance Company Limited, the Board considers the acquisition can further diversify and strengthen the development of money lending business of the Group by expanding its existing loan portfolio and client base so as to enhance future return of the Shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 31 December 2017, the interests and short positions of the Directors and chief executive 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 Company under section 352 of the SFO, or as required, pursuant to Rules 5.46 to 5.66 of 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 Cheek 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 31 December 2017 were as follows:

Name of Director	Date of grant	Number of share options	Exercised during the period	Share option lapsed	Exercise price of share options HK\$	Exercise period from	Exercise period until	Number of options outstanding as at 31 December 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	09/02/2010	11,492,308	-	-	0.650	09/02/2010	08/02/2020	11,492,308
	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	13,914,000	-	-	0.315	10/09/2014	09/09/2024	13,914,000

Save as disclosed above, during the nine months ended 31 December 2017, none of the Directors or their respective associates was granted share option to subscribe for shares of the Company and nor had exercised such rights.

Save as disclosed above, during the nine months ended 31 December 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 Share 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.

Under the 2006 Share Option Scheme, no share option was granted or exercised during the nine months ended 31 December 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 31 December 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 31 December 2017		
13/08/2007	24,112,728	-	24,112,728	-	13/08/2007 to 12/08/2017	0.550
17/08/2007	13,292,308	-	13,292,308	-	17/08/2007 to 16/08/2017	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
	<u>347,015,738</u>	-	<u>50,653,036</u>	<u>296,362,702</u>		

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 31 December 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 31 December 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 nine months ended 31 December 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.

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.

CORPORATE GOVERNANCE PRACTICE

During the nine months ended 31 December 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.

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.

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, 7 February 2018