



## CHARACTERISTICS OF 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.

*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 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.*

*This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of posting and on the designated website of this Company at <http://www.sun8029.com/>.*

## FINANCIAL SUMMARY (UNAUDITED)

- Turnover of the Group was approximately HK\$49,464,000 for the six months ended 30 September 2019, representing an decrease of approximately 27% from the corresponding period in the previous fiscal year.
- For the six months ended 30 September 2019, gross profit of the Group was approximately HK\$41,307,000 as compared to the gross profit of approximately HK\$51,997,000 from the corresponding period in the previous fiscal year.
- Loss attributable to shareholders of the Group for the six months ended 30 September 2019 amounted to approximately HK\$23,872,000 as compared to net loss of approximately HK\$50,940,000 from the corresponding period in the previous fiscal year.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

## CONSOLIDATED INTERIM RESULTS FOR 2019 (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 2019, together with the comparative unaudited figures for the corresponding period in 2018 were as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	2	27,040	38,383	49,464	67,447
Direct costs		(2,439)	(10,433)	(8,157)	(15,451)
Gross profit		24,601	27,950	41,307	51,996
Other operating income		4,377	10,293	4,691	15,847
Gain on disposal of a subsidiary	3	770	–	770	–
Impairment losses, net of reversal		3,393	–	3,393	–
Administrative expenses		(36,023)	(40,663)	(65,716)	(92,553)
Finance costs		(774)	(9,601)	(7,924)	(21,968)
(Loss)/Profit before taxation	4	(3,656)	(12,021)	(23,479)	(46,678)
Income tax expense	5	(216)	(1,443)	(393)	(4,262)
<b>(Loss)/Profit for the period</b>		<b>(3,872)</b>	<b>(13,464)</b>	<b>(23,872)</b>	<b>(50,940)</b>
<b>Other comprehensive (loss)/ income:</b>					
Currency translation differences		9,463	8,743	15,031	22,606
<b>Other comprehensive (loss)/ income for the period</b>		<b>9,463</b>	<b>8,743</b>	<b>15,031</b>	<b>22,606</b>
<b>Total comprehensive (loss)/ income for the period</b>		<b>5,591</b>	<b>(4,721)</b>	<b>(8,841)</b>	<b>(28,334)</b>

## CONSOLIDATED INTERIM RESULTS FOR 2019 (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>(Loss)/Profit attributable to:</b>					
Equity holders of the Company		(3,872)	(13,464)	(23,872)	(50,940)
Non-controlling interests		–	–	–	–
		<b>(3,872)</b>	<b>(13,464)</b>	<b>(23,872)</b>	<b>(50,940)</b>
<b>Total comprehensive (loss)/ income attributable to:</b>					
Equity holders of the Company		5,591	(4,721)	(8,841)	(28,334)
Non-controlling interests		–	–	–	–
		<b>5,591</b>	<b>(4,721)</b>	<b>(8,841)</b>	<b>(28,334)</b>
<b>Dividend</b>	6	–	–	–	–
<b>Earnings per share</b>	7				
Basic (HK cents per share)		(0.17)	(0.97)	(1.08)	(3.66)
Diluted (HK cents per share)		(0.17)	(0.97)	(1.08)	(3.66)

# CONSOLIDATED INTERIM RESULTS FOR 2019 (UNAUDITED)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Intangible assets	8	1,360	1,524
Goodwill		47,095	47,095
Property, plant and equipment	9	40,000	42,641
Right-of-use assets		2,176	–
Biological assets – non-current portion		32,286	35,083
Other asset		275	275
		<b>123,192</b>	<b>126,618</b>
<b>Current assets</b>			
Biological assets – current portion		45	47
Loan receivable		44,715	99,247
Trade receivables	10	21,406	18,570
Advances to customers in margin financing		67,358	78,310
Prepayments, deposits and other receivables	11	9,341	8,535
Tax Recoverable		6,843	4,790
Bank balances and cash		131,833	110,525
Cash held on behalf of customers		121,539	120,984
Asset held for sale		–	83,034
		<b>403,080</b>	<b>524,042</b>
<b>Current liabilities</b>			
Trade payables	12	125,618	143,379
Accruals and other payables		61,230	58,743
Deposits received and deferred income		3	543
Amount due to related companies		6,213	118,979
Promissory note	13	–	128,695
Tax payables		–	–
Bonds		24,822	8,744
Lease Liabilities		2,277	–
Liabilities held for sale		–	4,760

## CONSOLIDATED INTERIM RESULTS FOR 2019 (UNAUDITED)

	Notes	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
		<b>220,163</b>	463,843
Net current assets		<b>182,917</b>	60,199
Total asset less current liabilities		<b>306,109</b>	186,817
Non-current liabilities			
Promissory note	13	207,112	346,222
Medium-term bonds		9,547	25,625
Lease Liabilities		1,760	–
		<b>218,419</b>	371,847
		<b>87,690</b>	(185,030)
Capital and reserves			
Share capital	14	86,869	55,656
Reserves		821	(240,686)
		<b>87,690</b>	(185,030)

# CONSOLIDATED INTERIM RESULTS FOR 2019 (UNAUDITED)

## CONDENSED CONSOLIDATION INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share Capital HK\$'000	Share Premium HK\$'000	Capital Redemption Reserve HK\$'000	Other Reserve HK\$'000	Merger Deficit HK\$'000	Share Option Reserve HK\$'000	Exchange Translation Reserve HK\$'000	Amounts relating to non-current assets held for sale HK\$'000	Accumulated Profits/(Loss) HK\$'000	Total HK\$'000
At 1 April 2018 (Audited, Restated)	55,656	775,075	255	-	370	46,555	15,864	-	(967,023)	(73,249)
Loss for the period ended 30 September 2018	-	-	-	-	-	-	-	-	(50,940)	(50,940)
Other comprehensive income:										
Currency translation differences	-	-	-	-	-	-	22,606	-	-	22,606
Total comprehensive loss for the period ended 30 September 2018	-	-	-	-	-	-	22,606	-	(50,940)	(28,334)
At 30 September 2018(Unaudited)	55,656	775,075	255	-	370	46,555	38,470	-	(1,017,963)	(101,583)
At 31 March 2019 (Audited)	55,656	775,075	255	-	370	24,200	33,070	5,241	(1,078,897)	(165,030)
Adjustment for HKFRS 16									(198)	(198)
At 1 April 2019 (Audited, Restated)	55,656	775,075	255	-	370	24,200	33,070	5,241	(1,079,095)	(165,228)
Loss for the period ended 30 September 2019	-	-	-	-	-	-	-	-	(23,872)	(23,872)
Other comprehensive income:										
Currency translation differences	-	-	-	-	-	-	20,272	(5,241)	-	15,031
Waive of accrued Promissory note	-	-	-	12,545	-	-	-	-	-	12,545
Issue of shares (note i)	31,213	238,002	-	-	-	-	-	-	-	269,215
Total comprehensive loss for the year ended 31 March 2019	31,213	238,002	-	12,545	-	-	20,272	(5,241)	(23,872)	272,919
At 30 June 2019(Unaudited)	86,869	1,013,077	255	12,545	370	24,200	53,342	-	(1,102,967)	87,630

### 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 2019 (UNAUDITED)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(53,487)	46,750
Net cash used in investing activities	(197)	(5,288)
Net cash generated from financing activities	47,824	(41,481)
Net decrease in cash and cash equivalent	(5,860)	(19)
Cash and cash equivalent at the beginning of the period	110,525	86,168
Effect of exchange rate changes	16,874	11,905
Cash and cash equivalent at the ended of the period	121,539	98,054

# 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 2019 except for the adoption of the following revised Hong Kong Financial Reporting Standards ("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. Except for HKFRS 16 "Lease", 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 2019. The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and therefore comparative figures were not restated. Upon application of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The associated right-of-use assets were measured at the amount equal to the respective lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 March 2019.

The unaudited consolidated results of the Group for the six months ended 30 September 2019 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 2019 (Unaudited)*

	Financial services HK\$'000	Equine services HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Turnover</b>				
External sales	27,097	22,367	–	49,464
<b>Result</b>				
Segment result	13,443	(18,881)	(10,117)	(15,555)
Finance cost				(7,924)
Profit before tax				(23,479)
Income tax expense				(393)
Loss for the period				(23,872)

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 2. REVENUE (Continued)

For the period ended 30 September 2018 (Unaudited)

	Financial services HK\$'000	Equine services HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover				
External sales	41,268	26,180	–	67,447
Result				
Segment result	23,346	(39,247)	(8,808)	(24,709)
Finance cost				(21,968)
Profit before tax				(46,677)
Income tax expense				(4,262)
Loss for the period				(50,940)

### 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong	27,097	41,268
Australia	22,367	26,180
	49,464	67,447

## 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong	49,726	60,595
Australia	70,650	80,791
	<b>120,376</b>	<b>141,386</b>

### 3. DISPOSAL OF A SUBSIDIARY

Consideration Received:	–
Net liabilities disposed of:	
Biological assets	72,199
Cash and cash equivalents:	1,128
Other assets	6,783
Loan payable	(83,215)
Other liabilities	(3,003)
	<u>(6,108)</u>
Less: Retained Translation Reserve	5,338
Gain on disposal of subsidiary	770

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 4. PROFIT BEFORE TAXATION

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

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Employee benefits expense including those of directors – wages, salaries and others	7,045	7,546	15,021	16,910
Depreciation for property, plant and equipment – owned assets	1,335	3,510	1,957	4,132
Interest income	14	37	38	94

## 5. INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2018: 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing operations Current income tax – Hong Kong profits tax	216	1,443	393	4,262
	216	1,443	393	4,262

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

## 7. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	(3,872)	(13,464)	(23,872)	(50,940)

	Three months ended 30 September		Six months ended 30 September	
	2019 '000	2018 '000	2019 '000	2018 '000
<b>Number of shares</b> Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	2,171,732	1,391,400	2,171,732	1,391,400

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 8. INTANGIBLE ASSETS

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Trading rights (a)	500	500
Breeding rights (b)	860	1,024
	<b>1,360</b>	<b>1,524</b>

- (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

## 9. PROPERTY, PLANT AND EQUIPMENT

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>Cost:</b>		
Balance at 1 April 2019/2018	91,420	94,806
Additions	53	182
Disposals	–	(91)
Foreign currency realignment	(2,475)	(3,477)
Balance at 30 September/31 March	88,998	91,420
<b>Accumulated Depreciation:</b>		
Balance at 1 April 2019/2018	48,779	46,992
Depreciation charge	1,957	2,532
Written back	–	(91)
Impairment loss recognised in the year	–	674
Foreign currency realignment	(1,738)	(1,328)
Balance at 30 September/31 March	48,998	48,779
<b>Net book values:</b>		
At 30 September/31 March	40,000	42,641

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 10. TRADE RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	18,479	14,209
Less: Provision for bad debts	–	(5,506)
	<b>18,479</b>	<b>8,703</b>
Accounts receivables from brokers, dealers and clearing house	2,927	16,559
Less: assets classified as held for sale	–	(6,692)
	<b>21,406</b>	<b>18,570</b>

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	14,213	7,832
31–60 days	4,266	871
61–90 days	–	–
Over 90 days	–	–
	<b>18,479</b>	<b>8,703</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Deposits	5,104	4,646
Prepayments	2,114	2,096
Other receivables	2,123	2,705
	<b>9,341</b>	<b>9,447</b>
Less: assets classified as held for sale	–	(912)
	<b>9,341</b>	<b>8,535</b>

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

## 12. TRADE PAYABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	2,136	4,331
Accounts payables to clients and clearing house	123,482	139,498
	<b>125,618</b>	<b>143,829</b>
Less: liabilities classified as held for sale	–	(450)
	<b>125,618</b>	<b>143,379</b>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

### 12. 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 of the Company, 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:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	<b>31 March 2019 HK\$'000 (Audited)</b>
Within 30 days	1,987	3,926
31–90 days	149	401
91–120 days	–	4
	<b>2,136</b>	<b>4,331</b>

### 13. PROMISSORY NOTE

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	<b>31 March 2019 HK\$'000 (Audited)</b>
Current	–	128,695
Non-current	207,112	346,222
	<b>207,112</b>	<b>474,917</b>

At 30 September 2018, the promissory notes were unsecured, bears interest at 2% and 7% per annum and will mature on 28 February 2019 and 30 January 2021 respectively.

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 14. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Ordinary shares of Authorised:		
At 31 March/30 September 2019 (HK\$0.04 each)	40,000,000	1,600,000
Issued and fully paid:		
At 31 March/30 September 2019	2,171,732	86,869

## 15. RELATED PARTY TRANSACTIONS

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

### Compensation of key management personnel

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

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term benefits	946	946	1,892	1,892
Post-employment benefits	14	14	27	27
	<b>960</b>	<b>960</b>	<b>1,919</b>	<b>1,919</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$49,464,000 for the six months ended 30 September 2019, an decrease of 27% when compared to the corresponding period in the last fiscal year. The decrease was mainly due to a decrease in revenue generated from financial services business as compared with last fiscal year.

The direct costs were decreased to approximately HK\$8,157,000 from approximately HK\$15,451,000 compared with the same period last year. The direct costs were mainly affected by the cost of our biological asset sold during the period. The decrease in gross profit was mainly due to both the decrease of overall turnover and increase in direct cost.

Administrative expenses made an decrease of 29% to approximately HK\$65,716,000 compared to approximately HK\$92,553,000 in 2018. 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 loss attributable to equity holders of the Company for the six months ended 30 September 2019 was approximately HK\$23,872,000 as compared to net loss of HK\$50,940,000 from the corresponding period in the previous fiscal year. Such decrease was mainly due to a decrease in exchange loss and finance 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. The board of directors planned to disposal one of subsidiaries in the equine segment (Completed on 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 February 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.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 during the reporting period. 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.

## Financial services

A deepening trade dispute between US and China and the rise of protectionism create great uncertainties 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. However, we all anticipate that 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 of directors 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.

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.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

As of 30 September 2019, the Group's net asset is approximately HK\$87,690,000, compared with the net liabilities of approximately HK\$185,030,000 as at 31 March 2019. The cash and bank balances as at 30 September 2019 was approximately HK\$131,833,000, representing an increase of approximately 19% when compared with the balance as at 31 March 2019. During the six months ended 30 September 2019, the Group's operation was mainly financed by the internal financial resources of the Group.

## CHARGES ON GROUP ASSETS

As at 30 September 2019, no plant and equipment of the Group was held under finance lease (2018: HK\$Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

On 30 October 2018, Guangdong Higher People's Court has been directed by the Supreme People's Court of the PRC to hear the claim (the "Claim") made by Mr. Chiu Ming ("Mr. Chiu") and Diamond Ocean Development Limited ("Diamond Ocean") against, amongst others, Sun Finance Company Limited ("Sun Finance"), a wholly-owned subsidiary of the Company, Mr. Cheng, a controlling shareholder of the Company and an executive Director and Mr. Chau, a controlling shareholder of the Company, in relation to, among others, the enforcement of the share charge in 2011 over certain shares (the "Charged Shares") 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 Mr. Chiu and Diamond Ocean to have infringed their rights. According to the Claim, Mr. Chiu and Diamond Ocean requested the court to order Sun Finance, Mr. Cheng and Mr. Chau to compensate Mr. Chiu and Diamond Ocean for direct economic loss of RMB500,000,000 and bear all the litigation costs. In addition, Mr. Chiu and Diamond Ocean 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. – 12 – As at the date of approval of these result announcement, no hearing notice issued by Guangdong Higher People's Court or any material information have been received by Sun Finance, Mr. Cheng and Mr. Chau.

## 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.

## EMPLOYEE INFORMATION

The total number of employees was 72 as at 30 September 2019 (2018: 72), and the total remuneration for the six months ended 30 September 2019 was approximately HK\$15,021,000 (2018: HK\$16,910,000). The Group's remuneration policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident fund, are also provided to employees where appropriate. Discretionary bonus is linked to performance of the individual specific to each case. The Group may offer options to reward employees who make significant contributions and to retain key staff pursuant to the share option scheme of the Group. The remuneration policy of the Group is reviewed and approved by the Remuneration Committee as well as by the Board.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 2019, 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 2019 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		Number of options outstanding as at 30 September 2018
						from	until	
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

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL**

Save as disclosed above, during the six months ended 30 September 2019, the company grant no new share options for the Directors or their respective associates to subscribe for shares of the Company and had not been exercised such rights.

Save as disclosed above, during the six months ended 30 September 2019, none of the Directors or Chief Executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

## **DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY**

Under the terms of the option scheme adopted by the Company on 5 December 2006, the board of Directors is authorized, at its absolute discretion, to grant options to employee (including any executive and non-executive director), proposed employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group, to subscribe for shares in the Company. No share option was granted or exercised during the six months ended 30 September 2018. 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 2019, details of share options outstanding were as follows:

Date of grant	Number of share options			At 30 September 2018	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2018	Exercised during the period	Lapsed during the period			
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
	198,492,924	–	–	198,492,924		

### 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

### SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as is known to any Directors or chief executives of the Company, as at 30 September 2019, 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	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.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL**

Save as disclosed above, as at 30 September 2019, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

### **PRE-EMPTIVE RIGHTS**

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

### **COMPETITION AND CONFLICT OF INTERESTS**

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

### **AUDIT COMMITTEE**

The Company set up an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. During the period under review, the Audit Committee comprised three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun, all of them are independent non-executive Directors and Mr. Tou Kin Chuen was appointed as the chairman of the Audit Committee. The results for the six months ended 30 September 2019 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

### CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

### CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September 2019, 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 2018 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 2019 AGM in replying to questions raised by shareholders at the 2019 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, 10 November 2019