



Sun International Group Limited  
太陽國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8029



Interim Report 2008



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of Sun International Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.*



### **FINANCIAL SUMMARY (UNAUDITED)**

- Turnover of the Group was HK\$97,756,629 for the six months ended 30 September 2008, representing an increase of approximately 3,563% from the corresponding period in the previous fiscal year.
- For the six months ended 30 September 2008, gross profit of the Group was HK\$76,006,413 as compared to the gross profit of HK\$1,091,083 recorded in the corresponding period in the previous fiscal year.
- Net profit attributable to shareholders of the Group for the six months ended 30 September 2008 amounted to HK\$21,289,555 as compared to net loss of HK\$10,132,674 for 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 2008 (2007: Nil).



## CONSOLIDATED INTERIM RESULTS FOR 2008 (UNAUDITED)

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Group for the six months ended 30 September 2008 together with the comparative unaudited figures for the corresponding period in 2007 as follows:

### Condensed Consolidated Income Statement

For the three months and six months ended 30 September 2008

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2008	2007	2008	2007
		HK\$ Unaudited	HK\$ Unaudited	HK\$ Unaudited	HK\$ Unaudited
Revenue	2	<b>52,730,990</b>	1,421,111	<b>97,756,629</b>	2,668,178
Direct costs		<b>(12,675,982)</b>	(870,603)	<b>(21,750,216)</b>	(1,577,095)
Gross profit		<b>40,055,008</b>	550,508	<b>76,006,413</b>	1,091,083
Other operating income		<b>61,689</b>	9,792	<b>74,947</b>	124,362
Administrative expenses		<b>(33,450,504)</b>	(8,374,978)	<b>(42,177,092)</b>	(11,166,967)
Finance costs		<b>(22,042)</b>	(53,020)	<b>(43,701)</b>	(181,152)
Profit/(Loss) before taxation	3	<b>6,644,151</b>	(7,867,698)	<b>33,860,567</b>	(10,132,674)
Income tax expense	4	<b>(5,345,190)</b>	-	<b>(9,750,950)</b>	-
Profit/(Loss) for the period		<b>1,298,961</b>	(7,867,698)	<b>24,109,617</b>	(10,132,674)
Attributable to:					
Equity holders of the company		<b>343,075</b>	(7,867,698)	<b>21,289,555</b>	(10,132,674)
Minority interests		<b>955,886</b>	-	<b>2,820,062</b>	-
		<b>1,298,961</b>	(7,867,698)	<b>24,109,617</b>	(10,132,674)
Dividend	5	-	-	-	-
Earnings/(Loss) per share	6				
Basic (HK cents per share)		<b>0.04</b>	(0.75)	<b>1.76</b>	(1.01)
Diluted (HK cents per share)		<b>0.03</b>	N/A	<b>1.56</b>	N/A

**Condensed Consolidated Balance Sheet**

As at 30 September 2008

		<b>At 30 September 2008 HK\$ Unaudited</b>	<b>At 31 March 2008 HK\$ Audited</b>
Non-current asset			
Goodwill	7	<b>515,702,261</b>	426,465,393
Investment properties	8	<b>7,560,000</b>	7,560,000
Property, plant & equipment	9	<b>104,709,961</b>	2,681,393
		<b><u>627,972,222</u></b>	<u>436,706,786</u>
Current assets			
Inventories	10	<b>1,981,681</b>	60,650
Loan receivable	11	<b>7,796,000</b>	–
Trade receivables	12	<b>81,907,289</b>	23,266,603
Prepayments, deposits and other receivables	13	<b>3,962,174</b>	45,677,040
Bank balances and cash		<b><u>32,760,870</u></b>	<u>104,663,808</u>
		<b><u>128,408,014</u></b>	<u>173,668,101</u>
Current liabilities			
Accruals and other payables	14	<b>2,833,038</b>	3,836,991
Trade payables	15	<b>23,961,244</b>	–
Deposits received		<b>132,000</b>	162,000
Amount due to a director	16	<b>835,816</b>	450,965
Bank loan	17	<b>301,828</b>	303,304
Obligation under finance lease	18	<b>7,810</b>	7,809
Tax payable		<b><u>14,907,257</u></b>	<u>5,195,887</u>
		<b><u>42,978,993</u></b>	<u>9,956,956</u>
Net current assets		<b><u>85,429,021</u></b>	<u>163,711,145</u>
Total Asset less Current Liabilities		<b>713,401,243</b>	600,417,931



		<b>At 30 September 2008 HK\$ Unaudited</b>	At 31 March 2008 HK\$ Audited
Non-current liabilities			
Bank loan	17	<b>3,332,179</b>	3,480,206
Deferred tax		<b>236,250</b>	236,250
Obligation under finance lease	18	<b>12,364</b>	16,269
		<b><u>3,580,793</u></b>	<u>3,732,725</u>
		<b><u>709,820,450</u></b>	<u>596,685,206</u>
Capital and reserves			
Share Capital	19	<b>33,284,400</b>	31,319,000
Minority interest		<b>5,525,150</b>	2,705,088
Reserves		<b><u>671,010,900</u></b>	<u>562,661,118</u>
		<b><u>709,820,450</u></b>	<u>596,685,206</u>

**Condensed Consolidation Statement of Changes in Equity***For the six months ended 30 September 2008*

	Attributable to equity holders of the Company									
	Share Capital	Share Premium	Capital Redemption Reserve	Merger Deficit	Share Option Reserve	Property Revaluation Reserve	Accumulated Loss	Total	Minority	Total
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 April 2007	19,300,000	17,090,836	-	(119,998)	3,272,393	-	(34,198,593)	5,344,638	-	5,344,638
Top-up placing and subscription	3,894,000	49,648,500	-	-	-	-	-	53,542,500	-	53,542,500
Recognition of share issue expenses	-	(1,582,852)	-	-	-	-	-	(1,582,852)	-	(1,582,852)
Share option benefits	-	-	-	-	5,299,512	-	-	5,299,512	-	5,299,512
Exercise of share options	770,000	13,257,202	-	-	(2,036,202)	-	-	11,991,000	-	11,991,000
Loss for the six months ended 30 September 2007	-	-	-	-	-	-	(10,132,674)	(10,132,674)	-	(10,132,674)
At 30 September 2007	23,964,000	78,413,686	-	(119,998)	6,535,703	-	(44,331,267)	64,462,124	-	64,462,124
<b>At 1 April 2008</b>	<b>31,319,000</b>	<b>587,166,683</b>	<b>-</b>	<b>(119,998)</b>	<b>4,606,631</b>	<b>1,089,000</b>	<b>(30,081,198)</b>	<b>593,980,118</b>	<b>2,705,088</b>	<b>596,685,206</b>
Issue of shares for acquisition of subsidiary (Note 1)	2,100,000	75,600,000	-	-	-	-	-	77,700,000	-	77,700,000
Exercise of share options (Notes 2 & 3)	120,000	2,228,759	-	-	(218,759)	-	-	2,130,000	-	2,130,000
Share option lapsed	-	-	-	-	(123,410)	-	123,410	-	-	-
Share option benefits	-	-	-	-	15,946,877	-	-	15,946,877	-	15,946,877
Repurchase of shares (Note 4)	(254,600)	-	-	-	-	-	-	(254,600)	-	(254,600)
Premium on repurchase of share	-	(6,496,650)	-	-	-	-	-	(6,496,650)	-	(6,496,650)
Capital redemption reserve arising from repurchase of shares	-	-	254,600	-	-	-	(254,600)	-	-	-
Profit for the six months ended 30 September 2008	-	-	-	-	-	-	21,289,555	21,289,555	2,820,062	24,109,617
At 30 September 2008	33,284,400	658,498,792	254,600	(119,998)	20,211,339	1,089,000	(8,922,833)	704,295,300	5,525,150	709,820,450
			Note 4	Note 5						



*Notes:*

1. On 20 May 2008, the Company issued and allotted 105,000,000 shares for partly consideration for the acquisition of a subsidiary, Superb Kings Limited.
2. On 22 May 2008 and 10 June 2008, the Company allotted and issued 500,000 and 5,000,000 new shares of HK\$0.02 each pursuant to the exercise of share options. The exercise price was HK\$0.33 and HK\$0.36 per share respectively.
3. On 25 September 2008, the Company allotted and issued 250,000 new shares of HK\$0.04 each pursuant to the exercise of share options. The exercise price was HK\$0.66 per share.
4. The Company repurchased its own shares on the Stock Exchange during the period ended 30 September 2008. The shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on the repurchase was charged against share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.
5. The merger deficit of the Group represents the difference between the nominal value of the shares of acquired subsidiaries over the nominal value of the share capital of the Company issued in exchange therefor.

### **Condensed Consolidated Cash Flow Statement**

*For the six months ended 30 September 2008*

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
	<b>Unaudited</b>	Unaudited
Net cash from/(used) in operating activities	<b>57,569,182</b>	(22,992,968)
Net cash used in investing activities	<b>(192,612,085)</b>	(194,972)
Net cash from financing activities	<b>63,139,965</b>	61,914,552
Net (decrease)/increase in cash and cash equivalents	<b>(71,902,938)</b>	38,726,612
Cash and cash equivalents at the beginning of the period	<b>104,663,808</b>	1,801,684
Cash and cash equivalents at the ended of the period	<b>32,760,870</b>	40,528,296
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>32,760,870</b>	40,528,296





## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

### 1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2008.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 January 2008, the adoption has no significant impact on the Group’s results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

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

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2008.

The unaudited consolidated results of the Group for the six months ended 30 September 2008 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 rental income.

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 six business segments – agency income, business consultancy, computer software solution and service, funeral services, hotel business income and rental income.

### **Income statement**

*For the year ended 30 September 2008*

	Agency Income HK\$	Business Consultancy HK\$	Computer Services HK\$	Funeral Services HK\$	Hotel Business Income HK\$	Rental Income HK\$	Others HK\$	Consolidated HK\$
<b>Turnover</b>								
External sales	<u>341,167</u>	<u>117,500</u>	<u>75,598,197</u>	<u>436,354</u>	<u>21,248,411</u>	<u>15,000</u>	<u>-</u>	<u>97,756,629</u>
<b>Results</b>								
Segment results	<u>(1,034,179)</u>	<u>(1,006,716)</u>	<u>54,952,821</u>	<u>(34,779)</u>	<u>1,233,574</u>	<u>(71,986)</u>	<u>(71,711)</u>	<u>53,967,024</u>
Unallocated corporate incomes: Sun International								7,815
Unallocated corporate expenses: Sun International								(20,070,571)
Finance cost								<u>(43,701)</u>
Profit before taxation								33,860,567
Income tax expenses								<u>(9,750,950)</u>
Profit for the period								<u>24,109,617</u>



### Geographical segments

The Group's business is managed in an Asia basis, but participated in four principal geographical areas, Hong Kong, Macau, Philippines and Vietnam. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

### Turnover

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
Hong Kong	<b>10,781,705</b>	2,668,178
Macau	<b>1,786,556</b>	–
Philippines	<b>84,888,171</b>	–
Vietnam	<b>300,197</b>	–
	<hr/> <b>97,756,629</b> <hr/>	<hr/> 2,668,178 <hr/>
Total		

### 3. Profit/(Loss) before taxation

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

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
Employee benefits expense including those of directors		
– wages, salaries and others	<b>11,359,763</b>	7,686,740
– share base payment expense	<b>15,946,877</b>	5,299,513
Depreciation for property, plant and equipment		
– owned assets	<b>1,953,405</b>	121,006
– finance lease assets	<b>3,905</b>	42,397
Impairment loss recognised in respect of goodwill	–	1,166,407
Interest income	<b>(17,103)</b>	(23,150)
	<hr/> <b>(17,103)</b> <hr/>	<hr/> (23,150) <hr/>

### 4. Income tax expense

Hong Kong Profits Tax has been provided for in the financial statements at 16.5% on the amount of estimated assessable profits arising in Hong Kong (2007: 17.5%).



## 5. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

## 6. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to equity holders of the Company of HK\$21,289,555 (2007: a loss of HK\$10,132,674) and the weighted average number of ordinary share of 1,208,023,880 (2007: 1,007,073,770) in issue during the period as retrospectively adjusted for the effects of the Share Consolidation which became effective on 26 June 2008.

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

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

	For the three months ended 30 September		For the six months ended 30 September	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Profit/(Loss) for the period and profit/(loss) for the purpose of determining basic profit/(loss) earnings per share	<u>343,075</u>	<u>(7,867,698)</u>	<u>21,289,555</u>	<u>(10,132,674)</u>
	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purpose of determining basic (loss) earnings per share	<u>836,598,470</u>	<u>1,045,532,609</u>	<u>1,208,023,880</u>	<u>1,007,073,770</u>
Adjustment for assumed exercise of share options	<u>155,406,006</u>	<u>-</u>	<u>162,222,763</u>	<u>-</u>
	<u>992,004,476</u>	<u>1,045,532,609</u>	<u>1,370,246,643</u>	<u>1,007,073,770</u>



## 7. Goodwill

	<i>HK\$</i>
At 31 March 2008	426,465,393
Additions arising from acquisition of subsidiaries (Notes a & b)	<u>89,236,868</u>
At 30 September 2008	<u>515,702,261</u>

### Notes:

- (a) On 20 May 2008, the Company completed to acquire subsidiary for an aggregate consideration of HK\$168,004,303. This transaction has been accounted for by the acquisition method of accounting.

	<i>HK\$</i>
Net assets acquired:	
Property, plant and equipment	75,458,718
Prepayment and deposit	<u>3,562,281</u>
	79,020,999
Goodwill	<u>88,983,304</u>
Total consideration	<u>168,004,303</u>
Satisfied by:	
Cash consideration	89,500,000
Issue of shares at fair value (Note)	77,700,000
Expenses incurred for the acquisition	<u>804,303</u>
	<u>168,004,303</u>
Net cash outflow in respect of acquisition of Superb Kings Limited:	
Cash consideration	89,500,000
Expenses incurred for the acquisition	<u>804,303</u>
	<u>90,304,303</u>

Note: As part of the consideration for the acquisition of Superb Kings Limited, 105,000,000 ordinary shares of the Company with par value of HK\$0.02 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of acquisition of HK\$0.74 per share, amounted to HK\$77,700,000.



- (b) On 11 August 2008, the Company completed to acquire subsidiary for an aggregate consideration of HK\$1. This transaction has been accounted for by the acquisition method of accounting.

HK\$

**Net assets acquired:**

Amount due to related companies	(253,563)
Goodwill	253,564

Total consideration	<u>1</u>
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**Satisfied by:**

Cash	<u>1</u>
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**8. Investment properties**

HK\$

At 31 March 2007 and 1 April 2007	2,600,000
Transferred from property, plant and equipment	4,930,000
Increase in fair value	<u>30,000</u>

At 31 March 2008 and 30 September 2008	<u>7,560,000</u>
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**9. Property, plant and equipment**2008  
HK\$2008  
HK\$**Cost:**

Balance at 1 April 2008/2007	<b>3,330,106</b>	6,261,498
Acquisitions of subsidiaries	<b>75,458,718</b>	399,297
Transfer to investment properties	-	(3,800,000)
Additions for the period/year	<b>29,783,277</b>	1,799,708
Disposals for the period/year	<b>(1,271,377)</b>	(1,330,397)

Balance at 30 September/31 March	<u><b>107,300,724</b></u>	<u>3,330,106</u>
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**Depreciation:**

Balance at 1 April 2008/2007	<b>648,713</b>	1,083,486
Acquisitions of subsidiaries	-	58,404
Elimination upon transfer to investment properties	-	(190,000)
Depreciation charge for the period/year	<b>1,957,310</b>	399,806
Disposals for the period/year	<b>(15,260)</b>	(702,983)

Balance at 30 September/31 March	<u><b>2,590,763</b></u>	<u>648,713</u>
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**Net book value:**

At 30 September/31 March	<u><b>104,709,961</b></u>	<u>2,681,393</u>
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## 10. Inventories

	<b>30 September 2008 HK\$</b>	31 March 2008 HK\$
Finished goods, at cost	<u>1,981,681</u>	<u>60,650</u>

All the inventories as at the balance sheet dated are carried at cost.

## 11. Loan receivable

	<b>30 September 2008 HK\$</b>	31 March 2008 HK\$
Gold Track Mining and Resources Limited	<u>7,796,000</u>	<u>–</u>

The total amount for the loan agreement is US\$1,000,000 and the rate of interest 10% per annum.

## 12. Trade receivables

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30 September 2008 HK\$</b>	31 March 2008 HK\$
Within 30 days	<b>27,352,081</b>	16,160,494
31 – 60 days	<b>10,031,975</b>	4,068,394
61 – 90 days	<b>6,679,823</b>	653,029
Over 90 days	<u><b>37,843,410</b></u>	<u>2,384,686</u>
	<u><b>81,907,289</b></u>	<u>23,266,603</u>

The average credit period on the trade receivables is 30 days. The carrying amounts of the trade receivables are denominated in Hong Kong Dollar.

The directors of the Company consider that no provision for impairment shall be made to trade receivables that are past due as the credit quality of the debtors are sound. The directors of the Company consider that the carrying amounts of the Group's trade receivables at 30 September 2008 approximate to their fair values.



### 13. Prepayments, deposits and other receivables

	<b>30 September 2008 HK\$</b>	31 March 2008 HK\$
Deposits	<b>689,818</b>	45,361,063
Prepayments	<b>3,244,563</b>	66,114
Other receivables	<b>27,793</b>	249,863
	<b><u>3,962,174</u></b>	<u>45,677,040</u>

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

### 14. Accruals and other payables

	<b>30 September 2008 HK\$</b>	31 March 2008 HK\$
Accruals	<b>870,372</b>	3,183,231
Other payables	<b>1,962,666</b>	653,760
	<b><u>2,833,038</u></b>	<u>3,836,991</u>

The Directors consider that the carrying amount of accruals and other payables approximates its fair value.

### 15. Trade payables

The following is an aged analysis of trade payables at the balance sheet date:

	<b>30 September 2008 HK\$</b>	31 March 2008 HK\$
Within 30 days	<b>23,836,204</b>	–
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<b>125,040</b>	–
	<b><u>23,961,244</u></b>	<u>–</u>

The average credit period on the trade payables is 30 days. The carrying amounts of the trade payables are denominated in Hong Kong Dollar.

The Directors consider that the carrying amount of trade payables approximates its fair value.



**16. Amount due to director**

The amount due to director, Mr. Chui Bing Sun, is unsecured, interest free and repayable on demand.

The Directors consider that the carrying amount of amount due to a director approximates its fair value.

**17. Bank loan**

Bank loan is secured by a charge over the fixed assets of a subsidiary company.

The secured bank loan are denominated in Hong Kong dollars and carry interest at a rate of HIBOR+0.65% per annum.

The Directors consider that the carrying amount of the Group's bank borrowings approximates its fair value.

**18. Obligations under finance leases**

	Minimum lease payment		Present value of minimum lease payment	
	30 September 2008	31 March 2008	30 September 2008	31 March 2008
	HK\$	HK\$	HK\$	HK\$
Amounts payable under finance leases:				
Within one year	9,840	9,840	7,810	7,809
In second to fifth year inclusive	<u>15,580</u>	<u>20,498</u>	<u>12,364</u>	<u>16,269</u>
	<b>25,420</b>	30,338	<b>20,174</b>	24,078
Less: Future finance charges	<u>(5,246)</u>	<u>(6,260)</u>		
Present value of lease obligations	<u><b>20,174</b></u>	<u>24,078</u>		
Less: Amount due within one year shown under current liabilities			<u>(7,810)</u>	<u>(7,809)</u>
Amount due after one year			<u><b>12,364</b></u>	<u>16,269</u>

It is the Group's policy to lease certain of its fixed assets under finance leases. The average lease term is one year. For the year ended 31 March 2008, the average effective interest rate was 5.2% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent lease payments.



## 19. Share capital

	<b>Number of ordinary shares</b>	<b>Amount HK\$</b>
Ordinary shares of		
Authorised:		
At 31 March 2008 (HK\$0.02 each)	<u>6,000,000,000</u>	<u>120,000,000</u>
At 30 September 2008 (HK\$0.04 each)	<u>3,000,000,000</u>	<u>120,000,000</u>
Issued and fully paid:		
At 31 March 2008	1,565,950,000	31,319,000
Share consolidation ( <i>Note a</i> )	(838,225,000)	–
Issue of shares ( <i>Note b</i> )	105,000,000	2,100,000
Repurchase of shares ( <i>Note c</i> )	(6,365,000)	(254,600)
Effect of exercise of share options ( <i>Notes d &amp; e</i> )	<u>5,750,000</u>	<u>120,000</u>
At 30 September 2008	<u>832,110,000</u>	<u>33,284,400</u>

### Notes:

- (a) On 21 May 2008, the Company announced that it proposed to consolidate every two shares of HK\$0.02 each in the capital of the Company into one share of HK\$0.04 each (the "Share Consolidation"). Immediately before the Share Consolidation, the authorized share capital of the Company was HK\$120,000,000, comprising 6,000,000,000 shares of HK\$0.02 each, of which 1,676,450,000 shares of HK\$0.02 each were issued and fully paid. Immediately following the Share Consolidation, the authorized share capital of the Company remained at HK\$120,000,000, comprising 3,000,000,000 shares of HK\$0.04 each, of which approximately 838,225,000 shares of HK\$0.04 each were in issue. Details of the Share Consolidation were set out in the Company's circular dated 4 June 2008 and the resolutions in respect of the Share Consolidation were duly passed by the Company's shareholders at the extraordinary general meeting held on 25 June 2008. The Share Consolidation became effective on 26 June 2008.
- (b) On 20 May 2008, the Company issued and allotted 105,000,000 shares for partly consideration for the acquisition of a subsidiary, Superb Kings Limited.
- (c) The Company repurchased its own shares on the Stock Exchange during the period ended 30 September 2008. The shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on the repurchase was charged against share premium an amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.



- (d) On 22 May 2008 and 10 June 2008, the Company allotted and issued 500,000 and 5,000,000 new shares of HK\$0.02 each pursuant to the exercise of share options. The exercise price was HK\$0.33 and HK\$0.36 per share respectively and transferred into shares in the share capital of the Company. The gross proceeds from the share options are amounted to HK\$1,965,000.
- (e) On 25 September 2008, the Company allotted and issued 250,000 new shares of HK\$0.04 each pursuant to the exercise of share options. The exercise price was HK\$0.66 per share and transferred into shares in the share capital of the Company. The gross proceeds from the share options are amounted to HK\$165,000.

All new shares issued ranked *pari passu* in all respects with existing ordinary shares of the Company.

## 20. 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 period was as follows:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Short-term benefits	<b>1,005,000</b>	745,259	<b>2,030,100</b>	1,189,259
Post-employment benefits	<b>9,000</b>	15,000	<b>18,000</b>	27,000
Share options granted	<b>15,946,877</b>	122,078	<b>15,946,877</b>	242,830
	<b>16,960,877</b>	882,337	<b>17,994,977</b>	1,459,089



## 21. Post balance events

- (a) On 5 September 2008, an Loan agreement between Galileo Capital Group (BVI) Limited (“Galileo BVI”) (as the lender) to lend the Loan to Gold Track Mining and Resources Limited (“Gold Track”). Under the loan agreement, Galileo BVI is entitled to capitalized the Loan and interests accrued thereon into not less than 51% of the share capital of Gold Track as enlarged by the allotment and issue of additional shares to Galileo BVI. As Gold Track has located the Mine and it is highly likely the mineral resources in the Mine can be exploited, the Group decided to capitalized the Loan and enter into the Subscription Agreement.

Pursuant to the Subscription Agreement and the Supplemental Agreement, Gold Track has conditionally agree to allot and issue the Subscription Shares to Galileo BVI in consideration of Galileo BVI capitalizing the loan of US\$1,000,000 (and interest accrued thereon) due from the Gold Track to Galileo BVI. The Subscription Shares, being 11,739 shares of Gold Track, represents approximately 54% of the entire issued share capital of Gold Track as enlarged by the issue and allotment of the Subscription Shares.

Gold Track is an investment holding investment company having 100% equity interest in the Indonesian Mining Company. Gold Track is beneficially owned as to 49% by Ms. Yeung So Lai, who is the sister-in-law of Mr. Cheng Ting Kong (a substantial shareholder of the Company). The principal terms of the Agreement and details were set out in announcement dated 5 September 2008, 8 October 2008 and 27 October 2008.

- (b) On 27 October 2008, Galileo Funeral Services Limited (as the Vendor) and Grand Pacific Management Inc. (as the Purchaser) make an agreement for sale and purchase of shares in Cheung Shing Funeral Limited (“Cheung Shing”) and Grand Sea Limited (“Grand Sea”) for the consideration of HK\$3,140,779, which are wholly owned subsidiaries of the Company, of which HK\$250,000 shall be payable to for the Cheung Shing sale shares and HK\$2,890,779 shall be payable for Grand Sea sale share. The completion date is the day following one month after the date of the agreement or such other date as the parties hereto may agree in writing.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Financial Performance

The Group recorded a turnover of HK\$97,756,629 for the six months ended 30 September 2008, representing an increase of 3,563% when compared to the corresponding period in the last fiscal year. The increase was mainly due to the revenue generated from the acquired subsidiaries engaging in information technology related business and hotel business, of which the results were included in the accounts for the six months ended 30 September 2008.

The direct costs were increased to HK\$21,750,216 from HK\$1,577,095 recorded during the same period last year. The increase in gross profit percentage was mainly due to the higher gross profit rate of information technology related business and hotel business.

Administrative expenses made an increase of 277% to HK\$42,177,092 compared to HK\$11,166,967 in 2007. The increase was mainly due to the costs incurred by the subsidiaries acquired in December 2007 and May 2008 for income generation, and share option granted during the period.

The net profit attributable to equity holders of the Company for the six months ended 30 September 2008 was HK\$21,289,555, an increase of HK\$31,422,229 or more than 310% as compared with the corresponding period in the last fiscal year. The higher profit figure mainly reflected a higher turnover generated by the information technology related business and hotel business acquired in December 2007 and May 2008 respectively.

### Business Review

For the period under review, the international financial market was seriously affected by the financial crisis due to the United States home loan market. Rescue plans were implemented by various government authorities in strengthening their banking systems. However, the global financial tsunami had caused an adverse effect on consumer spending and investment environment. The Board had decided to suspend the financial advisory service.

Following the acquisition of Loyal King Investments Limited and its subsidiaries (the "Loyal King Group"), the Group is able to explore into the development of entertainment and gaming activities. With the strong and competent information technology staff of the Loyal King Group, the Group is able to increase its market share in the gaming market and improve its financial position by increasing revenue and profit.

The operation of the resort hotel in Cagayan, the Philippines has been suspended from August 2008 due to the destruction of hotel facilities by an exceptional big typhoon. The renovation work will be completed in November 2008.



## Prospects

For the foreseeable future, China will continue to be a major factor of international trade. However, under the present condition of the investment environment, the Board will pay more attention to projects which can generate stable income to the Group.

Regarding the provision of computer system and related services in relation to the on-line entertainment and gaming activities, the Board is of the view that the performance is promising and it will greatly improve the Group's financial position.

The Board is always seeking opportunities to diversify the Group's revenue streams in order to enhance shareholders' value and is optimistic about the project of acquiring Superb Kings Limited. The Board is attracted by the future prospect of tourism development and is optimistic about the prospect of the hotel and tourism business in Cagayan Valley of the Philippines as the demand for accommodations and entertainment facilities will continue to grow in the near future. The Board is of the view it can provide valuable opportunity for the Group to tap into the hotel industry while to increase the value of the Group, which are in the interests of the Shareholders as a whole. The typhoon event happened in August 2008 was only an exceptional case. All the renovation work will be completed in November 2008.

Concerning the loan to Gold Track Mining and Resources Limited ("Gold Track"), the Board considers that Indonesia has abundant resources to be discovered and explored. It will provide a great potential for the business growth if the Group is able to step into the natural resources business of Indonesia. As the current financial position of the Group is sound, the Board considers it is beneficial to provide the Loan to Gold Track. On 8 October 2008, the Group entered into a subscription agreement with Gold Track, pursuant to which the Group would subscribe 11,739 shares of Gold Track (representing 54% of the enlarged share capital to Gold Track), in consideration of the Group capitalizing the loan. Gold Track has the requisite experience and knowledge in discovery of the natural resources.

## Material Acquisition

On 20 May 2008, the Company completed to acquire the entire share capital of Superb Kings Limited and all the liabilities and debts owing or incurred by Superb Kings Limited to the vendor due and payable on or at any time prior to the completion at a consideration of HK\$205,000,000. The consideration was satisfied by (i) HK\$115,500,000 by procuring the Company to allot and issue the Consideration Shares on completion; (ii) HK\$44,750,000 in cash as deposit; and (iii) HK\$44,750,000 in cash on completion. Details of the acquisition are set out in the circular of the Company dated 10 April 2008.



## Liquidity and Financial Resources

As of 30 September 2008, the Group's net assets increased to approximately HK\$709,820,450 from net assets of approximately HK\$596,685,000 as at 31 March 2008. The cash and bank balances as at 30 September 2008 was approximately HK\$32,760,870, representing a decline of approximately 68% when compared with the balance as at 31 March 2008. During the six months ended 30 September 2008, the Group's operation was mainly financed by the internal financial resources of the Group.

## Share Consolidation

On 21 May 2008, the Company announced that it proposed to consolidate every two shares of HK\$0.02 each in the capital of the Company into one share of HK\$0.04 each (the "Share Consolidation"). Immediately before the Share Consolidation, the authorized share capital of the Company was HK\$120,000,000, comprising 6,000,000,000 shares of HK\$0.02 each, of which 1,676,450,000 shares of HK\$0.02 each were issued and fully paid. Immediately following the Share Consolidation, the authorized share capital of the Company remained at HK\$120,000,000, comprising 3,000,000,000 shares of HK\$0.04 each, of which approximately 838,225,000 shares of HK\$0.04 each were in issue. Details of the Share Consolidation were set out in the Company's circular dated 4 June 2008 and the resolutions in respect of the Share Consolidation were duly passed by the Company's shareholders at the extraordinary general meeting held on 25 June 2008. The Share Consolidation became effective on 26 June 2008.

## Charges on Group Assets

As at 30 September 2008, plant and equipment of the Group with net book value of HK\$22,774 was held under finance lease (2007: HK\$223,047) and properties with net book value of HK\$7,560,000 were pledged as securities for bank loan (2007: HK\$6,257,500).

## Contingent Liabilities

As at 30 September 2008, the Group had no contingent liabilities.

## Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 30 September 2008, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## Employee Information

The total number of employees was 597 as at 30 September 2008 (2007: 19), and the total remuneration for the six months ended 30 September 2008 was approximately HK\$27,306,640 (2007: HK\$7,687,000). 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.



## Change of Company Name

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 5 May 2008, the name of the Company changed from Galileo Holdings Limited 嘉利福控股有限公司 to Sun International Group Limited 太陽國際集團有限公司.

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

As at 30 September 2008, 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. Chui Bing Sun	Corporate (Note 1)	30,450,000	Interest of a controlled corporation	3.66%
Mr. Chau Cheok Wa	Corporate (Note 2)	140,000,000	Interest of a controlled corporation	16.82%
Mr. Tang Hon Kwong	Personal	3,700,000	Beneficial owner	0.44%
Mr. Lee Chi Shing, Caesar	Personal	500,000	Beneficial owner	0.06%

*Note 1:* These ordinary shares are held by New Brilliant Investments Limited, the issued share capital of which is beneficially owned as to 80% by 20/20 International Limited and as to 20% by Ms. Zhang Ze Mei. Mr. Chui Bing Sun beneficially owns 70.4% of the issued shares of 20/20 International Limited.

*Note 2:* These ordinary shares are held by First Cheer Holdings Limited. First Cheer Holdings Limited is beneficially owned as to 45% by Mr. Chau Cheok Wa, as to 45% by Mr. Cheng Ting Kong, and as to 10% by Mr. Lai Ting Kwong.



**(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 owners were granted share options to subscribe for shares of the Company, details of which as at 30 September 2008 were as follows:

Name of Director	Date of grant	Number of share options	Exercised during the period	Exercise price of share option HK\$	Exercise period		Number of share options outstanding as at 30 September 2008
					from	until	
Mr. Chien Hoe Yong	26/03/2007	250,000	250,000	0.66	26/03/2008	25/03/2017	-
	1/11/2007	125,000	-	2.94	1/11/2007	31/10/2017	125,000
Mr. Kwok Kwan Hung	26/03/2007	250,000	250,000	0.66	26/03/2008	25/03/2017	-
	1/11/2007	125,000	-	2.94	1/11/2007	31/10/2017	125,000
Mr. Siu Hi Lam, Alick	1/11/2007	125,000	-	2.94	1/11/2007	31/10/2017	125,000
Mr. Tang Han Kwong	19/8/2008	3,580,000	-	1.14	19/8/2008	18/8/2018	3,580,000
	27/8/2008	4,800,000	-	1.16	27/8/2008	26/8/2018	4,800,000
Mr. Lee Chi Shing, Caesar	19/8/2008	8,380,000	-	1.14	19/8/2008	18/8/2018	8,380,000

*Note:* The number of share options and exercise price have been adjusted for the Share Consolidation that became effective on 26 June 2008.

Save as disclosed above, during the six months ended 30 September 2008, the company grant new share options at 19 August 2008 and 27 August 2008 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 2008, 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 New 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.

The operation of the old share option scheme was terminated on 5 December 2006, upon the approval of shareholders at the extraordinary general meeting held on 5 December 2006. Under the old share option scheme, no share option was outstanding as at 30 September 2008 and no share option was granted or exercised during the six months ended 30 September 2008.

As at 30 September 2008, details of share options outstanding were as follows:

Date of grant	Number of share options				Exercise price of share options HK\$	
	At 1 April 2008	Exercised during the period	Share option lapsed	At 30 September 2008		
26/03/2007	500,000	500,000	-	-	26/03/2008 to 25/03/2017	0.66
13/08/2007	17,450,000	-	-	17,450,000	13/8/2007 to 12/8/2017	0.76
17/08/2007	14,400,000	2,500,000	(2,300,000)	9,600,000	17/8/2007 to 16/8/2017	0.72
21/08/2007	9,600,000	-	-	9,600,000	21/08/2007 to 20/08/2017	0.69
01/11/2007	575,000	-	-	575,000	01/11/2007 to 31/10/2017	2.94
19/08/2008	-	-	-	74,200,000	19/08/2008 to 18/08/2018	1.14
27/08/2008	-	-	-	9,600,000	27/08/2008 to 26/08/2018	1.16
	<u>42,525,000</u>	<u>3,000,000</u>	<u>(2,300,000)</u>	<u>121,025,000</u>		

*Note:* The number of share options and exercise price have been adjusted for the Share Consolidation that became effective on 26 June 2008.



## 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 2008, 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
Premier United Limited (Note 1)	Corporate	95,000,000	Beneficial owner	11.42%
Chan Ping Che (Note 1)	Corporate	95,000,000	Interest of a controlled corporation	11.42%
Lam Shiu May (Note 1)	Corporate	95,000,000	Interest of a controlled corporation	11.42%
First Cheer Holdings Limited (Note 2)	Corporate	140,000,000	Beneficial owner	16.82%
Cheng Ting Kong (Note 2)	Corporate	140,000,000	Interest of a controlled corporation	16.82%
Chau Cheok Wa (Note 2)	Corporate	140,000,000	Interest of a controlled corporation	16.82%
Yeung Hak Kan	Personal	65,408,500	Beneficial owner	7.86%



#### Notes:

1. Premier United Limited is beneficially owned as to 50% by Mr. Chan Ping Che and as to 50% by Ms. Lam Shiu May. Accordingly, both Mr. Chan Ping Che and Ms. Lam Shiu May are deemed under the SFO to be interested in the 95,000,000 shares beneficially owned by Premier United Limited.
2. First Cheer Holdings Limited is beneficially owned as to 45% by Mr. Cheng Ting Kong, as to 45% by Mr. Chau Cheok Wa and as to 10% by Mr. Lai Ting Kwong.

Save as disclosed above, as at 30 September 2008, 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. Chien Hoe Yong, Mr. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick, all of them are independent non-executive Directors and Mr. Chien Hoe Yong was appointed as the Chairman of the Audit Committee. Mr. Chien Hoe Yong was resigned at 20 October 2008 for his other career opportunities. The results for the six months ended 30 September 2008 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. Chien Hoe Yong, Mr. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick, all of them are independent non-executive Directors and Mr. Kwok Kwan Hung was appointed as the Chairman of the Remuneration Committee. Mr. Chien Hoe Yong was resigned at 20 October 2008 for his other career opportunities.



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

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

The Company purchased 6,365,000 shares of the Company's listed securities during the period under review.

### **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises five executive Directors, namely, Mr. Chau Cheok Wa, Mr. Chui Bing Sun, Mr. Tang Hon Kwong, Ms. Cheng Mei Ching and Mr. Lee Chi Shing, Caesar and four independent non-executive Directors, namely, Mr. Kwok Kwan Hung, Mr. Siu Hi Lam, Alick, Mr. Fung Kwok Ki and Mr. Poon Lai Yin, Michael.

By order of the Board  
**Sun International Group Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 7 November 2008