



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



*ENVISIONING
LONG TERM
GOALS & RESULTS*

Interim Report 2010

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached other than companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors 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.

FINANCIAL SUMMARY (UNAUDITED)

- Turnover of the Group was approximately HK\$84,915,000 for the six months ended 30 September 2010, representing a decrease of approximately 4% from the corresponding period in the previous fiscal year.
- For the six months ended 30 September 2010, gross profit of the Group was approximately HK\$69,162,000 as compared to the gross profit of approximately HK\$59,222,000 from the corresponding period in the previous fiscal year.
- Profit attributable to shareholders of the Group for the six months ended 30 September 2010 amounted to approximately HK\$35,999,000 as compared to net profit of approximately HK\$203,239,000 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 2010 (2009: Nil).

CONSOLIDATED INTERIM RESULTS FOR 2010 (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 2010, together with the comparative unaudited figures for the corresponding period in 2009 were as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2010

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Revenue	2	42,935,584	42,636,125	84,915,311	88,587,097
Direct costs		(8,280,403)	(22,615,792)	(15,753,540)	(29,365,563)
Gross profit		34,655,181	20,020,333	69,161,771	59,221,534
Other operating income		332,362	66,365	908,783	266,855
Gain from a bargain purchase	3	-	184,200,827	-	184,200,827
Amortization		(458,621)	(6,294,125)	(856,738)	(6,294,125)
Administrative expenses		(13,619,586)	(14,317,377)	(30,848,447)	(28,443,386)
Finance costs		(7,854)	(395)	(16,962)	(850)
Profit before taxation	4	20,901,482	183,675,628	38,348,407	208,950,855
Income tax expense	5	(1,981,513)	(1,943,948)	(4,054,590)	(4,765,205)
Profit for the period		18,919,969	181,731,680	34,293,817	204,185,650
Other comprehensive income:					
Currency translation differences		(784,452)	463,286	(764,227)	463,286
Other comprehensive income for the period		(784,452)	463,286	(764,227)	463,286
Total comprehensive income for the period		18,135,517	182,194,966	33,529,590	204,648,936
Profit attributable to:					
Equity holders of the Company		19,375,962	181,166,678	35,999,103	203,238,850
Non-controlling interests		(455,993)	565,002	(1,705,286)	946,800
		18,919,969	181,731,680	34,293,817	204,185,650

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Total comprehensive income attributable to:					
Equity holders of the Company		18,973,538	181,404,344	35,603,835	203,476,516
Non-controlling interests		(838,021)	790,622	(2,074,245)	1,172,420
		18,135,517	182,194,966	33,529,590	204,648,936
Dividend	6	-	-	-	-
Earnings per share	7				
Basic (HK cents per share)		2.12	21.77	3.93	24.42
Diluted (HK cents per share)		2.12	N/A	3.90	N/A

Condensed Consolidated Statement of Financial Position

As at 30 September 2010

	Notes	At 30 September 2010 HK\$ (Unaudited)	At 31 March 2010 HK\$ (Audited)
Non-current assets			
Intangible assets	8	1,080,658,331	1,081,346,620
Goodwill	9	419,539,298	419,539,298
Exploration and evaluation assets	10	33,159,182	42,188,038
Property, plant and equipment	11	37,656,871	22,846,607
Investment properties	12	69,254,882	67,982,935
		1,640,268,564	1,633,903,498
Current assets			
Inventories		5,627,372	2,860,541
Films in progress		9,821,668	3,710,000
Tax recoverable		92,736	92,736
Trade receivables	13	83,264,800	94,277,768
Prepayments, deposits and other receivables	14	22,101,867	31,283,381
Bank balances and cash		84,576,059	44,127,152
		205,484,502	176,351,578
Current liabilities			
Accruals and other payables		15,611,689	19,004,771
Trade payables	15	1,922,894	1,998,996
Deposits received		978,844	1,022,993
Amount due to a related company	16	3,012,126	3,020,244
Amount due to a shareholder	16	25,350,000	23,790,000
Obligations under finance leases	17	149,682	176,149
Promissory note		6,500,000	6,500,000
Tax payables		4,103,547	82,050
		57,628,782	55,595,203
Net current assets		147,855,720	120,756,375
Total asset less current liabilities		1,788,124,284	1,754,659,873
Non-current liabilities			
Obligations under finance leases	17	60,870	126,049
Deferred tax	18	333,620,325	333,620,325
		333,681,195	333,746,374
		1,454,443,089	1,420,913,499
Capital and reserves			
Share capital	19	36,604,400	36,604,400
Reserves		1,052,900,977	1,017,297,142
Non-controlling interest		364,937,712	367,011,957
		1,454,443,089	1,420,913,499

Condensed Consolidation Statement of Changes in Equity

For the six months ended 30 September 2010

	Attributable to equity holders of the Company									
	Share Capital	Share Premium	Capital Redemption Reserve	Merger Deficit	Share Option Reserve	Exchange Translation Reserve	Retained Profits/ (Accumulated Losses)	Total	Non-controlling Interest	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2009 (Audited)	33,284,400	658,498,793	254,600	(119,998)	19,912,759	-	1,261,388	713,091,942	7,400,123	720,492,065
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	165,983,359	165,983,359
Profit for the period	-	-	-	-	-	-	203,238,850	203,238,850	946,800	204,185,650
Other comprehensive income:										
Currency translation difference	-	-	-	-	-	237,666	-	237,666	225,620	463,286
At 30 September 2009 (Unaudited)	33,284,400	658,498,793	254,600	(119,998)	19,912,759	237,666	204,500,238	916,568,458	174,555,902	1,091,124,360
At 1 April 2010 (Audited)	36,604,400	735,348,657	254,600	(119,998)	33,610,939	(235,839)	248,438,783	1,053,901,542	367,011,957	1,420,913,499
Profit for the period	-	-	-	-	-	-	35,999,103	35,999,103	(1,705,286)	34,293,817
Other comprehensive income:										
Currency translation difference	-	-	-	-	-	(395,268)	-	(395,268)	(368,959)	(764,227)
At 30 September 2010 (Unaudited)	36,604,400	735,348,657	254,600	(119,998)	33,610,939	(631,107)	284,437,886	1,089,505,377	364,937,712	1,454,443,089

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Net cash from operating activities	51,473,810	2,188,535
Net cash (used in) investing activities	(10,172,907)	(4,699,820)
Net cash (used in) financing activities	(108,608)	(4,920)
Net increase (decrease) in cash, cash equivalent	41,192,295	(2,516,205)
Cash and cash equivalent at the beginning of the period	44,127,152	14,188,718
Effect of exchange rate changes	(743,388)	150,788
Cash and cash equivalent at the ended of the period	84,576,059	11,823,301

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 2010.

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 April 2010, 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 2010.

The unaudited consolidated results of the Group for the six months ended 30 September 2010 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.

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 four business segments – computer software solution and services, hotel services, mining and others.

Segment Information

For the period ended 30 September 2010 (Unaudited)

	Philippines	Indonesia	Hong Kong			Consolidated HK\$
	Hotel Services HK\$	Mining HK\$	Computer services HK\$	Others HK\$	Sub-total HK\$	
Turnover						
External sales	41,920,966	-	39,903,302	3,091,043	42,994,345	84,915,311
Results						
Segment results	20,902,592	(5,527,787)	24,814,843	179,228	24,994,071	40,368,876
Unallocated corporate incomes						4,334
Unallocated corporate expenses						(2,007,841)
Finance cost						(16,962)
Profit before taxation						38,348,407
Income tax expenses						(4,054,590)
Profit for the period						34,293,817

For the period ended 30 September 2009 (Unaudited)

	Philippines	Indonesia	Hong Kong			Consolidated HK\$
	Hotel Services HK\$	Mining HK\$	Computer services HK\$	Others HK\$	Sub-total HK\$	
Turnover						
External sales	41,398,994	-	46,398,693	789,410	47,188,103	88,587,097
Results						
Segment results	20,457,667	(6,405,544)	29,741,700	(16,953,725)	12,787,975	26,840,098
Gain from a bargain purchase						184,200,827
Unallocated corporate incomes						41
Unallocated corporate expenses						(2,089,261)
Finance cost						(850)
Profit before taxation						208,950,855
Income tax expenses						(4,765,205)
Profit for the period						204,185,650

Geographical segments

The Group's operations are principally located in Hong Kong, Indonesia and Philippines. 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	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Hong Kong	42,994,345	47,188,103
The Philippines	41,920,966	41,398,994
Indonesia	—	—
	<u>84,915,311</u>	<u>88,587,097</u>

The following is an analysis of the carrying amount of segment assets and capital expenditures analysed by geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Hong Kong	471,233,923	185,266,490	771,274	2,085,370
The Philippines	208,441,395	138,292,807	3,841,338	10,676,283
Indonesia	810,948,062	795,360,857	4,307,360	8,096,991
	<u>1,490,623,380</u>	<u>1,118,920,154</u>	<u>8,919,972</u>	<u>20,858,644</u>

3. GAIN FROM A BARGAIN PURCHASE

Gain from a bargain purchase and the net assets acquired arising from the acquisition of GoldTrack Group were as follows:

	30 September 2010 HK\$ (Unaudited)	30 September 2009 HK\$ (Unaudited)
Net assets acquired:		
Intangible assets	-	503,530,000
Property, plant and equipment	-	5,009,609
Exploration & evaluation assets	-	4,241,969
Other receivables	-	914,157
Bank balances and cash	-	4,046,287
Other payables	-	(1,768,708)
Amount due to the holding company	-	(4,914)
Amount due to a director	-	(4,093,102)
Deferred tax	-	(151,059,000)
	<hr/>	<hr/>
	-	360,816,298
Non-controlling interests	-	(165,975,497)
Gain from a bargain purchase	-	(184,200,827)
	<hr/>	<hr/>
Total consideration	-	10,639,974
	<hr/>	<hr/>
Satisfied by:		
Interest income receivable	-	647,507
Convertible loans	-	7,800,000
Direct expenses relating to the acquisitions	-	2,192,467
	<hr/>	<hr/>
	-	10,639,974
	<hr/>	<hr/>
Net cash inflow arising on acquisition	-	4,046,287
Bank balance and cash	-	-
Direct expenses relating to the acquisitions	-	(2,192,467)
	<hr/>	<hr/>
	-	1,853,820
	<hr/>	<hr/>

The gain from a bargain purchase of HK\$184,200,827 is the excess of the Group's interest in the net fair value of Gold Track Group's identifiable assets, liabilities and contingent liabilities over the cost of acquisition. The whole amount of the excess HK\$184,200,827 should be recognised immediately in profit or loss.

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	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Employee benefits expense including those of directors – wages, salaries and others	8,998,495	9,200,644	18,152,577	17,442,741
Amortisation for intangible asset	458,621	6,294,125	856,738	6,294,125
Depreciation for property, plant and equipment				
– owned assets	1,194,424	1,953,859	3,085,094	3,839,247
– finance lease assets	24,326	1,953	48,649	3,905
Interest income	9,195	(1,634)	14,038	(3,347)

5. INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2009: 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	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Continuing operations				
Over-provision in prior year				
– Hong Kong profits tax	-	(191,762)	-	(191,762)
Current income tax				
– Hong Kong profits tax	1,964,492	2,121,875	4,021,497	4,922,713
– Overseas taxation	17,021	13,835	33,093	34,254
	1,981,513	1,943,948	4,054,590	4,765,205

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: 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	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	19,375,962	181,166,678	35,999,103	203,238,850
	Number of shares		Number of shares	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	915,110,000	832,110,000	915,110,000	832,110,000
Effect of dilutive potential ordinary shares: share options	657,534	-	8,587,037	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	915,767,534	832,110,000	923,697,037	832,110,000

8. INTANGIBLE ASSETS

	Mining right <i>HK\$</i> (Unaudited)
Valuation:	
Balance at 1 April 2010 and 30 September 2010	<u>1,110,342,537</u>
Amortisation:	
Balance at 1 April 2010	28,995,917
Provided during the period	<u>688,289</u>
Balance at 30 September 2010	<u>29,684,206</u>
Net book values:	
At 30 September 2010	<u>1,080,658,331</u>
At 31 March 2010	<u>1,081,346,620</u>

9. GOODWILL

	30 September 2010 HK\$	31 March 2010 HK\$
Cost		
Balance at 1 April 2010/2009	510,685,062	431,131,022
Addition arising from acquisition of subsidiaries	-	79,554,040
Balance at 30 September/31 March	<u>510,685,062</u>	<u>510,685,062</u>
Impairment		
Balance at 1 April 2010/2009	91,145,764	4,919,193
Impairment loss recognised	-	86,226,571
Balance at 30 September/31 March	<u>91,145,764</u>	<u>91,145,764</u>
Carrying amounts		
At 30 September/31 March	<u>419,539,298</u>	<u>419,539,298</u>

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units. The carrying amount of goodwill (net of accumulated impairment losses) as at 30 September 2010 is allocated as follow:

	30 September 2010 HK\$	31 March 2010 HK\$
Computer software solution and services	340,238,822	340,238,822
Hotel services	79,300,476	79,300,476
	<u>419,539,298</u>	<u>419,539,298</u>

10. EXPLORATION AND EVALUATION ASSETS

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Cost:		
Balance at 1 April	43,120,912	–
Transfer to property, plant and equipment	(10,052,907)	–
Arising on acquisition of subsidiaries	–	43,120,912
Exchange realignment	593,449	–
	<u>33,661,454</u>	<u>43,120,912</u>
Amortization:		
Balance at 1 April	932,874	–
Transfer to property, plant and equipment	(597,816)	–
Arising on acquisition of subsidiaries	–	932,874
Amortization for the period	168,449	–
Exchange realignment	(1,235)	–
	<u>502,272</u>	<u>932,874</u>
Net book values:		
At 30 September/31 March	<u>33,159,182</u>	<u>42,188,038</u>

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Cost:		
Balance at 1 April 2010/2009	27,825,545	135,386,593
Additions	8,919,972	17,370,880
Disposals	(1,005,943)	(1,480,482)
Transfer from exploration and exploitation	10,052,907	-
Transfer to investment properties	-	(123,451,446)
Exchange realignment	(37,563)	-
	<hr/>	<hr/>
Balance at 30 September/31 March	45,754,918	27,825,545
Depreciation:		
Balance at 1 April 2010/2009	4,978,938	22,109,898
Depreciation charge	3,133,743	3,528,776
Elimination upon disposal	(616,012)	(641,634)
Transfer from exploration and exploitation	597,816	-
Transfer to investment properties	-	(20,018,102)
Exchange realignment	3,562	-
	<hr/>	<hr/>
Balance at 30 September/31 March	8,098,047	4,978,938
Net book values:		
At 30 September/31 March	37,656,871	22,846,607
	<hr/>	<hr/>

12. INVESTMENT PROPERTIES

	30 September 2010 HK\$	31 March 2010 HK\$
At Cost		
At 1 April 2010/2009	123,451,446	–
Additions	1,271,947	–
Transfer during the year	–	123,451,446
	<u>124,723,393</u>	<u>123,451,446</u>
At 30 September/31 March 2010		
Depreciation and impairment		
At 1 April 2010/2009	55,468,511	–
Transfer during the year	–	20,018,102
Impairment	–	35,450,409
	<u>55,468,511</u>	<u>55,468,511</u>
At 30 September/31 March 2010		
Net book value		
At 30 September/31 March 2010	<u>69,254,882</u>	<u>67,982,935</u>

The fair value of the Group's investment properties at 31 March 2010 has been arrived at on the basis of valuation carried out on that date by Messrs. Grant Sherman Appraisal Limited, independent qualified professional valuers not connected with the Group. Grant Sherman Appraisal Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

	30 September 2010 HK\$	31 March 2010 HK\$
Properties in the Philippines under:		
Medium-term lease	<u>69,254,882</u>	<u>67,982,935</u>

All of the Group's property interests was held under operating leases to earn rentals or for capital appreciation purposes, are measured using the fair value model and are classified and accounted for as investment properties.

13. TRADE RECEIVABLES

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

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Within 30 days	18,780,583	19,419,270
31 – 60 days	7,520,282	17,460,500
61 – 90 days	12,968,638	13,027,296
Over 90 days	43,995,297	44,370,702
	<u>83,264,800</u>	<u>94,277,768</u>

The average credit period on the trade receivables is 30-180 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 2010 approximate to their fair values.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Deposits	2,095,928	2,036,485
Prepayments	1,547,840	8,287,343
Other receivables (<i>note</i>)	18,458,099	20,959,553
	<u>22,101,867</u>	<u>31,283,381</u>

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

Note:

An amount of HK\$3,370,345 include in other receivables at 30 September 2010 were due from PT Topfull Indonesia and Topfull Group Limited to Gold Track Mining and Resources Limited (a 54% owned subsidiary of the Company) and Gold Track Coal and Mining Limited (a 54% owned subsidiary of the Company). Pursuant to the Memorandum of understanding ("MOU") dated 26 February 2010, PT Topfull Indonesia and Topfull Group Limited are the companies include the Target Group to the possible acquisition. However the possible acquisition was terminated in August 2010.

15. TRADE PAYABLES

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

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Within 30 days	–	1,960,218
90 – 120 days	–	38,778
Over 180 days	1,922,894	–
	1,922,894	1,998,996

16. AMOUNT DUE TO A RELATED COMPANY/A SHAREHOLDER

The amount due to a related company/a shareholder is unsecured, interest free and repayable on demand.

The Directors consider that the carrying amount of amount due to a related company/a shareholder approximates its fair value.

17. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Amounts payable under finance leases:				
Within one year	166,388	203,977	149,682	176,149
In second to fifth year inclusive	64,000	134,966	60,870	126,049
	230,388	338,943	210,552	302,198
Less: Future finance charges	19,836	36,745	–	–
Present value of lease obligations	210,552	302,198	210,552	302,198
Less: Amount due within one year shown under current liabilities			149,682	176,149
Amount due after one year			60,870	126,049

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 2010, the average effective interest rate was 12.16% 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.

18. DEFERRED TAX

The following are major deferred tax liabilities recognised and movements thereon during the period/year:

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Balance at 1 April 2010/2009	333,620,325	517,564
Arising on acquisition of subsidiaries	–	333,102,761
	<hr/> 333,620,325	<hr/> 333,620,325
Balance at 30 September/31 March	333,620,325	333,620,325

19. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Ordinary shares of Authorised:		
At 31 March/30 September 2010 (HK\$0.04 each)	<hr/> 3,000,000,000	<hr/> 120,000,000
Issued and fully paid:		
At 31 March/30 September 2010	<hr/> 915,110,000	<hr/> 36,604,400

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 follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term benefits	750,000	510,000	1,500,000	1,020,000
Post-employment benefits	9,000	6,000	18,000	12,000
	759,000	516,000	1,518,000	1,032,000

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

The Group recorded a turnover of approximately HK\$84,915,000 for the six months ended 30 September 2010, a decrease of 4% when compared to the corresponding period in the last fiscal year. The decrease was mainly due to decline in revenue generated from computer services segment.

The direct costs were decreased to approximately HK\$15,754,000 from approximately HK\$29,366,000 compared with the same period last year and the increase in gross profit margin was mainly due to movie production cost incurred in the last fiscal year only.

Amortization expenses decreased 86% to approximately HK\$857,000 compared to approximately HK\$6,294,000 in 2009. The decrease was mainly due to production units decreased during the period, the amortization expenses were decreased. The production units decreased were mainly caused by heavy rain and earthquake during the period. In addition, the usage of explosives was only available in June 2010. The production will become stable from November 2010.

Administrative expenses made an increase of 8% to approximately HK\$30,848,000 compared to approximately HK\$28,443,000 in 2009. The increase was mainly due to the costs incurred by the mining business which were acquired in July 2009 and March 2010.

The profit attributable to equity holders of the Company for the six months ended 30 September 2010 was increased to approximately HK\$35,999,000 from approximately of HK\$19,038,000 compared with the same period last year which excluded the gain from a bargain purchase in approximately of HK\$184,201,000. The increase was mainly due to the amortization amount decreased and no movie production cost was incurred during the period.

Under the condensed consolidated statement of cash flows, net cash from operating activities were highly increased in approximately HK\$49 million compared with the same period last year, it was mainly due to decrease in accruals, other payables and deposit received in approximately HK\$3 million during the period, but decreased HK\$34 million in the corresponding period in the last fiscal year; and the increase in prepayment, other receivable and deposit in approximately HK\$20 million during the period, but increased HK\$4 million in the corresponding period in the last fiscal year.

Business Review

For the period under review, the demand for natural resources is increasing due to the new plan of buying Treasuries implemented by the U.S Federal Reserve. Hence, the price of iron is increasing and the Group is focusing on mining business.

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 obtain a stable income from the business.

The operation of the resort hotel in Cagayan, the Philippines is very stable now and it gives a very promising return to the Group.

The acquisition of Gold Track Mining and Resources Limited, and Gold Track Coal and Mining Limited were completed on 17 July 2009 and 1 March 2010 respectively. These will provide a great potential for the business growth as the Group is able to step into the natural resources business of Indonesia.

On 26 February 2010, the Group and Topfull Group Limited ("Topfull") entered into the non-legally binding memorandum of understanding ("MOU"), Topfull hold 95% of a target company and its subsidiaries (the "Target Group"), which are engaged in iron mining and exploitation in Indonesia. The Group originally intended to acquire 66.5% equity interest in Topfull Group Limited at the consideration of HK\$210,000,000. The MOU is only valid for a period of 180 days from the date of the MOU, and it has expired already without the parties signing any formal agreement in this respect. Hence, the Group does not intend to proceed with the acquisition of any interest in the Target Group any further.

On 7 June 2010, the Group and U G Liang Mining Limited (the "Vendor") entered into the non-legally binding MOU. The Vendor holds 100% of U G Mining Holdings Limited (the "U G Mining"). U G Mining holds 60% of Union Glory Exploration Limited, which is engaged in iron mining and exploitation in Canada. A deposit of US\$3,000,000 (the "Deposit") was paid to the Vendor pursuant to the terms of the MOU. Subsequent to the entering into of the MOU, since the formal agreement was not entered into between the Group and the Vendor given that the Group is not entirely satisfied with the results of the due diligence review, the parties to the MOU agreed to terminate the MOU and that the Deposit be refunded in full to the Group by the Vendor and the same was remitted to the Group on 5 August 2010. Details of the MOU and the termination thereof are set out in the announcements of the Company dated 7 June and 6 August 2010 respectively.

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.

Concerning the mining business in Indonesia, the Board considers that Indonesia has abundant resources to be discovered and explored. After the acquisition of Gold Track Mining and Resources Limited, and Gold Track Coal and Mining Limited, the Board considers that it has the requisite experience and knowledge in discovery of the natural resources.

Liquidity and Financial Resources

As of 30 September 2010, the Group's net assets increased by approximately HK\$33,530,000 from net assets of approximately HK\$1,420,913,000 as at 31 March 2010. The cash and bank balances as at 30 September 2010 was approximately HK\$84,576,000, representing an increase of approximately 92% when compared with the balance as at 31 March 2010. During the six months ended 30 September 2010, the Group's operation was mainly financed by the internal financial resources of the Group.

Charges on Group Assets

As at 30 September 2010, plant and equipment of approximately of the Group with net book value of HK\$347,000 was held under finance lease (2009: HK\$15,000).

Contingent Liabilities

As at 30 September 2010, the Group had no contingent liabilities.

Foreign Exchange Exposure

The income and expenditure of the Group were denominated in Hong Kong dollars, Indonesian Rupiah, PESO and Renminbi, the impact of foreign exchange exposure of the Group were considered minimal. Hence, no hedging or the arrangements to reduce the currency risk have been implemented.

Employee Information

The total number of employees was 439 as at 30 September 2010 (2009: 559), and the total remuneration for the six months ended 30 September 2010 was approximately HK\$17,314,000 (2009: HK\$16,555,000). 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 2010, 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. Chau Cheuk Wa	Corporate (Note)	165,775,000	Interest of a controlled corporation	18.12%
Mr. Tang Hon Kwong	Personal	3,700,000	Beneficial owner	0.40%
Mr. Lee Chi Shing, Caesar	Personal	500,000	Beneficial owner	0.05%

Note: First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Cheng Ting Kong and as to 50% by Mr. Chau Cheuk Wa.

(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 2010 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 2010
					from	until	
Mr. Tang Hon 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
	9/2/2010	8,300,000	-	0.9	9/2/2010	8/2/2020	8,300,000
Ms. Cheng Mei Ching	9/2/2010	8,300,000	-	0.9	9/2/2010	8/2/2020	8,300,000
Mr. Lee Chi Shing, Caesar	19/8/2008	8,380,000	-	1.14	19/8/2008	18/8/2018	8,380,000
	9/2/2010	8,300,000	-	0.9	9/2/2010	8/2/2020	8,300,000

Save as disclosed above, during the six months ended 30 September 2010, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company and nor had exercised such rights.

Save as disclosed above, during the six months ended 30 September 2010, 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 2010 and no share option was granted or exercised during the six months ended 30 September 2010.

As at 30 September 2010, details of share options outstanding were as follows:

Date of grant	Number of share options			Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2010	Exercised during the period	At 30 September 2010		
13/08/2007	17,450,000	–	17,450,000	13/8/2007 to 12/8/2017	0.76
17/08/2007	9,600,000	–	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
19/08/2008	74,200,000	–	74,200,000	19/08/2008 to 18/08/2018	1.14
27/08/2008	9,600,000	–	9,600,000	27/08/2008 to 26/08/2018	1.16
16/12/2009	58,100,000	–	58,100,000	16/12/2009 to 15/12/2019	0.74
09/02/2010	24,900,000	–	24,900,000	09/02/2010 to 08/02/2020	0.90
	<u>203,450,000</u>	<u>–</u>	<u>203,450,000</u>		

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Group was a party and in which a Director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as is known to any Directors or chief executives of the Company, as at 30 September 2010, 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 <i>(Note 1)</i>	Corporate	165,775,000	Beneficial owner	18.12%
Cheng Ting Kong <i>(Note 1)</i>	Corporate	165,775,000	Interest of a controlled corporation	18.12%
Chau Cheok Wa <i>(Note 1)</i>	Corporate	165,775,000	Interest of a controlled corporation	18.12%
Yeung Hak Kan	Personal	114,743,500	Beneficial owner	12.54%
Premier United Limited <i>(Note 2)</i>	Corporate	95,000,000	Beneficial owner	10.38%
Chan Ping Che <i>(Note 2)</i>	Corporate	95,000,000	Interest of a controlled corporation	10.38%
Lam Shiu May <i>(Note 2)</i>	Corporate	95,000,000	Interest of a controlled corporation	10.38%

Notes:

1. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Cheng Ting Kong and as to 50% by Mr. Chau Cheok Wa.
2. 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.

Save as disclosed above, as at 30 September 2010, 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. Poon Lai Yin, Michael, Mr. Fung Kwok Ki and Mr. Ng Tat Fai, all of them are independent non-executive Directors and Mr. Poon Lai Yin, Michael was appointed as the chairman of the Audit Committee. The results for the six months ended 30 September 2010 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. Fung Kwok Ki, Mr. Ng Tat Fai and Mr. Poon Lai Yin, Michael, all of them are independent non-executive Directors and Mr. Fung Kwok Ki was appointed as the Chairman of the Remuneration Committee.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard 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

The Company has complied with the code provision set out in the Code on Corporate Governance Practices under Appendix 15 to the GEM Listing Rules throughout the six months ended 30 September 2010.

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 four executive Directors, namely, Mr. Chau Cheok Wa, Mr. Tang Hon Kwong, Ms. Cheng Mei Ching and Mr. Lee Chi Shing, Caesar and three independent non-executive Directors, namely, Mr. Fung Kwok Ki, Mr. Ng Tat Fai and Mr. Poon Lai Yin, Michael.

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

Hong Kong, 5 November 2010