



太陽國際集團有限公司

SUN INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8029)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2018**

**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 announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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FINANCIAL SUMMARY (UNAUDITED)

- Turnover of the Group was approximately HK\$29,064,000 for the three months ended 30 June 2018, representing an increase of approximately 113% from the corresponding period in the previous fiscal year.
- For the three months ended 30 June 2018, gross profit of the Group was approximately HK\$24,047,000 as compared to the gross profit of HK\$5,513,000 from the corresponding period in the previous fiscal year.
- Loss attributable to shareholders of the Group for the three months ended 30 June 2018 amounted to approximately HK\$37,475,000 as compared to loss of approximately HK\$16,280,000 from the corresponding period in the previous fiscal year.
- Total comprehensive loss attributable to shareholders of the Group for the three months ended 30 June 2018 amounted to approximately HK\$23,612,000 as compared to loss of approximately HK\$18,668,000 from the corresponding period in the previous fiscal year.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2018 (2017: Nil).

CONSOLIDATED FIRST QUARTERLY RESULTS FOR 2018 (UNAUDITED)

The board of Directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Group for the three months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		For the three months ended 30 June	
	Note	2018 HK\$	2017 HK\$
Revenue	2	29,064,378	13,627,302
Direct costs		<u>(5,017,204)</u>	<u>(8,113,915)</u>
Gross Profit		24,047,174	5,513,387
Other operating income		613,455	9,421,557
Administrative expenses		(51,890,002)	(26,319,522)
Finance costs	3	(12,366,753)	(9,377,930)
Fair value change of biological asset		<u>4,940,436</u>	<u>1,770,106</u>
Loss before taxation		(34,655,690)	(18,992,402)
Income tax expense	4	<u>(2,819,387)</u>	<u>(50,684)</u>
Loss for the period		(37,475,077)	(19,043,086)
Other comprehensive income/(loss):			
Currency translation differences		<u>13,862,935</u>	<u>(2,387,336)</u>
Total comprehensive loss for the period		<u>(23,612,142)</u>	<u>(21,430,422)</u>
Attributable to:			
Equity holders of the Company		(37,475,077)	(16,280,392)
Non-controlling interests		<u>–</u>	<u>(2,762,694)</u>
		<u>(37,475,077)</u>	<u>(19,043,086)</u>
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(23,612,142)	(18,667,728)
Non-controlling interests		<u>–</u>	<u>(2,762,694)</u>
		<u>(23,612,142)</u>	<u>(21,430,422)</u>
Dividend	5	<u>–</u>	<u>–</u>
Earnings per share	6		
Basic (HK cents per share)		<u>(2.69)</u>	<u>(1.17)</u>
Diluted (HK cents per share)		<u>(2.69)</u>	<u>(1.17)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Attributable to equity holders of the Company									Total
	Share Capital	Share Premium	Capital Redemption Reserve	Merger Deficit	Share Option Reserve	Translation Reserve	Retained Profit/(Loss)	Sub-total	Non- Controlling Interest	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
At 1 April 2017 (Audited)	55,656,000	775,075,169	254,600	369,866	46,554,612	20,279,680	(906,288,609)	(8,098,682)	2,710,779	(5,387,903)
Loss for the period ended 30 June 2017	-	-	-	-	-	-	(16,280,392)	(16,280,392)	(2,762,694)	(19,043,086)
Other comprehensive income:										
Currency translation differences	-	-	-	-	-	(2,387,336)	-	(2,387,336)	-	(2,387,336)
Total comprehensive income for the three months ended 30 June 2017	-	-	-	-	-	(2,387,336)	(16,280,392)	(18,667,728)	(2,762,694)	(21,430,422)
At 30 June 2017 (Unaudited)	<u>55,656,000</u>	<u>775,075,169</u>	<u>254,600</u>	<u>369,866</u>	<u>46,554,612</u>	<u>17,892,344</u>	<u>(922,569,001)</u>	<u>(26,766,410)</u>	<u>(51,915)</u>	<u>(26,818,325)</u>
At 1 April 2018 (Audited)	55,656,000	775,075,169	254,600	369,866	46,554,612	15,863,957	(967,023,473)	(73,249,269)	-	(73,249,269)
Loss for the period ended 30 June 2018	-	-	-	-	-	-	(37,475,077)	(37,475,077)	-	(37,475,077)
Other comprehensive income:										
Currency translation differences	-	-	-	-	-	13,862,935	-	13,862,935	-	13,862,935
Total comprehensive income/(loss) for the three months ended 30 June 2018	-	-	-	-	-	13,862,935	(37,475,077)	(23,612,142)	-	(23,612,142)
At 30 June 2018 (Unaudited)	<u>55,656,000</u>	<u>775,075,169</u>	<u>254,600</u>	<u>369,866</u>	<u>46,554,612</u>	<u>29,726,892</u>	<u>(1,004,498,550)</u>	<u>(96,861,411)</u>	<u>-</u>	<u>(96,861,411)</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules.

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

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 March 2018.

The unaudited consolidated results of the Group for the three months ended 30 June 2018 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

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

	For the three months ended 30 June	
	2018 HK\$	2017 HK\$
Financial services	21,641,116	6,982,346
Equine services	7,423,262	6,339,956
Computer software solution and services	–	305,000
	<u>29,064,378</u>	<u>13,627,302</u>

3. FINANCE COSTS

	2018 HK\$	2017 HK\$
Finance costs comprised of the followings:		
Interest on interest-bearing borrowing	<u>12,366,753</u>	<u>9,377,930</u>
	<u>12,366,753</u>	<u>9,377,930</u>

4. INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2017: 16.5%) and at the rates of taxation prevailing in the country in which the Group operates respectively.

	For the three months ended 30 June	
	2018	2017
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	<u>2,819,387</u>	<u>50,684</u>
	<u>2,819,387</u>	<u>50,684</u>

5. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2018 (2017: Nil).

6. EARNINGS PER SHARE

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

	For the three months ended 30 June	
	2018	2017
	HK\$	HK\$
Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	<u>(37,475,077)</u>	<u>(16,280,392)</u>
	Number of shares	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,391,400,000</u>	<u>1,391,400,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,391,400,000</u>	<u>1,391,400,000</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

The Group recorded a turnover of approximately HK\$29,064,000 for the three months ended 30 June 2018, representing an increase of 113% when compared to the corresponding period in the last fiscal year. The increase was mainly due to an increase in revenue generated from financial services business as compared with last fiscal year.

The direct costs were decreased to approximately HK\$5,017,000 from approximately HK\$8,114,000 compared with the same period last year. The increase in gross profit margin was mainly due to an increase in revenue generated from financial services business as compared with last fiscal year.

Administrative expenses made an increase of 97% to approximately HK\$51,890,000 compared to approximately HK\$26,320,000 in 2017. The increase was mainly due to an increase in exchange loss generated from equine services business during the fiscal year.

The loss attributable to equity holders of the Company for the three months ended 30 June 2018 was approximately HK\$37,475,000, an increase of HK\$21,195,000 or more than 130% as compared with the corresponding period in the last fiscal year. The loss figure was mainly due to an increase in exchange loss for equine service business as compared with the corresponding period in the last fiscal year.

Business Review

The East Asia and Pacific region, where most of the Group's operations are situated, achieved a lower than expected economic growth of approximately 6.3% in 2018. The economic development in the region last year was characterized by strong personal and industrial consumption expenditure, and high activities level in the financial sector. As the Group's operations covered a wide range of segments, the economic environment faced by the business units varied from one to another.

While the Group continued to implement cost controls and to improve operating results, the board of directors also identified opportunities in the financial services segment to diversify the business scope and broaden the revenue base of the Group. During the previous reporting period, the Group acquired a money lending business in November 2015 and completed the acquisition of the entire issued share capital of Sun International Securities Limited ("SISL") and Sun International Asset Management Limited ("SIAML") in February 2016. SISL is principally engaged in the provision of type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in Hong Kong, while SIAML is principally engaged in the provision of type 4, (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong.

Apart from the operating results, the board of directors was also mindful of the overall financial position of the Group. The board of directors would continue to closely monitor the financial position of the Group and the financial market environment in order to establish a more sustainable foundation for the Group.

Equine services

The growth in personal consumption expenditure in the region has created a favorable environment for the equine services segment. This was also reflected in the increase in participants from the Asia countries in the Australian equine industry. Building on its experience in Australia, the Group has expanded the operation to Europe and Singapore. As of the latest practical date, approximately 29% of the Group's stallions and bloodstocks are located outside Australia.

The income from horse breeding services remained stable as the number of stallions held by the Group was at similar level as last year. However, the results from rearing of bloodstocks for trading and racing were relatively volatile. This was partly due to the mixed racing performance of the off springs of our stallions and mares, including the off springs trained by other stables. Moreover, the performance of some colts and fillies acquired from third parties when the business was established in late 2013 were below expectation. The Group considered that the results can be improved by increasing the percentage of bloodstocks bred from its own mares and stallions because (i) the cost of bloodstock will be lower and (ii) the Group can have more influence on the training and development of the horses. This has laid a good foundation for enhancing the results from horse trading and racing. Besides improving the sales performance, the Group has implemented stringent cost controls and efficiency improvement measures.

Financial services

For the previous year, the global economic growth was originally strong. However, as the escalation of the US-China trade dispute, the accelerated increase of US interest rate and the rise of protectionism, the International Monetary Fund (IMF) stated that great uncertainties will occur in the global stock and capital markets. The U.S. trade and fiscal policy may even hinder global economic growth. Hong Kong, being an open and outward-looking economy, is hard to be an exception for the situations. Nevertheless, we are all optimistic about a more clear picture and recovery of the economy will come eventually. It is generally agreed that further deepening of banks and capital markets as well as broader access to households and firms are important to sustain growth and enhance equity.

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

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

Since taking over of the operations of SISL and SIAML on 29 February 2016, the Group has successfully secured several mandates for placement and other corporate finance activities. The operating results of SISL have significantly improved over the corresponding period last year. Furthermore, we have secured the services of several seasoned investment managers for SIAML.

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

On 31 January 2018, the Company had completed the acquisition of Sun Finance Company Limited which was a licensed money lender. The board considered the acquisition represents a good opportunity for the Group to strengthen the development of money lending business. As at 30 June 2018, loan portfolio of the money lending business amounted to HK\$259,000,000, representing approximately 38% of the total assets of the Group. The maturity of the loans is typically within one year and the average interest rate is in the range of 20% to 25% per annum.

Prospects

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

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

Liquidity and Financial Resources

As of 30 June 2018, the Group's net liabilities increased to approximately HK\$96,861,000 from approximately HK\$73,249,000 as of 31 March 2018. The cash and bank balances as of 30 June 2018 was approximately HK\$54,969,000, representing a decrease of approximately 36% when compared with the balance as of 31 March 2018. During the three months ended 30 June 2018, the Group's operation was mainly financed by internal fund.

Charges on Group Assets

As of 30 June 2018, no plant and equipment of the Group was held under finance lease (2017: Nil).

Contingent Liabilities

As of 30 June 2018, the Group had no contingent liabilities.

Foreign Exchange Exposure

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

Employee Information

The total number of employees was 75 as of 30 June 2018 (2017: 75), and the total remuneration for the three months ended 30 June 2018 was approximately HK\$8,345,000 (2017: HK\$7,523,000). 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 of 30 June 2018, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as

required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares of the Company

Ordinary share of HK\$0.04 each of the Company

Name of Director	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
Mr. Cheng Ting Kong	Corporate (<i>Note</i>)	656,928,290	Interest of a controlled corporation	47.14%

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

(2) Long positions in the underlying shares of the Company

Pursuant to the new share option scheme adopted by the Company on 5 December 2006 (the “New Scheme”), several Directors in the capacity as beneficial owner were granted share options to subscribe for shares of the Company, details of which as at 30 June 2018 were as follows:

Name of Director	Date of grant	Number of share options	Exercised during the year	Share option lapsed	Exercise price of share options <i>HK\$</i>	Exercise period		Number of options outstanding as at 30 June 2018
						from	until	
Mr. Cheng Ting Kong	25/11/2010	1,251,250	-	-	1.120	25/11/2010	24/11/2020	1,251,250
Ms. Cheng Mei Ching	09/02/2010	11,492,308	-	-	0.650	09/02/2010	08/02/2020	11,492,308
	25/11/2010	12,581,250	-	-	1.120	25/11/2010	24/11/2020	12,581,250
	10/09/2014	1,391,400	-	-	0.315	10/09/2014	09/09/2024	1,391,400
Mr. Lui Man Wah	10/09/2014	13,914,000	-	-	0.315	10/09/2014	09/09/2024	13,914,000

Save as disclosed above, during the three months ended 30 June 2018, the Company grant no new share options for the Directors or their respective associates to subscribe for shares of the Company and had not been exercised such rights.

Save as disclosed above, during the three months ended 30 June 2018, 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 by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Under the terms of the Share Option Scheme adopted by the Company on 5 December 2006, the board of Directors is authorized, at its absolute discretion, to grant options to employee (including any executive and non-executive director), proposed employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group, to subscribe for shares in the Company.

Under the 2006 Share Option Scheme, no share option was granted or exercised during the three months ended 30 June 2018. Following the expiry of the 2006 Share Option Scheme on 4 December 2016, no further share option can be granted, but the provisions of the 2006 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2006 Share Option Scheme.

As of 30 June 2018, details of share options outstanding were as follows:

Date of grant	Number of share options			Exercised period of share options	Exercise price of share options HK\$
	At 1 April 2018	Exercise during the period	At 30 June 2018		
19/08/2008	91,241,206	–	91,241,206	19/08/2008 to 18/08/2018	0.830
27/08/2008	6,628,572	–	6,628,572	27/08/2008 to 26/08/2018	0.840
16/12/2009	68,244,444	–	68,244,444	16/12/2009 to 15/12/2019	0.540
09/02/2010	22,984,616	–	22,984,616	09/02/2010 to 08/02/2020	0.650
25/11/2010	65,408,750	–	65,408,750	25/11/2010 to 24/11/2020	1.120
07/12/2010	12,635,714	–	12,635,714	07/12/2010 to 06/12/2020	1.260
10/09/2014	29,219,400	–	29,219,400	10/09/2014 to 09/09/2024	0.315
	<u>296,362,702</u>	<u>–</u>	<u>296,362,702</u>		

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding companies or any of its subsidiaries 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' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executives of the Company, as at 30 June 2018, 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 by the Company 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	654,677,040	Beneficial owner	47.05%
Cheng Ting Kong (<i>Note 1</i>)	Corporate	654,677,040	Interest of a controlled corporation	47.05%
Chau Cheok Wa (<i>Note 1</i>)	Corporate	654,677,040	Interest of a controlled corporation	47.05%
Raywell Holdings Limited (<i>Note 2</i>)	Corporate	135,430,000	Beneficial owner	9.73%
Yeung Hak Kan (<i>Note 2</i>)	Corporate	135,430,000	Interest of a controlled corporation	9.73%

Notes:

1. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Cheng Ting Kong and as to 50% by Mr. Chau Cheok Wa. Accordingly, both Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are deemed under the SFO to be interested in the 654,677,040 shares beneficial owned by First Cheer Holdings Limited.
2. Raywell Holdings Limited is wholly and beneficially owned by Mr. Yeung Hak Kan. Accordingly, Mr. Yeung Hak Kan is deemed under the SFO to be interested in the 135,430,000 shares beneficially owned by Raywell Holdings Limited.

Save as disclosed above, as at 30 June 2018, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Cheng Tin Kong is the executive director of the Group and also is the director of Imperium Credit Limited ("ICC"), a private company incorporate in Hong Kong and is a licensed money lender engaged in money lending business. ICC competes or may compete, either directly or indirectly, with the business of the Group.

The Board considers that, having considered the facts that:

- (i) the Group is capable of, and does carry on its business independently of, and on an arm's length basis with the competing business of the ICC;
- (ii) the Company has established corporate governance procedures to ensure business opportunities and performance are independently assessed and reviewed from time to time;
- (iii) Mr. Cheng Tin Kong is fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; and
- (iv) The group have the first right of refusal in accepting or rejecting to provide services to the client, and Mr. Cheng Tin Kong only refer new clients to ICC after the group decide not to proceed with such client.

Since (i) all the major and important corporate actions of the Company are and will be fully deliberated and determined by the Board; and (ii) any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the New Bye-laws of the Company, the Board is of the view that each of the Relevant Directors does not, by himself/herself or in an individual capacity, competes with the Company and/or the business of the Group. The Group's interest is adequately safeguarded.

COMPETITION AND CONFLICT OF INTERESTS

Except of the above, as at 30 June 2018, none of the directors, the management shareholders (as defined in the GEM Listing Rules) or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company set up an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. During the period under review, the Audit Committee comprised three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun, all of them are independent non-executive Directors and Mr. Tou Kin Chuen was appointed as the chairman of the Audit Committee. The results for the three months ended 30 June 2018 were reviewed by the Audit Committee.

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 provisions set out in the Code on Corporate Governance Practices under Appendix 15 to the GEM Listing Rules throughout the three months ended 30 June 2018.

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 announcement, the Board comprises three executive Directors, namely, Mr. Cheng Ting Kong, Ms. Cheng Mei Ching and Mr. Lui Man Wah and three independent non-executive Directors, namely, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun.

By order of the Board
Sun International Group Limited
Cheng Ting Kong
Chairman

Hong Kong, 9 August 2018