



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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

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

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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FINANCIAL SUMMARY (UNAUDITED)

- Turnover of the Group was approximately HK\$98,761,000 for the nine months ended 31 December 2018, representing an increase of approximately 21% from the corresponding period in the previous fiscal year.
- For the nine months ended 31 December 2018, gross profit of the Group was approximately HK\$64,598,000 as compared to the gross profit approximately HK\$44,944,000 from the corresponding period in the previous fiscal year.
- Loss attributable to shareholders of the Group for the nine months ended 31 December 2018 amounted to approximately HK\$77,075,000 as compared to loss of approximately HK\$33,938,000 from the corresponding period in the previous fiscal year.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (2017: Nil).

CONSOLIDATED THIRD 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 and nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in 2017 were as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2018

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2018	2017	2018	2017
		HK\$	HK\$	HK\$	HK\$
Revenue	2	31,313,529	42,685,818	98,760,987	81,605,205
Direct cost		(18,712,521)	(20,327,771)	(34,163,194)	(36,661,611)
Gross profit		12,601,008	22,358,047	64,597,793	44,943,594
Other operating income		(1,715,140)	920,823	572,642	6,825,282
Administrative expenses	3	(27,038,387)	(32,141,464)	(119,591,678)	(67,956,241)
Finance costs		(10,510,376)	(6,573,091)	(32,478,582)	(28,053,998)
Fair value change of biological assets, net		220,766	3,705,338	13,780,197	8,425,714
(Loss)/Profit before taxation	4	(26,442,129)	(11,730,347)	(73,119,628)	(35,815,649)
Income tax expense	5	306,510	(589,064)	(3,955,540)	(1,005,964)
(Loss)/Profit for the period		(26,135,619)	(12,319,411)	(77,075,168)	(36,821,613)
Other comprehensive income/(loss):					
Currency translation differences		4,694,582	1,016,888	27,300,371	(8,025,734)
Other comprehensive income/(loss) for the period		4,694,582	1,016,888	27,300,371	(8,025,734)
Total comprehensive (loss)/income for the period		<u>(21,441,037)</u>	<u>(11,302,523)</u>	<u>(49,774,797)</u>	<u>(44,847,347)</u>
(Loss)/Profit attributable to:					
Equity holders of the company		(26,135,619)	(12,272,841)	(77,075,168)	(33,937,926)
Non-controlling interests		—	(46,570)	—	(2,883,687)
		<u>(26,135,619)</u>	<u>(12,319,411)</u>	<u>(77,075,168)</u>	<u>(36,821,613)</u>

		For the three months ended 31 December		For the nine months ended 31 December	
		2018	2017	2018	2017
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Total comprehensive (loss)/income for the period attributable to:					
Equity holders of the company		(21,441,037)	(11,255,953)	(49,774,797)	(41,963,660)
Non-controlling interests		<u> -</u>	<u> (46,570)</u>	<u> -</u>	<u> (2,883,687)</u>
		<u>(21,441,037)</u>	<u>(11,302,523)</u>	<u>(49,774,797)</u>	<u>(44,847,347)</u>
Dividend	6	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Earnings per share	7				
Basic (HK cents per share)		<u>(1.88)</u>	<u>(0.88)</u>	<u>(5.54)</u>	<u>(2.44)</u>
Diluted (HK cents per share)		<u>(1.88)</u>	<u>(0.88)</u>	<u>(5.54)</u>	<u>(2.44)</u>

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2017

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

For the nine months ended 31 December 2018

	Attributable to equity holders of the Company									Total
	Share Capital	Share Premium	Capital	Merger Deficit	Share Option Reserve	Exchange	Accumulated Profits/(Loss)	Sub-total	Non-Controlling Interests	
			Redemption Reserve			Translation Reserve				
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
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 nine months ended 31 December 2018	-	-	-	-	-	-	(77,075,168)	(77,075,168)	-	(77,075,168)
Other comprehensive income:										
Currency translation differences	-	-	-	-	-	27,300,371	-	27,300,371	-	27,300,371
Total comprehensive loss for the nine months ended 31 December 2018	-	-	-	-	-	27,300,371	(77,075,168)	(49,774,797)	-	(49,774,797)
At 31 December 2018 (Unaudited)	55,656,000	775,075,169	254,600	369,866	46,554,612	43,164,328	(1,044,098,641)	(123,024,066)	-	(123,024,066)

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 nine months ended 31 December 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 31 December		For the nine months ended 31 December	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Financial services	18,292,325	10,492,314	59,559,830	25,301,522
Equine services	13,021,204	31,914,504	39,201,157	55,440,683
Computer software solution and service	—	279,000	—	863,000
	<u>31,313,529</u>	<u>42,685,818</u>	<u>98,760,987</u>	<u>81,605,205</u>

3. ADMINISTRATIVE EXPENSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2018	2017	2018	2017
Electronic equipment operating expenses	699,443	242,419	2,092,286	725,253
Other services expenses	553,003	357,182	1,267,313	1,103,467
Breeding services fee	1,133,664	5,176,183	9,100,716	9,556,420
Sundry farm expenses	2,549,411	2,866,573	7,814,157	8,055,294
Staff costs	9,145,920	8,720,727	26,055,702	25,660,130
Consulting fees	1,244,790	266,461	3,975,203	859,070
Selling expenses	550,072	998,809	2,000,597	2,100,180
Advertising and promotion expenses	610,431	232,681	2,614,162	2,984,412
Insurance expenses	1,896,378	2,012,027	5,248,579	6,583,844
Rental expenses	3,115,256	3,140,942	9,630,775	9,598,510
Utilities and building management fees	278,443	253,400	899,922	846,196
Miscellaneous office expenses	530,117	648,859	1,051,275	1,005,180
Depreciation and amortisation	669,677	648,397	2,062,532	3,795,778
Vehicle and yacht operating expenses	540,835	812,319	2,073,801	2,486,665
Business travel expenses	147,522	285,251	607,302	790,120
Business entertainment expenses	37,490	321,563	63,930	458,275
Postal and communication expenses	215,769	246,603	654,284	712,204
Auditors' remuneration	267,980	317,998	710,214	750,753
Legal and professional fees	41,980	501,681	2,816,766	2,044,843
Business publicity expenses	159,359	564,182	530,147	717,048
Bad debts	45,093	1,484,296	593,273	618,481
Others	22,731	59,859	79,914	99,708
Exchange loss/(gain)	2,583,023	1,983,052	37,648,828	(13,595,590)
	<u>27,038,387</u>	<u>32,141,464</u>	<u>119,591,678</u>	<u>67,956,241</u>

4. PROFIT BEFORE TAXATION

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Employee benefits expense including those of directors – wages, salaries and others	8,533,974	8,684,715	25,443,540	25,337,625
Interest on debenture	635,178	656,803	1,898,630	8,651,925
Interest on interest-bearing borrowing	411,507	5,745,534	1,910,274	10,925,589
Interest on Promissory note	7,289,362	2,841,760	28,674,360	8,296,143
Depreciation for property, plant and equipment – owned assets	622,365	584,621	1,916,799	3,632,097
Interest income	98,450	77,537	192,128	227,384
	<u>8,533,974</u>	<u>8,684,715</u>	<u>25,443,540</u>	<u>25,337,625</u>

5. 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 31 December		For the nine months ended 31 December	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Deferred taxation	–	–	–	–
Current income tax				
– Hong Kong profits tax	(306,510)	589,064	3,955,540	1,005,964
– Overseas taxation	–	–	–	–
	<u>(306,510)</u>	<u>589,064</u>	<u>3,955,540</u>	<u>1,005,964</u>

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (2017: 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 31 December		For the nine months ended 31 December	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	<u>(26,135,619)</u>	<u>(12,272,841)</u>	<u>(77,075,168)</u>	<u>(33,937,926)</u>
	Number of shares		Number of shares	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,391,400,000	1,391,400,000	1,391,400,000	1,391,400,000
Effect of dilutive potential ordinary shares: share options	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,391,400,000</u>	<u>1,391,400,000</u>	<u>1,391,400,000</u>	<u>1,391,400,000</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

The Group recorded a turnover of approximately HK\$98,761,000 for the nine months ended 31 December 2018, representing an increase of 21% 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 as compared with last fiscal year.

The direct cost was decreased to approximately HK\$34,163,000 from approximately HK\$36,662,000 compared with the same period of last year. The increase in gross profit margin was mainly due to an increase in revenue generated from financial services as compared with last fiscal year.

Administrative expenses were recorded an increase of 76% to approximately HK\$119,592,000 compared to approximately HK\$67,956,000 in the last fiscal year. The increase was mainly due to an increase in exchange loss generated from equine services business during the period.

The loss after taxation for the three months period ended 31 December 2018 recorded as approximately HK\$26,136,000 as compared with approximately HK\$12,319,000 for the same period of last year.

The loss attributable to equity holders of the Company for the nine months ended 31 December 2018 was approximately HK\$77,075,000 as compared to net loss of HK\$33,938,000 from the corresponding period in the previous 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 3.1% in 2018. The economic development in the region last year was characterized by a stable personal and industrial consumption expenditure, and a moderate level of activities 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 Futures 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 practicable date, approximately 31% 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

The healthy global economic momentum has been dampened by the outset of the trade war between the US and China since mid-2018, which creates great uncertainties in the global stock and capital markets. It looks set to suppress investor sentiment and upset macroeconomic stability in the near to medium-term. However, there appears the signs of recent progress in US-China talk in solving their trade dispute, we all anticipate that a more clear picture and recovery of the economy will come eventually. It is generally agreed that further deepening of banks and capital markets as well as broader access to households and firms are important to sustain growth and enhance equity.

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

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

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

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 September 2018, loan portfolio of the money lending business amounted to HK\$163.7 million, representing approximately 26% 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. For example, it is envisaged that the Shenzhen-Hong Kong Stock Connect program will be launched within this fiscal year. However, the results of the Group's financial services segment would be heavily influenced by the performance of the stock markets in China and Hong Kong.

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

Liquidity and Financial Resources

As of 31 December 2018, the Group's net liabilities increased by approximately HK\$49,775,000 from approximately HK\$73,249,000 as at 31 March 2018 to approximately HK\$123,024,000 as at 31 December 2018. The cash and bank balances as at 31 December 2018 was approximately HK\$87,009,000, representing an increase of approximately 1% when compared with the balance as at 31 March 2018. During the nine months ended 31 December 2018, the Group's operation was mainly financed by internal financial resources of the Group.

Charges on Group Assets

As at 31 December 2018, no plant and equipment of the Group was held under finance lease (2017: Nil).

Contingent Liabilities

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

Employee Information

The total number of employees was 75 as at 31 December 2018 (2017: 78), and the total remuneration for the nine months ended 31 December 2018 was approximately HK\$25,444,000 (2017: HK\$25,338,000). 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 31 December 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 (Note)	656,928,290	Interest of a controlled corporation	47.14%

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

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

Pursuant to the new share option scheme adopted by the Company on 5 December 2006 (the “New Scheme”), several Directors in the capacity as beneficial owner were granted share options to subscribe for shares of the Company, details of which as at 31 December 2018 were as follows:

Name of Director	Date of grant	Number of share options	Exercised during the period	Share option lapsed	Exercise price of share options HK\$	Exercise period		Number of options outstanding as at 31 December 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 nine months ended 31 December 2018, none of the Directors or their respective associates was granted share option to subscribe for shares of the Company and nor had exercised such rights.

Save as disclosed above, during the nine months ended 31 December 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 under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

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

Under the 2006 Share Option Scheme, no share option was granted or exercised during the nine months ended 31 December 2018. Following the expiry of the 2006 Share Option Scheme on 4 December 2017, no further share option can be granted, but the provisions of the 2006 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2006 Share Option Scheme.

As at 31 December 2018, 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 2018	Exercised during the period	Lapsed during the period	At 31 December 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>97,869,778</u>	<u>198,492,924</u>		

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as is known to any Directors or chief executives of the Company, as at 31 December 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 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 31 December 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.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

The Company set up an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. During the period under review, the Audit Committee comprised three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun, all of them are independent non-executive Directors and Mr. Tou Kin Chuen was appointed as the chairman of the Audit Committee. The results for the nine months ended 31 December 2018 were reviewed by the Audit Committee.

REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee (“Remuneration Committee”) on 18 March 2005. During the period under review, the Remuneration Committee comprised three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun, all of them are independent non-executive Directors and Mr. Chan Tin Lup, Trevor was appointed as the Chairman of the Remuneration Committee.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period under review.

CORPORATE GOVERNANCE PRACTICE

During the nine months ended 31 December 2018, the Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “CG Code”), save for the deviations discussed below:

Pursuant to E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Cheng Ting Kong (chairman of the Board) was unable to attend the 2018 AGM due to unexpected engagement. Mr. Lui Man Wah (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2018 AGM in replying to questions raised by shareholders at the 2018 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

As at the date of this 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, 8 February 2019