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)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

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FINANCIAL RESULTS

The Board of Directors (the "Board") of Sun International Group Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively refer to as the "Group") for the year ended 31 March 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*4*	**119,216**	118,799
Direct costs		**(38,108)**	(51,434)
Gross profit		**81,108**	67,365
Other operating income	*6*	**3,156**	8,414
Impairment losses, net of reversal	*7*	**(14,861)**	(2,780)
Other gains and losses, net	*8*	**(44,070)**	8,560
Administrative expenses		**(86,138)**	(106,462)
Finance costs	*9*	**(48,757)**	(36,316)
Fair value change of biological assets, net		**6,581**	10,992
Loss before taxation from continuing operations	*10*	**(102,981)**	(50,227)
Income tax expense	*11*	**(2,557)**	(1,603)
Loss for the year from continuing operations		**(105,538)**	(51,830)
Discontinued operation			
Loss for the year from discontinued operation, net of income tax		**–**	(11,658)
Loss for the year		**(105,538)**	(63,488)
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**22,447**	(4,374)
Total comprehensive loss for the year		**(83,091)**	(67,862)

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Loss for the year attributable to:			
Owners of the Company			
Continuing operations		**(105,538)**	(49,077)
Discontinued operation		**–**	(11,658)
		(105,538)	(60,735)
Non-controlling interests			
Continuing operations		**–**	(2,753)
Discontinued operation		**–**	–
		–	(2,753)
		(105,538)	(63,488)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(83,091)**	(65,151)
Non-controlling interests		**–**	(2,711)
		(83,091)	(67,862)
Loss per share (HK cents)	*13*		
From continuing and discontinued operations			
Basic and diluted		**(7.59)**	(4.37)
From continuing operations			
Basic and diluted		**(7.59)**	(3.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Intangible assets		**1,524**	2,331
Goodwill	14	**47,095**	56,038
Property, plant and equipment		**42,641**	47,814
Other assets		**275**	350
Biological assets		**35,083**	36,536
Loan receivables		**17,339**	–
		143,957	143,069
CURRENT ASSETS			
Biological assets		**47**	92,566
Loan receivables		**81,908**	226,218
Trade receivables	15	**18,570**	10,294
Advances to customers in margin financing		**78,310**	83,378
Prepayments, deposits and other receivables		**8,535**	18,964
Tax recoverable		**4,790**	–
Cash and cash equivalents		**110,525**	86,168
Cash held on behalf of customers		**120,984**	120,006
		423,669	637,594
Assets classified as held for sale	17	**83,034**	–
		506,703	637,594
CURRENT LIABILITIES			
Trade payables	16	**143,379**	129,900
Accruals and other payables		**58,743**	42,242
Deposits received and deferred income		**543**	235
Amount due to related companies		**118,979**	123,394
Medium-term bonds		**8,744**	–
Promissory notes		**128,695**	122,747
Interest-bearing borrowings		**–**	40,000
Tax payables		**–**	248
		459,083	458,766
Liabilities classified as held for sale	17	**4,760**	–
		463,843	458,766
NET CURRENT ASSETS		**42,860**	178,828
TOTAL ASSETS LESS CURRENT LIABILITIES		**186,817**	321,897

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Medium-term bonds		**25,625**	34,955
Promissory notes		**346,222**	360,191
		371,847	395,146
TOTAL ASSETS LESS TOTAL LIABILITIES		**(185,030)**	(73,249)
EQUITY			
Share capital		**55,656**	55,656
Reserves		**(240,686)**	(128,905)
Equity attributable to owners of the Company		**(185,030)**	(73,249)
Non-controlling interests		**–**	–
Total equity		**(185,030)**	(73,249)

NOTES

For the year ended 31 March 2019

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands on 11 July 2000 as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands. Its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the reporting date, the ultimate holding company of the Company is First Cheer Holdings Limited ("First Cheer"), a company incorporated in the British Virgin Islands, and is beneficially owned as to 50% by Mr. Chau Cheok Wa ("Mr. Chau") and as to 50% by Mr. Cheng Ting Kong ("Mr. Cheng").

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is same as the functional currency of the Company and all amounts are rounded to the nearest thousand (HK$'000) except otherwise indicated.

During the year ended 31 March 2019, the Group was principally engaged in money lending, securities, trading of bloodstocks, provision of equine related services and investment in stallions.

2.1 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HKFRS 15 (Amendments)	Clarification to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments ("HKFRS 9") and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

2.1 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Loan receivables	**Trade receivables**	**Advances to customers in margin financing**	**Accumulated losses**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance as at 31 March 2018 – HKAS 39	226,218	10,294	83,378	(967,024)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model (note)	(21,673)	(2,242)	(4,775)	(28,690)
Opening balance as at 1 April 2018 – HKFRS 9	204,545	8,052	78,603	(995,714)

note:

Impairment under ECL model

Loss allowances for loan receivables, trade receivables and advances to customers in margin financing that is not result of transactions within the scope of HKFRS 15, are assessed to be credit-impaired ("Stage 3") since initial recognition.

As at 1 April 2018, additional credit loss allowance of approximately HK$28,690,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective assets.

2.1 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. The application of HKFRS 15 on 1 April 2018 has no material impact on the Group's financial performance and positions at the initial application and during the current year, and accordingly, there is no adjustment on the opening consolidated statement of financial position and consolidated statement of changes in equity.

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 3 (Amendments)	Definition of a Business[5]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE *(CONTINUED)*

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting and replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$4,328,000 as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. GOING CONCERN

The Group incurred a net loss of approximately HK$105,538,000 (2018: HK$63,488,000) during the year ended 31 March 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$185,030,000 (2018: HK$73,249,000). The Group has sustained losses for seven consecutive years. The losses incurred by the Group for the seven years ended 31 March 2019 was approximately HK$1,873,159,000 (2018: six years ended 31 March 2018 was approximately HK$1,767,621,000. In addition, the Group's equine business attributed to the Group's losses for the year of approximately HK$56,870,000 (2018: HK$43,346,000).

In the view of these circumstance, there exist material uncertainties related to the events and conditions described above that, individually or collectively, may cast significant doubts on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group is able to continue to operate as a going concern in the coming year after taking into consideration the following conditions and/or measures:

(a) Disposal loan receivables

On 14 February 2019, Sun Finance Company Limited ("Sun Finance"), being a wholly-owned subsidiary of the Company, entered into the disposal agreement to sell the loan receivables with outstanding principal of HK$30,000,000 (the "Sale Loan") and the outstanding interest accrued thereon which was approximately HK$1,998,000 as at 2 August 2018 (the "Disposal") at the consideration of HK$31,998,000. Upon completion of the Disposal, the consideration shall be set off against part of the principal amount and the outstanding interest accrued of certain promissory notes in the amount of approximately HK$31,998,000, which is equivalent to the outstanding amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

(b) Disposal of Sun Kingdom

On 14 February 2019, Sun Macro Limited ("Sun Macro"), being a wholly-owned subsidiary of the Company, entered into the share sale agreement to sell the entire issued share capital of Sun Kingdom Pty Ltd ("Sun Kingdom") (the "Share Sale") at the purchase price of AUD 1 (subjected to adjustments). Upon completion of the Share Sale, the whole amount of the interest free loan owing or incurred by the Sun Kingdom to the Company shall be set off against part of the principal amount of a promissory note.

Sun Stud Pty Limited ("Sun Stud"), being a wholly-owned subsidiary of the Company, and Sun Kingdom will enter into the master service agreement, pursuant to which Sun Stud and its subsidiaries (collectively the "Sun Stud Group") will agree to provide horse racing related services to the Sun Kingdom and/or its affiliates for a term commencing from the date of completion of the Share Sale and ending on 31 March 2021 (both days inclusive) (the "Master Service Agreement"). It is expected that upon completion of the Share Sale, all the horse racing related services will be provided by the Sun Stud Group to Sun Kingdom and/or its affiliates under the Master Service Agreement.

3. GOING CONCERN *(CONTINUED)*

(c) Subscription of shares

On 14 February 2019, the Company and First Cheer entered into the subscription agreement, pursuant to which First Cheer has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 subscription shares of the Company (the "Subscription") at the subscription price of HK$0.345 per subscription share (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the subscription monies shall be set off against (i) the entire principal amounts of the advances from Chau's Holdings Company Limited and Cheng Family Investment Holdings Company Limited; (ii) the outstanding interest accrued of a promissory note; and (iii) the relevant principal amount of certain promissory notes in an aggregate amount equivalent to the subscription monies upon completion of the Subscription.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 March 2019. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2019. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations and capital expenditures.

The directors consider that, after making due enquiries and considering the basis of management's projections and after taking into account the completion of the Disposal, Share Sale and Subscription, (i) the net liabilities position of the Group will be improved due to the derecognition of the promissory notes and other loans; (ii) the annual interest expenses of the Group in relation to promissory notes will be reduced; and (iii) the net loss position of the Group may be alleviated due to the reduction in the interest expenses for promissory notes. They also believe that there will be sufficient financial resources to meet the Group's financial obligations as and when they fall due in the coming twelve months from 31 March 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

4. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Revenue within the scope of HKFRS 15 (Note (i)):		
Revenue from financial services		
Fees and commission income:		
– Securities	**11,047**	13,675
– Futures	**238**	15
– Fund and bond	**173**	716
	11,458	14,406
Revenue from equine services		
Biological assets handling services income	**10,157**	2,831
Stallions service income	**15,721**	26,492
Sales of biological assets	**20,660**	46,546
	46,538	75,869
	57,996	90,275
Revenue outside the scope of HKFRS 15:		
Interest income from cash and margin clients	**14,475**	11,091
Interest income from loan receivables	**46,745**	17,433
	61,220	28,524
	119,216	118,799

Note:

(i) Revenue within the scope of HKFRS 15:

	2019	2018
	HK$'000	*HK$'000*
Recognised at a point in time	**57,996**	90,275

5. SEGMENT INFORMATION

Segment information is presented by way in two formats: (i) on a primarily segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical analysis.

Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services provided. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other segments.

For management purposes, the Group is organised into three business segments, each of which represent an operating segment for segment reporting purposes, as follows:

Continuing operations

Financial services	–	provision of securities and futures brokerage; provision of margin financing, asset management services and custodian services to customers and engaging in money lending business
Equine services	–	provision of stallion services and trading and breeding of bloodstocks

Discontinued operation

Computer software and services	–	provision of computer hardware and software services solution (ceased in March 2018)

The accounting policies of the operating segments are the same as those of the Group. Segment profit or loss do not include corporate costs and loss on disposal of a subsidiary. Segment assets include all current and non-current assets with the exception of other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of other corporate liabilities.

5. SEGMENT INFORMATION *(CONTINUED)*

For the year ended 31 March 2019

	Continuing operations				Discontinued operation	
	Equine services *HK$'000*	Financial services *HK$'000*	Others and unallocated corporate *HK$'000*	Sub-total *HK$'000*	Computer software solution and services *HK$'000*	Total *HK$'000*
Revenue						
External sales	**46,538**	**72,678**	**–**	**119,216**	**–**	**119,216**
Profit/(loss) before interest, tax and depreciation	**(54,279)**	**(23,915)**	**26,502**	**(51,692)**	**–**	**(51,692)**
Depreciation	**(1,942)**	**(79)**	**(511)**	**(2,532)**	**–**	**(2,532)**
Finance costs	**(649)**	**(1,419)**	**(46,689)**	**(48,757)**	**–**	**(48,757)**
Segment results	**(56,870)**	**(25,413)**	**(20,698)**	**(102,981)**	**–**	**(102,981)**
Gain on disposal of a subsidiary				**–**	**–**	**–**
Loss before taxation				**(102,981)**	**–**	**(102,981)**
Income tax expense				**(2,557)**	**–**	**(2,557)**
Loss for the year				**(105,538)**	**–**	**(105,538)**

As at 31 March 2019

	Continuing operations					Discontinued operation	
	Equine services *HK$'000*	Financial services *HK$'000*	Others and unallocated corporate *HK$'000*	Sub-total *HK$'000*	Disposal group held for sale *HK$'000*	Computer software solution and services *HK$'000*	Total *HK$'000*
Segment assets	**101,887**	**463,950**	**1,789**	**567,626**	**83,034**	**–**	**650,660**
Segment liabilities	**19,932**	**326,042**	**484,956**	**830,930**	**4,760**	**–**	**835,690**

5. SEGMENT INFORMATION *(CONTINUED)*

For the year ended 31 March 2018

	Continuing operations				Discontinued operation	
	Equine services *HK$'000*	Financial services *HK$'000*	Others and unallocated corporate *HK$'000*	Sub-total *HK$'000*	Computer software solution and services *HK$'000*	Total *HK$'000*
Revenue						
External sales	75,869	42,930	–	118,799	1,240	120,039
Profit/(loss) before interest, tax and depreciation	(15,639)	24,472	(18,356)	(9,523)	(11,091)	(20,614)
Depreciation	(2,372)	(675)	(1,777)	(4,824)	(567)	(5,391)
Finance costs	(25,909)	(61)	(10,345)	(36,315)	–	(36,315)
Segment results	(43,920)	23,736	(30,478)	(50,662)	(11,658)	(62,320)
Gain on disposal of a subsidiary				435	–	435
Loss before taxation				(50,227)	(11,658)	(61,885)
Income tax expense				(1,603)	–	(1,603)
Loss for the year				(51,830)	(11,658)	(63,488)

As at 31 March 2018

	Continuing operations					Discontinued operation	
	Equine services *HK$'000*	Financial services *HK$'000*	Others and unallocated corporate *HK$'000*	Sub-total *HK$'000*	Disposal group held for sale *HK$'000*	Computer software solution and services *HK$'000*	Total *HK$'000*
Segment assets	204,806	563,144	12,713	780,663	–	–	780,663
Segment liabilities	11,037	247,798	595,077	853,912	–	–	853,912

5. SEGMENT INFORMATION *(CONTINUED)*

Geographical analysis

The Group's operations are principally located in Hong Kong, Australia and Macau. The following table provides an analysis of the Group's revenue by geographical market:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong	**72,678**	42,930
Australia	**46,538**	75,869
	119,216	118,799
Discontinued operation		
Macau	**–**	1,240
	119,216	120,039

The following table provides an analysis of the Group's non-current assets other than financial instruments by reference to the geographical area in which they are located:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong	**49,956**	57,914
Australia	**76,387**	84,805
	126,343	142,719
Discontinued operation		
Macau	**–**	–
	126,343	142,719

6. OTHER OPERATING INCOME

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Bank interest	**415**	290
Prize money from race horses	**688**	677
Sundry income	**2,053**	7,447
	3,156	8,414

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Impairment losses recognised on/(reversal of):		
– Advances to customers in margin financing	**(2,436)**	–
– Trade receivables	**(308)**	(220)
– Loan and interest receivables	**17,605**	3,000
	14,861	2,780

8. OTHER GAINS AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Net impairment loss (recognised)/reversed in respect of:		
– Goodwill	**(8,943)**	–
– Intangible assets	**(479)**	–
– Property, plant and equipment	**(674)**	–
Gain on disposal of a subsidiary	**–**	435
Gain on disposal of property, plant and equipment	**–**	1
Loss on early redemption for promissory notes	**(304)**	–
Net foreign exchange (loss)/gain	**(33,670)**	8,124
	(44,070)	8,560

9. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Effective interest expense on medium-term bonds	**1,934**	9,870
Handling charges for interest-bearing borrowings	**–**	382
Effective interest expense on promissory notes	**44,830**	12,588
Interest expense on interest-bearing borrowings	**1,993**	13,476
	48,757	36,316

10. LOSS BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Employee benefit expenses:		
Directors' remuneration:		
– Directors' emoluments	**4,124**	3,847
– Salaries and other benefits	**25,185**	25,976
– Retirement benefit scheme contributions (excluding directors)	**1,482**	1,596
Sub-total	**30,791**	31,419
Auditors' remuneration	**1,750**	1,912
Amortisation	**193**	204
Depreciation on property, plant and equipment	**2,532**	5,391
Direct costs	**38,108**	51,434

11. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	2019	2018
	HK$'000	*HK$'000*
Income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**2,547**	1,603
Underprovision in prior years:		
Hong Kong Profits Tax	**10**	–
Income tax expense for the year	**2,557**	1,603

The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 March 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Taxation arising in other jurisdictions in which the Group operates is calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

12. DIVIDENDS

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 March 2019 (2018: HK$Nil).

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share		
– Continuing operations	**(105,538)**	(49,077)
– Discontinued operation	**–**	(11,658)
	(105,538)	(60,735)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,391,400,000**	1,391,400,000

14. GOODWILL

	HK$'000
Cost	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	56,038
Accumulated impairment loss	
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Impairment loss recognised in the year	8,943
At 31 March 2019	8,943
Carrying amount	
At 31 March 2019	**47,095**
At 31 March 2018	56,038

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs"). The carrying amounts of goodwill (net of accumulated impairment losses) as at the end of the reporting period are allocated as follows:

	2019	2018
	HK$'000	*HK$'000*
Securities brokerage and asset management business	**47,095**	52,538
Money lending business	**–**	3,500
	47,095	56,038

15. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**14,209**	13,416
Less: allowance for credit losses	**(5,506)**	(3,572)
	8,703	9,844
Accounts receivables from brokers, dealers and clearing house	**16,559**	450
	25,262	10,294
Less: assets classified as held for sale	**(6,692)**	–
	18,570	10,294

Accounts receivables from brokers, dealers and clearing house are due and settled on two business days after the trade date and denominated in HK$. Therefore, no ageing analysis is disclosed.

The following is an ageing analysis of trade receivables (excluding accounts receivables from brokers, dealers and clearing house) net of allowance for credit loss, presented based on invoice date, at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**7,832**	7,812
31–60 days	**871**	212
61–90 days	**–**	27
Over 90 days	**–**	1,793
	8,703	9,844

16. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**4,331**	3,890
Accounts payables to clients and clearing house	**139,498**	126,010
	143,829	129,900
Less: liabilities classified as held for sale	**(450)**	–
	143,379	129,900

Majority of the accounts payables to clients are repayable on demand except where certain accounts payables to clients represent deposits received from clients for their securities trading activities under normal course of business. Only the excess amounts over the required margin deposits are repayable on demand.

No ageing analysis for accounts payables to clients and clearing house is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of the business.

The Group has a practice to satisfy all the requests for payments immediately within the credit period.

The following is an ageing analysis of trade payables (excluding accounts payables to clients and clearing house), presented based on invoice date, at the end of reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**3,926**	3,630
31–90 days	**401**	240
91–120 days	**4**	20
	4,331	3,890

The average credit period on trade payables is 90 days (2018: 90 days). The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

17. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 14 February 2019, the Group entered into a sale agreement to dispose of a subsidiary, Sun Kingdom Pty Ltd ("Sun Kingdom"), which carried out a part of the Group's equine business. Details of the disposal are set out in note 18.

Assets classified as held for sale

	2019
	HK$'000
Biological assets	**75,036**
Trade receivables	**6,692**
Prepayments, deposits and other receivables	**912**
Cash and cash equivalents	**394**
	83,034

Liabilities classified as held for sale

	2019
	HK$'000
Trade payables	**450**
Accruals and other payables	**555**
Deposits received and deferred income	**49**
Amounts due to related companies	**3,706**
	4,760

As at 31 March 2019, Sun Kingdom has an amount due to the Company of approximately HK$80,465,000.

18. EVENTS AFTER REPORTING PERIOD

On 14 February 2019, Sun Finance entered into the disposal agreement with Imperium Credit Limited ("Imperium Credit"), pursuant to which Sun Finance has conditionally agreed to sell and Imperium Credit has conditionally agreed to acquire the Sale Loan and the outstanding interest accrued thereon which was approximately HK$1,998,000 as at 2 August 2018 at the consideration of approximately HK$31,998,000 (the "Disposal Agreement"). Pursuant to the Disposal Agreement, the consideration shall be set off against part of the principal amount and the outstanding interest accrued of certain promissory notes in the amount of approximately HK$31,998,000, which is equivalent to the outstanding amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

18. EVENTS AFTER REPORTING PERIOD *(CONTINUED)*

On 14 February 2019, Sun Macro entered into the share sale agreement with Prestige Summit Investments Limited ("Prestige Summit"), pursuant to which Sun Macro has conditionally agreed to sell and Prestige Summit has conditionally agreed to acquire the entire issued share capital of Sun Kingdom at the purchase price of AUD 1 (subjected to adjustments) (the "Share Sale Agreement"). Pursuant to the Share Sale Agreement, following the completion of the disposal of Sun Kingdom (the "Share Sale Completion"), the whole amount of the Sun Kingdom Loan shall be set off against part of the principal amount of a promissory note of approximately HK$81,447,000 (equivalent to the amount of the Sun Kingdom Loan).

According to the terms of the Share Sale Agreement, upon Share Sale Completion, Sun Stud and Sun Kingdom will enter into the Master Service Agreement, pursuant to which the Sun Stud Group will agree to provide horse racing related services to the Sun Kingdom and/or its affiliates (including but not limited to Sun Bloodstock Pty Limited ("Sun Bloodstock")) for a term commencing from the date of Share Sale Completion and ending on 31 March 2021 (both days inclusive). It is expected that upon Share Sale Completion, all the horse racing related services will be provided by the Sun Stud Group to Sun Kingdom and/or its affiliates (including but not limited to Sun Bloodstock) under the Master Service Agreement.

On 14 February 2019, the Company and First Cheer entered into the subscription agreement, pursuant to which First Cheer has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 subscription shares of the Company at the subscription price of HK$0.345 per subscription share. Pursuant to the Subscription Agreement, the subscription monies shall be set off against (i) the entire principal amounts of the advances from Chau's Holdings Company Limited and Cheng Family Investment Holdings Company Limited; (ii) the outstanding interest accrued of a promissory note; and (iii) the relevant principal amount of certain promissory notes in an aggregate amount equivalent to the subscription monies upon completion of the Subscription.

On 24 June 2019, the Disposal, the Share Sale, the Master Service Agreement and the Subscription have been approved by the shareholders of the Company.

Details of the Disposal, the Share Sale, the Master Service Agreement and the Subscription were set out in the announcements of the Company dated 14 February 2019 and 24 June 2019 and the circular of the Company dated 6 June 2019.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT QUALIFIED OPINION

The Company's auditors have issued qualified opinion on the Group's consolidated financial statements for the year ended 31 March 2019, an extract of which is as follow.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

Without further qualifying our qualified opinion, we draw attention to note 3 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK$105,538,000 during the year ended 31 March 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$185,030,000. These conditions, along with other matters as set forth in note 3 indicate the existence of a material uncertainty which may cast significant doubts about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BASIS FOR QUALIFIED OPINION

(a) Goodwill

Included in goodwill of the Group as at 31 March 2018 as disclosed in note 21 to the consolidated financial statements were carrying amounts of approximately HK$52,538,000 and HK$3,500,000 which had been allocated to cash-generating-units ("CGUs") of securities brokerage and asset management business and money lending business respectively. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the goodwill allocated to the CGUs as at 31 March 2018 and that no impairment loss on goodwill was required as at 31 March 2018 and hence as to whether the carrying amount of goodwill as at 31 March 2018 and Nil impairment loss on goodwill recognised in consolidated profit or loss for the year then ended were free from material misstatements. As disclosed in note 21, impairment loss on goodwill recognised in consolidated profit or loss for the year ended 31 March 2019 amounted to approximately HK$8,943,000. Any adjustments found to be necessary to the carrying amount of goodwill as at 31 March 2018 and impairment loss for the year then ended might also have a consequential significant impact on the impairment loss for the year then ended and hence on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

(b) Medium-term bonds

Included in medium-term bonds as at 31 March 2018 as disclosed in note 35 to the consolidated financial statements were bonds with carrying amount of approximately HK$34,955,000 issued to various independent third parties. The medium-term bonds were initially recognised in their principal amounts of HK$36,000,000 and the transaction costs of approximately HK$5,472,000 were recognised in profit or loss at inception date. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the effective interest for the years ended 31 March 2018 and 2019 of approximately HK$9,870,000 and HK$1,934,000 respectively were prepared by the effective interest method in accordance with the applicable HKFRSs and whether the carrying amounts of medium-term bonds as at 31 March 2018 were free from material misstatements. Based on the calculation provided by the management of the Company, the carrying amounts of the medium-term bonds as at 31 March 2019 were at their amortised cost under effective interest methods. Any adjustments found to be necessary to the balance may have a consequential significant impact on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

(c) Promissory notes

Included in promissory notes as at 31 March 2018 as disclosed in note 36 to the consolidated financial statements was promissory notes issued by the Company during the years ended 31 March 2016 and 2018 with carrying amount of approximately HK$122,747,000 (the "2016 Promissory Note") and HK$360,191,000 (the "2018 Promissory Notes") respectively. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the effective interest of the 2016 Promissory Note for the years ended 31 March 2018 and 2019 of approximately HK$10,957,000 and HK$8,522,000 respectively were prepared by the effective interest method in accordance with the applicable HKFRSs and whether the carrying amount of the 2016 Promissory Note as at 31 March 2018 were free from material misstatements. Based on the calculation provided by the management of the Company, the carrying amount of the 2016 Promissory Note as at 31 March 2019 were at its amortised cost under effective interest method. Furthermore, the 2018 Promissory Notes were initially recognised in their principal amounts of HK$378,000,000 instead of their fair value of approximately HK$360,191,000 measured by a firm of independent professional valuers. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the effective interest of the 2018 Promissory Notes for the years ended 31 March 2018 and 2019 of approximately HK$1,631,000 and HK$36,308,000 respectively were prepared by the effective interest method in accordance with the applicable HKFRSs and whether the carrying amounts of the 2018 Promissory Notes as at 31 March 2018 were free from material misstatements. Based on the calculation provided by the management of the Company, the carrying amounts of the 2018 Promissory Notes as at 31 March 2019 were at their amortised cost under effective interest methods. Any adjustments found to be necessary to the balance may have a consequential significant impact on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

(d) Corresponding figures – loan and interest receivables and advances to customers in margin financing

The consolidated financial statements of the Group for the year ended 31 March 2018, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, were audited by another auditor. The predecessor auditor issued an adverse opinion on the consolidated financial statements of the Group for the year ended 31 March 2018 because of the omission of the information mentioned in the "Basis for Adverse Opinion" section of its audit report. Further, the predecessor auditor was unable to obtain sufficient and appropriate audit evidence on the recoverability of, and hence the adequacy of the impairment loss on, certain loan and interest receivables and certain advances to customers in margin financing as at 31 March 2018. Details of the basis for the adverse audit opinion are set out in the predecessor auditors' report dated 22 June 2018. These matters remain unresolved as at the date of our audit report.

In relation to the loan and interest receivables and advances to customers in margin financing brought forward from prior years, the Group has recorded an impairment loss amounting to approximately HK$21,673,000 and HK$4,775,000 respectively as at 1 April 2018 upon adoption of HKFRS 9 "Financial Instruments". We have not been provided with sufficient appropriate audit evidence to satisfy ourselves that the impairment loss recorded as at 1 April 2018 upon adoption of HKFRS 9 was free from material misstatement and as to whether the impairment loss should be recorded as at 1 April 2018 or in prior year. As disclosed in note 11, the Group recognised loss in respect of loan and interest receivables amounting to approximately HK$17,605,000 and reversal of impairment loss in respect of advances to customers in margin financing amounting to approximately HK$2,436,000 in consolidated profit or loss for the year ended 31 March 2019. Any adjustments found to be necessary to the carrying amounts of these accounts as at 31 March 2018 and 1 April 2019 might also have a consequential significant impact on the reversal of impairment loss recognised in the year ended 31 March 2019 and hence on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Group recorded a turnover of continuing operations of approximately HK$119,216,000 for the year ended 31 March 2019 which was increased 0.35% compared to the turnover of approximately HK$118,799,000 in the last financial year. The revenue was mainly generated from the subsidiaries engaging in equine services business, securities services business and money lending business.

The direct costs of continuing operations were decreased to approximately HK$38,108,000 from approximately HK$51,434,000 recorded during last year. The increase of 20% in gross profit percentage was mainly due to the increase in revenue of money lending business. The staff costs (excluding other benefits) were slightly decreased to approximately HK$32,793,000 (2018: HK$32,909,000).

Administrative expenses of continuing operations made a decrease of 19% to approximately HK$86,138,000 compared to HK$106,462,000 in 2018. The decrease was mainly due to the effect of reclassification of loss on foreign exchange.

The net loss of the Group for the year ended 31 March 2019 was approximately HK$105,538,000 as compared with the net loss of approximately HK$60,735,000 of the last financial year. The reason of the increase in net loss was mainly due to impairment loss of goodwill, increase in finance costs and loss on foreign exchange.

Gearing Ratio

The gearing ratio, is calculated as borrowings divided by total equity, was approximately -275.25% (31 March 2018: -761.63%).

Capital Structure

There are no movements in share capital during the year ended 31 March 2019.

Employee Information

The total number of employees was 74 as at 31 March 2019 (2018: 78), and the total remuneration for the year ended 31 March 2019 was approximately HK$33,243,000 (2018: HK$32,512,000). 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 on case by case basis. The Group may offer share options to reward employees who make significant contributions, in order to retain key and crucial staff. The remuneration policy of the Group is reviewed and approved by the Remuneration Committee as well as by the Board.

Contingent Liabilities

On 30 October 2018, Guangdong Higher People's Court has been directed by the Supreme People's Court of the PRC to hear the claim (the "Claim") made by Mr. Chiu Ming ("Mr. Chiu") and Diamond Ocean Development Limited ("Diamond Ocean") against, amongst others, Sun Finance Company Limited ("Sun Finance"), a wholly-owned subsidiary of the Company, Mr. Cheng, a controlling shareholder of the Company and an executive Director and Mr. Chau, a controlling shareholder of the Company, in relation to, among others, the enforcement of the share charge in 2011 over certain shares (the "Charged Shares") of a listed company (the "Listed Company") in Hong Kong provided by Diamond Ocean, being the security for a loan provided by Sun Finance to Diamond Ocean, which was alleged by Mr. Chiu and Diamond Ocean to have infringed their rights. According to the Claim, Mr. Chiu and Diamond Ocean requested the court to order Sun Finance, Mr. Cheng and Mr. Chau to compensate Mr. Chiu and Diamond Ocean for direct economic loss of RMB500,000,000 and bear all the litigation costs. In addition, Mr. Chiu and Diamond Ocean will seek compensation for indirect loss after the valuation company engaged by the court has assessed the assets of a PRC subsidiary (the "PRC Subsidiary") of the Listed Company. For more information please refer to note 50 to the consolidated financial statements.

(2018: Nil).

Foreign Exchange Exposure

The income and expenditure of the Group are denominated in Hong Kong Dollars, and Australian Dollars. The Company has not entered into any foreign exchange hedging arrangement. The management is required to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The Group may use financial tools such as foreign exchange forward contracts, dual currency options etc. to manage the foreign exchange risks.

Revenue

Revenue represents the net amounts in respect of services provided, goods sold, equine services income, securities brokerage commission and loan interest income recognised by the Group during the year.

Dividend

No final dividend was proposed by the Directors for the year ended 31 March 2019 (2018: Nil).

Business Review

The East Asia and Pacific region, where most of the Group's operations are situated, achieved a stable economic growth of approximately 5.7% in 2019. 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. 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. On 14 February 2019, the Company and First Cheer entered into the subscription agreement, pursuant to which First Cheer has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 subscription shares of the Company at the subscription price of HK$0.345 per subscription share. Pursuant to the Subscription Agreement, the subscription monies shall be set off against (i) the entire principal amounts of the advances from Chau's Holdings Company Limited and Cheng Family Investment Holdings Company Limited; (ii) the outstanding interest accrued of a promissory note; and (iii) the relevant principal amount of certain promissory notes in an aggregate amount equivalent to the subscription monies upon completion of the Subscription.

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 22% of the Group's stallions and bloodstocks are located outside Australia.

For the twelve months ended 31 March 2019, the revenue and operating profit/(loss) of the equine service segment was approximately HK$46,538,000 (2018: HK$75,869,000) and approximately HK$31,310,000 (2018: HK$(43,920,000)) respectively. 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 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") at the consideration of HK$147,300,000 (subject to adjustment) (the "Acquisition"). 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. As at 31 March 2019, loan portfolio of the money lending business amounted to HK$134,357,000, representing approximately 24% 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.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 March 2019, the Group had current assets of approximately HK$492,959,000 (2018: HK $637,594,000). The Group's current ratio, calculated on the basis of current assets of approximately HK$492,959,000 (2018: HK$637,594,000) over current liabilities of approximately HK$463,771,000 (2018: HK$458,766,000) was at level of approximately 1.06:1 (2018: 1.39:1). The bank balances as at 31 March 2019 was approximately HK$110,525,000 as compared to the balance of approximately HK$86,168,000 as at 31 March 2018. There were no interest-bearing borrowings (2018: HK$40,000,000) at the end of the financial year.

At the end of the financial year, there were remaining a five-year 7% coupon unlisted straight bonds with an outstanding aggregate principal amount of HK$34,369,000 (2018: HK$34,955,000). The equity attributable to Company's equity owners amounted to approximately HK$188,617,000 (2018: HK$73,249,000), representing a decrease of approximately 160% compared to 2018.

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Results Analysis

During the financial year ended 31 March 2019 (the "Financial Year"), we continued our business on different categories such as development of newly acquired financial services businesses including securities, assets management and money lending services, promotion of new on-line games and equine services including breeding service, pre-training and trading of thoroughbred horses, respectively.

Operation

Stable revenue will be expected from equine services, computer services and financial services businesses for the coming year as the Group will continue to take very effort on expanding potential market shares for the existing businesses.

The finance costs

The Group recorded a finance costs approximately HK$48,757,000 (2018: HK$36,316,000) for the year ended 31 March 2019, representing an increase of HK$12,441,000 compared to that in the last financial year. The finance costs was mainly for interest bearing borrowings, promissory notes and medium-term bonds.

Medium-term Bonds

During the financial year, the Group had retained a five-year 7% coupon unlisted straight bonds with an outstanding aggregate principal amount of HK$34,369,000 (2018: HK$34,955,000).

Loss attributable to the equity holders of the Company

For the current financial year, the Group recorded a loss attributable to the equity holders of the Company of approximately HK$106,546,000 (2018: HK$60,735,000).

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 due to uncertain global economy after the

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

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

Risk Factors

Uncertainty on Horses Stud Farm

The services provided from a horse stud farm include processes on breeding, training, agistment and general upkeep which face different uncertainties including unexpected events regarding to the horses such as death, injuries, health problem, diseases and unfavourable weather which will affect directly the expected return and additional cost incurred in the stud farm.

Uncertainty on Market Trend of Sales

The market for sales of thoroughbred horses in Australia is mainly through regular seasonal auctions. Its selling price is uncertain and is highly affected by both the trend of global market as well as the reputation of the horses with different sire/dam and/or champion records.

Continuous expansion requires long term capital financing

The development of equine related services requires additional capital to finance these activities. These projects are often mid to long term nature, probably over 1 year. Therefore, stable source of long term financing with low cost of borrowing is critical to our future capital investment in the equine services business.

There is no assurance that we can obtain the stable source of long term capital with low cost.

Country Risk

The equine services business is mainly operated in Australia. Being one of the emerging markets, Australia's equine services definitely provide many potential opportunities to investors dedicating to equine industry. In the meantime, the uncertainties of their political, social and economic policies are considered to be relatively small.

There is no assurance that the current favorable policies remain unchanged in the near future. The future changes at the country level probably may have adverse effect to our business.

Uncertainty on Volatility of Stock Market

Global stock market is still faced with various uncertainties of different political and economic circumstances. The expected return on the services of the securities trading and assets management will be greatly influenced by the volatility of the stock market which tends to be highly unpredictable.

OUTLOOK AND DEVELOPMENT

The board of directors has always tried its best to improve the efficiency and effectiveness of the operation so as to enhance the group value.

Business Development

The board has been actively seeking opportunities to diversify the business scope and broaden the revenue base of the Group. In August 2013, the Group had completed a purchase of one of Australia's largest stud farms, Eliza Park, subsequently renamed as Sun Stud, in offering its clientele a total range of thoroughbred related services, including breeding, rearing, sales, agistment, spelling, education, administration advice and training.

Future plans include the purchase of bloodstock from the global marketplace, which would then be raised and traded when they reached a certain age. The Group also seeks for the opportunity to establish a UK company as a stepping stone in expanding our worldwide trading activities of thoroughbred horses. In addition, we have completed in building new pre-training and racing facilities including an uphill, allweather, undercover training track, along with the training infrastructure, for the purpose of enhancing the superior service to our clients for pre-training services. Sun Stud Pty. Limited has every intention of living up to its name by taking its brand to the global stage.

Following the acquisition of SISL and SIAML in February 2016, the Group had successfully diversify the business segments into the financial services including provision of type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong. The Group has successfully secured several mandates for placement, services of several seasoned investment manager and other corporate finance activities. Furthermore, in November 2015, the Group had acquired a money lending business with principal activities in equity financing, equity mortgage and corporate finance.

In light of the above acquisitions, the Group is able to diversify its business segments by entering into the financial services segment so as to further enhance its revenue sources as well as to bring positive return to the Group.

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 proposed acquisition represents a good opportunity for the Group to strengthen the development of money lending business.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings ("Code of Conduct") set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year ended 31 March 2019.

PRE-EMPTIVE RIGHTS

There is 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.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2018 and up to the date of this announcement to the best knowledge of the Board, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules. During the year under review, the audit committee comprises three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun. All of them are independent non-executive Directors of the Company and Mr. Tou Kin Chuen was appointed as the Chairman of the Audit Committee.

The primary duties of the audit committee are to review and supervise the financial reporting process, risk management system and internal control systems of the Group so as to provide advice and comments thereon to the Board of Directors. Two audit committee meetings were held during the year.

The Group's annual results for the year ended 31 March 2019 have been reviewed by the audit committee, which is of the opinion that the preparation of such consolidated financial statements complies with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 18 March 2005. During the year under review, the Remuneration Committee comprised three members, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The annual report of the Company contains all the information required by the GEM Listing Rules will be published on the GEM website in due course.

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

Hong Kong, 28 June 2019

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.