



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)

**AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

CHARACTERISTICS OF THE 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 than other 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.

AUDITED 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 2020 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 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	98,073	119,216
Direct costs		<u>(6,665)</u>	<u>(38,108)</u>
Gross profit		91,408	81,108
Other operating income	5	911	3,156
Reversal/(provision) of allowance for expected credit loss	6	7,646	(14,861)
Other gains and losses	7	(38,075)	(44,070)
Administrative expenses		(87,286)	(86,138)
Finance costs	8	(26,729)	(48,757)
Fair value change of biological assets, net		<u>(8,102)</u>	<u>6,581</u>
Loss before taxation	9	(60,227)	(102,981)
Income tax expense	10	<u>(258)</u>	<u>(2,557)</u>
Loss for the year		(60,485)	(105,538)
Other comprehensive (loss)/income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(5,477)</u>	<u>22,447</u>
Total comprehensive loss for the year		<u>(65,962)</u>	<u>(83,091)</u>
Loss for the year attributable to owners of the Company		<u>(60,485)</u>	<u>(105,538)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(65,962)</u>	<u>(83,091)</u>
Loss per share (HK cents)	12		
Basic and diluted		<u>(3.05)</u>	<u>(7.59)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Intangible assets		1,231	1,524
Goodwill	13	18,429	47,095
Property, plant and equipment		34,448	42,641
Right-of-use assets		4,748	–
Other assets		230	275
Biological assets		22,688	35,083
Loan receivables		11,701	17,339
		<u>93,475</u>	<u>143,957</u>
CURRENT ASSETS			
Biological assets		17	47
Loan receivables		26,214	81,908
Trade receivables	14	37,512	18,570
Advances to customers in margin financing		82,744	78,310
Prepayments, deposits and other receivables		11,213	8,535
Tax recoverable		2,474	4,790
Cash and cash equivalents		110,506	110,525
Cash held on behalf of customers		194,455	120,984
		<u>465,135</u>	<u>423,669</u>
Assets classified as held for sale		–	83,034
		<u>465,135</u>	<u>506,703</u>
CURRENT LIABILITIES			
Trade payables	15	208,139	143,379
Accruals and other payables		24,066	58,743
Deposits received and deferred income		–	543
Amounts due to related companies		847	118,979
Medium-term bonds		26,569	8,744
Promissory notes		–	128,695
Lease liabilities		2,269	–
		<u>261,890</u>	<u>459,083</u>
Liabilities classified as held for sale		–	4,760
		<u>261,890</u>	<u>463,843</u>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NET CURRENT ASSETS		<u>203,245</u>	<u>42,860</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>296,720</u>	<u>186,817</u>
NON-CURRENT LIABILITIES			
Medium-term bonds		–	25,625
Promissory notes		183,333	346,222
Lease liabilities		<u>2,823</u>	<u>–</u>
		<u>186,156</u>	<u>371,847</u>
NET ASSETS/(LIABILITIES)		<u><u>110,564</u></u>	<u><u>(185,030)</u></u>
EQUITY			
Share capital		86,869	55,656
Reserves		<u>23,695</u>	<u>(240,686)</u>
TOTAL EQUITY		<u><u>110,564</u></u>	<u><u>(185,030)</u></u>

NOTES

For the year ended 31 March 2020

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 GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As at the reporting date, the ultimate and immediate 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 2020, the Group was principally engaged in money lending, securities and futures brokerage, assets management services, trading of bloodstocks, provision of equine related services and investment in stallions.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

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:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

At 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at the amounts equal to the related lease liabilities adjusted by prepaid lease payments by applying HKFRS 16.C8(b) (ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination option.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 7.70% to 7.76%.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed at 31 March 2019	4,328
Less: Recognition exemption – short-term leases	<u>(2,344)</u>
Undiscounted lease liabilities relating to operating leases recognised upon application of HKFRS 16	1,984
Less: Total future finance cost	<u>(110)</u>
Lease liabilities as at 1 April 2019	<u><u>1,874</u></u>
Analysed as:	
Current	1,219
Non-current	<u>655</u>
	<u><u>1,874</u></u>

The carrying amount of right-of-use assets at 1 April 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	1,874
Reclassified from prepaid rent (Note)	<u>28</u>
	<u><u>1,902</u></u>
By class:	
Leased properties	<u><u>1,902</u></u>

Note: Upon application of HKFRS 16, the prepaid rent amounting to approximately HK\$28,000 was reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	1,902	1,902
Current assets			
Prepayments, deposits and other receivables	8,535	(28)	8,507
Current liabilities			
Lease liabilities	–	1,219	1,219
Non-current liabilities			
Lease liabilities	–	655	655

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue 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:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of business ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an and Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of a Matreial ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concession ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁶
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁶

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

⁶ Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue within the scope of HKFRS 15 (Note (i)):		
<i>Revenue from financial services</i>		
Fees and commission income:		
– Securities	32,616	11,047
– Futures	61	238
– Fund and bond	293	173
– Asset management fee income	275	–
	<u>33,245</u>	<u>11,458</u>
<i>Revenue from equine services</i>		
Biological assets handling services income	8,451	10,157
Stallions service income	11,922	15,721
Sales of biological assets	6,070	20,660
	<u>26,443</u>	<u>46,538</u>
	<u>59,688</u>	<u>57,996</u>
Revenue outside the scope of HKFRS 15:		
Interest income from cash and margin clients	11,241	14,475
Interest income from loan receivables	27,144	46,745
	<u>38,385</u>	<u>61,220</u>
	<u>98,073</u>	<u>119,216</u>

Note:

(i) Revenue within the scope of HKFRS 15:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Recognised at a point in time	50,962	47,839
Recognised over time	8,726	10,157
	<u>59,688</u>	<u>57,996</u>

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of monitoring segment performance and allocating resources between segments and that are used to make strategic decisions.

The Group has two operating and reportable segments – Financial service operations and Equine service operations. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

The Group’s operating and reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

Particulars of the Group’s operating and reportable segments are summarized as follows:

- | | | |
|--------------------|---|--|
| 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, trading and breeding of bloodstocks |

Segment revenue reported as follow represents revenue generated from external customers. There was no inter-segment revenue for both years.

Segment results represent (loss incurred)/profit earned by each segment without allocation of central administrative expenses including directors’ emoluments, certain other operating income, certain other gains and losses, certain finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain right-of-use assets, certain property, plant and equipment, certain prepayment, deposits and other receivables, certain cash and cash equivalents and tax recoverable that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than medium-term bonds, promissory notes, certain accruals and other payables, certain lease liabilities that are not attributable to individual segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

4. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 March 2020

	Equine services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>26,443</u>	<u>71,630</u>	<u>98,073</u>
Segment results	<u>(27,140)</u>	<u>3,706</u>	(23,434)
Unallocated corporate income			95
Unallocated finance costs			(26,649)
Unallocated corporate expenses			<u>(10,239)</u>
Loss before taxation			<u>(60,227)</u>

Amounts included in the measurement of segment profit or loss or segment assets are as follows:

	Equine services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Impairment losses recognised in respect of				
– goodwill	–	(28,666)	–	(28,666)
Reversal/(provision) of allowance for expected credit loss, net				
– advances to customers in margin financing	–	1,522	–	1,522
– trade receivables	(326)	–	–	(326)
– loan receivables	–	6,450	–	6,450
Depreciation of				
– property, plant and equipment	(3,156)	(1,321)	(700)	(5,177)
– right-of-use assets	(991)	(242)	(1,010)	(2,243)
Amortisation of intangible assets	(164)	–	–	(164)
Net foreign exchange loss	(9,252)	(9)	(148)	(9,409)
Finance cost	(60)	(20)	(26,649)	(26,729)
Fair value change of biological assets	(8,102)	–	–	(8,102)
Addition to property, plant and equipment	165	138	2,594	2,897
Addition to right-of-use assets	–	–	5,193	5,193

4. SEGMENT INFORMATION (CONTINUED)

As at 31 March 2020

	Equine services HK\$'000	Financial services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>66,638</u>	<u>477,823</u>	<u>14,149</u>	<u>558,610</u>
Segment liabilities	<u>19,048</u>	<u>211,674</u>	<u>217,324</u>	<u>448,046</u>

For the year ended 31 March 2019

	Equine services HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment revenue	<u>46,538</u>	<u>72,678</u>	<u>119,216</u>
Segment results	<u>(56,870)</u>	<u>(25,413)</u>	(82,283)
Unallocated corporate income			26,502
Unallocated finance costs			(46,689)
Unallocated corporate expenses			<u>(511)</u>
Loss before taxation			<u>(102,981)</u>

Amounts included in the measurement of segment profit or loss or segment assets are as follows:

	Equine services HK\$'000	Financial services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Impairment losses recognised in respect of				
– goodwill	–	(8,943)	–	(8,943)
– intangible assets	(479)	–	–	(479)
– property, plant and equipment	–	(674)	–	(674)
Reversal/(provision) of allowance for expected credit loss, net				
– advances to customers in margin financing	–	2,436	–	2,436
– trade receivables	308	–	–	308
– loan receivables	–	(17,605)	–	(17,605)
Depreciation of property, plant and equipment	(1,942)	(79)	(511)	(2,532)
Amortisation of intangible assets	(193)	–	–	(193)
Net foreign exchange loss	(33,250)	(1)	(419)	(33,670)
Finance cost	(649)	(1,419)	(46,689)	(48,757)
Fair value change of biological assets	6,581	–	–	6,581
Addition to property, plant and equipment	<u>98</u>	<u>54</u>	<u>30</u>	<u>182</u>

4. SEGMENT INFORMATION (CONTINUED)

As at 31 March 2019

	Equine services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Disposal group held for sale <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>101,887</u>	<u>463,950</u>	<u>1,789</u>	<u>567,626</u>	<u>83,034</u>	<u>650,660</u>
Segment liabilities	<u>19,932</u>	<u>326,042</u>	<u>484,956</u>	<u>830,930</u>	<u>4,760</u>	<u>835,690</u>

Information about major customers

Revenues from transactions with external customers accounting for 10% or more of the Group's total revenue are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	13,710	17,312
Customer B ¹	<u>11,700</u>	<u>N/A²</u>

¹ Revenue from financial services operating segment.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. SEGMENT INFORMATION (CONTINUED)

Geographical analysis

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	71,630	72,678
Australia	26,443	46,538
	<u>98,073</u>	<u>119,216</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	26,600	49,956
Australia	54,944	76,387
	<u>81,544</u>	<u>126,343</u>

5. OTHER OPERATING INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest	367	415
Prize money from race horses	295	688
Sundry income	216	2,053
Imputed interest income on rental deposit	33	–
	<u>911</u>	<u>3,156</u>

6. REVERSAL/(PROVISION) OF ALLOWANCE FOR EXPECTED CREDIT LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reversal/(provision) of allowance for expected credit losses, net:		
– Advances to customers in margin financing	1,522	2,436
– Trade receivables	(326)	308
– Loan receivables	6,450	(17,605)
	<u>7,646</u>	<u>(14,861)</u>

7. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment loss recognised in respect of:		
– Goodwill	28,666	8,943
– Intangible asset	–	479
– Property, plant and equipment	–	674
Loss on early redemption for promissory notes	–	304
Net foreign exchange loss	9,409	33,670
	<u>38,075</u>	<u>44,070</u>

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Effective interest expense on medium-term bonds	3,594	1,934
Effective interest expense on promissory notes	22,709	44,830
Interest expense on interest-bearing borrowings	–	1,993
Interest on lease liabilities	426	–
	<u>26,729</u>	<u>48,757</u>

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Direct cost:		
– Cost of bloodstock sold	4,571	16,156
– Cost of stud farm	850	20,931
– Fee and charges of securities brokerage	1,244	1,021
	<hr/>	<hr/>
Sub-total	6,665	38,108
	<hr/>	<hr/>
Employee benefit expenses (including directors' remuneration):		
– Directors' emoluments	4,216	4,124
– Salaries and other benefits of other staff	24,144	25,185
– Retirement benefit scheme contributions (excluding directors)	1,360	1,482
	<hr/>	<hr/>
Sub-total	29,720	30,791
	<hr/>	<hr/>
Auditors' remuneration:		
– Audit services	1,600	1,750
– Non-audit services	100	100
Amortisation of intangible assets	164	193
Depreciation of property, plant and equipment	5,177	2,532
Depreciation of right-of-use assets	2,243	–
Minimum lease payment under operating leases	–	12,829
Expenses relating to short term leases	9,962	–
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	189	2,547
Underprovision in prior years:		
– Hong Kong Profits Tax	<u>69</u>	<u>10</u>
Income tax expense	<u><u>258</u></u>	<u><u>2,557</u></u>

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\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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.

11. DIVIDEND

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 March 2020 (2019: HK\$Nil).

12. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u><u>(60,485)</u></u>	<u><u>(105,538)</u></u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>1,983,597</u></u>	<u><u>1,391,400</u></u>

In calculating diluted loss per share, no adjustment was made in respect of the share options outstanding during the year as these share options were anti-dilutive during the year.

13. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>56,038</u>
Accumulated impairment loss	
At 1 April 2018	–
Impairment loss recognised in the year	<u>8,943</u>
At 31 March 2019 and 1 April 2019	8,943
Impairment loss recognised in the year	<u>28,666</u>
At 31 March 2020	<u>37,609</u>
Carrying amount	
At 31 March 2020	<u><u>18,429</u></u>
At 31 March 2019	<u><u>47,095</u></u>

14. TRADE RECEIVABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	5,601	14,209
Less: allowance for expected credit losses	<u>(5,004)</u>	<u>(5,506)</u>
	597	8,703
Accounts receivables from brokers, dealers and clearing house	<u>36,915</u>	<u>16,559</u>
	37,512	25,262
Less: assets classified as held for sale	<u>–</u>	<u>(6,692)</u>
	<u><u>37,512</u></u>	<u><u>18,570</u></u>

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 aging analysis is disclosed.

14. TRADE RECEIVABLES (CONTINUED)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	584	7,832
31–60 days	13	871
	<u>597</u>	<u>8,703</u>

15. TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	2,292	4,331
Accounts payables to clients and clearing house	205,847	139,498
	<u>208,139</u>	143,829
Less: liabilities classified as held for sale	<u>–</u>	<u>(450)</u>
	<u>208,139</u>	<u>143,379</u>

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.

15. TRADE PAYABLES (CONTINUED)

Accounts payables to clients and clearing house include those payables placed in trust accounts with authorised institutions of approximately HK\$194,455,000 (2019: HK\$120,984,000), placed in futures dealers of HK\$Nil (2019: HK\$15,330,000) and amount due to clearing house of HK\$Nil (2019: approximately HK\$2,958,000). Amount due to clearing house of approximately HK\$11,257,000 (2019: HK\$15,184,000) has been offset against a corresponding amount due from the clearing house.

No aging analysis for accounts payables to clients and clearing house is disclosed as in the opinion of the directors of the Company, the aging 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.

Except for the accounts payables to clients which bear interest at 0.001% per annum as at 31 March 2020 (2019: 0.001%), all the trade payables are non-interest bearing.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	1,965	3,926
31–90 days	302	401
91–120 days	25	4
	2,292	4,331

The average credit period on trade payables is 90 days (2019: 90 days). The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Pursuant to the financial information contained in the unaudited annual results announcement of the Company dated 30 June 2020 (the “Unaudited Annual Results Announcement”) was neither audited by nor agreed with the auditors of the Company as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are details and reasons for the material differences in such financial information.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March 2020			
	Audited	Unaudited	Difference	Notes
	HK\$'000	HK\$'000	HK\$'000	
Revenue	98,073	108,381	(10,308)	(i)
Direct costs	(6,665)	(16,973)	10,308	(i)
Other operating income	911	1,193	(282)	(iii)
Reversal of allowance for expected credit loss	7,646	7,280	366	(ii)
Other gains and losses	(38,075)	(38,147)	72	(ii)
Administrative expenses	(87,286)	(91,090)	3,804	(ii)
Finance costs	(26,729)	(23,189)	(3,540)	(iii),(iv)
Fair value change of biological assets, net	(8,102)	(2,600)	(5,502)	(ii)
Loss before taxation	(60,227)	(55,145)	(5,082)	
Income tax expense	(258)	(499)	241	(ii)
Loss for the year	(60,485)	(55,644)	(4,841)	
Other comprehensive loss:				
Exchange differences arising on translation of financial statements of foreign operations	(5,477)	(6,568)	1,091	(ii)
Total comprehensive loss for the year	(65,962)	(62,212)	(3,750)	
Loss for the year attributable to:				
– Owners of the Company	(60,485)	(55,644)	(4,841)	
Total comprehensive loss for the year attributable to:				
– Owners of the Company	(65,962)	(62,212)	(3,750)	
Loss per share (HK cents)				
Basic and diluted	(3.05)	(2.81)	(0.24)	

Consolidated Statement of Financial Position

At 31 March 2020

	Audited HK\$'000	Unaudited HK\$'000	Difference HK\$'000	Notes
NON-CURRENT ASSETS				
Intangible assets	1,231	1,168	63	(ii)
Right-of-use assets	4,748	5,240	(492)	(iii)
Biological assets	22,688	32,854	(10,166)	(ii)
CURRENT ASSETS				
Biological assets	17	6	11	(ii)
Prepayments, deposits and other receivables	11,213	11,222	(9)	(iii)
Tax recoverable	2,474	2,233	241	(ii)
CURRENT LIABILITIES				
Accruals and other payables	24,066	24,068	(2)	(ii)
Lease liabilities	2,269	2,766	(497)	(iii)
NON-CURRENT LIABILITIES				
Promissory notes	183,333	184,682	(1,349)	(iv)
CAPITAL AND RESERVES				
Reserves	23,695	32,199	(8,504)	

Notes:

- (i) Being net-off revenues and direct cost of the operation in Australia, as a result of such adjustments, there are decreases in revenue and direct cost.
- (ii) The differences were mainly due to finalisation of valuations, reclassification of expenses and related adjustment of tax expense, as a result of such adjustments, there are increases in reversal of allowance for expected credit loss, fair value change of biological asset, net, exchange differences arising on translation of financial statements of foreign operations, intangible assets, current portion of biological assets and tax recoverable and decreases in other gains and losses, administrative expenses, income tax expense, non-current portion of biological assets and accruals and other payables.
- (iii) The differences were mainly due to the adoption of HKFRS 16 *Leases*. As a result of such adjustments, there are decreases in other operating income, finance cost, right-of-use assets, prepayments, deposits and other receivables and lease liabilities.
- (iv) The differences were mainly due to consideration from disposal of an Australian subsidiary for set-off promissory notes. As a result of such adjustments, there is an increase in finance cost and decrease in promissory notes.

Save as disclosed in this announcement and corresponding adjustments related to the above differences, all other information contained in the Unaudited Annual Results Announcement remains materially unchanged.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditors' report on the Group's consolidated financial statements for the year ended 31 March 2020:

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures 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 2020, 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.

BASIS FOR QUALIFIED OPINION

(a) Goodwill

The carrying amount of goodwill of the Group as at 1 April 2018 of approximately HK\$56,038,000 as disclosed in note 19 to the consolidated financial statements were allocated to the cash-generating-units ("CGUs") of securities brokerage and asset management business and money lending business amounting to approximately HK\$52,538,000 and HK\$3,500,000 respectively for impairment assessment purposes. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the carrying amounts of goodwill allocated to the CGUs as at 1 April 2018 and that no impairment loss on goodwill was required as at 1 April 2018 and hence as to whether the carrying amount of goodwill as at 1 April 2018, with no accumulated impairment loss on goodwill as at that date, were free from material misstatements. As disclosed in note 19, 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 1 April 2018, including the accumulated impairment loss as at that date, might have a consequential significant impact on the impairment loss for the year ended 31 March 2019 and hence on the loss, total comprehensive loss and cash flows of the Group for the year ended 31 March 2019 and related disclosures thereof in the consolidated financial statements.

(b) Medium-term bonds

The aggregate carrying amount of the medium-term bonds as at 1 April 2018 was approximately HK\$34,955,000. The medium-term bonds were initially recognised at their principal amounts of HK\$36,000,000 and the transaction costs of 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 finance cost recognised as interest expense for the year ended 31 March 2019 of approximately HK\$1,934,000 and whether it was determined using the effective interest method in accordance with the applicable HKFRSs and whether the carrying amount of medium-term bonds as at 1 April 2018 was free from material misstatements. Any adjustments found to be necessary to the carrying amount as at 1 April 2018 may have a consequential significant impact on the finance costs for the year ended 31 March 2019 and hence on the loss, total comprehensive loss and cash flows of the Group for the year ended 31 March 2019 and the related disclosures thereof in the consolidated financial statements.

(c) Promissory notes

The promissory notes disclosed in note 35 to the consolidated financial statements comprised promissory notes issued during the years ended 31 March 2016 (the “2016 Promissory Note”) and 2018 (the “2018 Promissory Notes”) with carrying amounts of approximately HK\$122,747,000 and HK\$360,191,000 respectively as at 1 April 2018. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the finance cost recognised as interest expense of the 2016 Promissory Note and the 2018 Promissory Notes for the year ended 31 March 2019 of approximately HK\$8,522,000 and HK\$36,308,000 respectively and whether these finance costs were determined using the effective interest method in accordance with the applicable HKFRSs and whether the carrying amounts of the 2016 Promissory Note and the 2018 Promissory Notes as at 1 April 2018 were free from material misstatements. Furthermore, the 2018 Promissory Notes were initially recognised at 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. Any adjustments found to be necessary to the carrying amounts of the 2016 Promissory Note and the 2018 Promissory Notes as at 1 April 2018 may have a consequential significant impact on the finance costs for the year ended 31 March 2019 and hence on the loss, total comprehensive loss and cash flows of the Group for the year ended 31 March 2019 and the related disclosures thereof in the consolidated financial statements.

(d) Loan and interest receivables and advances to customers in margin financing

In relation to the loan and interest receivables and advances to customers in margin financing, 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. As disclosed in note 10, the Group recognised impairment 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 1 April 2018 might have a consequential significant impact on the provision for or 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 year ended 31 March 2019 and the related disclosures thereof in the consolidated financial statements.

Our audit opinion on the Group's consolidated financial statements for the year ended 31 March 2019 was modified in respect of the above matters. Our opinion on the Group's consolidated financial statements for the year ended 31 March 2020 is also modified because of the possible effects of the above matters on the comparability of the current year's figures and the corresponding figures.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$60,485,000 during the year ended 31 March 2020. This condition, along with other matters as set forth in note 3 to the consolidated financial statements, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Group recorded revenue of approximately HK\$98,073,000 for the year ended 31 March 2020 which was decreased by 18% compared to revenue of approximately HK\$119,216,000 in the last financial year. The revenue was mainly generated from the subsidiaries engaging in securities and futures brokerage, money lending, asset management services, trading of bloodstocks, provision of equine related services and investment in stallions.

The direct costs were decreased to approximately HK\$6,665,000 from approximately HK\$38,108,000 recorded during last year. The increase of 13% in gross profit percentage was mainly due to the decrease in direct cost of horse trading business.

Administrative expenses made an slightly increase of 1% to approximately HK\$87,286,000 compared to HK\$86,138,000 in 2019.

The net loss of the Group for the year ended 31 March 2020 was approximately HK\$60,485,000 as compared with the net loss of approximately HK\$105,538,000 of the last financial year. The main reason for the loss during the year ended 31 March 2020 is the impairment loss of goodwill of HK\$28,666,000.

Gearing Ratio

The gearing ratio, is calculated as borrowings divided by total equity, was approximately 194% (2019: -275%).

Capital Structure

As at 31 March 2020, the total number of issued ordinary shares of the Company was 2,171,732,000 (2019: 1,391,400,000) shares.

The Company has conducted the following equity fund raising exercises during the year ended 31 March 2020. On 14 February 2019, the Company entered into a subscription agreement (the “Subscription Agreement”) with First Cheer Holdings Limited, pursuant to which the Company agreed to issue and allot 780,332,000 shares to First Cheer Holdings Limited at the subscription price of HK\$0.345 per subscription share (the “Subscription”). The Subscription was completed on 28 June 2019 and subsequently entered into an amended and restated subscription agreement on 24 May 2020 to amend and restate the Subscription Agreement.

Employee Information

The total number of employees was 64 as at 31 March 2020 (2019: 74), and the total remuneration for the year ended 31 March 2020 was approximately HK\$29,720,000 (2019: HK\$30,791,000). 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 of directors of the Company (the “Board”).

Contingent Liabilities

On 30 October 2018, Guangdong Higher People’s Court (the “Guangdong Higher Court”) has been directed by the Supreme People’s Court of the PRC to hear the claims (the “Original Claims”) made by Mr. Chiu Ming (“Mr. Chiu”) and Diamond Ocean Development Limited (“Diamond Ocean”) (collectively the “Original Plaintiffs”) against, among others, Sun Finance, Mr. Cheng and Mr. Chau (collectively the “Original Defendants”) in relation to, among others, an enforcement of the share charge in 2011 over certain shares (the “Diamond Ocean Share Charge”) 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 the Original Plaintiffs to have infringed their rights. According to the Original Claims, the Original Plaintiffs requested the court to order the Original Defendants to compensate the Original Plaintiffs for direct economic loss of RMB500,000,000 and bear all the litigation costs. In addition, the Original Plaintiffs 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.

On 3 July 2020, the PRC legal advisor of the Group received the amended form of claim (the “Amended Form of Claim”) from the Guangdong Higher Court. For more information please refer to note 50 to the consolidated financial statements.

Details of the Original Claims were set out in the announcements of the Company dated 4 April 2019 and 8 April 2019.

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.

Dividend

No final dividend was proposed by the Directors for the year ended 31 March 2020 (2019: Nil).

Business Review

The Group has been operating in the equine business for years and the result is disappointing. As a result, the Board disposed one of the subsidiaries in the equine segment (Completed in July 2019). The Board will continue reviewing the performance of equine segment and will take necessary action to improve the performance of the Group.

Following the acquisition of two money lending business in November 2015 and January 2018, and Sun International Securities Limited (“SISL”) and Sun International Asset Management Limited (“SIAML”) in February 2016, the Group can provide wide range of financial services. 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. While the Group continued to implement cost controls and to improve operating results, the Board also identified new and extra opportunities in the financial services segment.

Equine services

The income from horse breeding services remained stable as the number of stallions held by the Group was at similar level as last year. One of the subsidiaries in the equine segment, Sun Kingdom Pty Ltd, was disposed during the reporting period. Sun Kingdom Pty Ltd mainly engages in bloodstocks trading and racing. The performance has been disappointing for the years. The Group considers such disposal will bring positive effect to the Group's performance. For the twelve months ended 31 March 2020, the revenue of the equine service segment was approximately HK\$26,443,000 (2019: HK\$46,538,000).

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 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 Target Companies, the Group acquired a money lending business in November 2015 and January 2018 with primary focus on equity financing and equity mortgage. As at 31 March 2020, loan portfolio of the money lending business amounted to HK\$37,915,000, representing approximately 7% 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 24% to 33% per annum.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 March 2020, the Group had current assets of approximately HK\$465,135,000 (2019: HK\$506,703,000). The Group's current ratio, calculated on the basis of current assets of approximately HK\$465,135,000 (2019: HK\$506,703,000) over current liabilities of approximately HK\$261,890,000 (2019: HK\$463,843,000) was at level of approximately 1.78:1 (2019: 1.09:1). The bank balances as at 31 March 2020 was approximately HK\$110,506,000 as compared to the balance of approximately HK\$110,525,000 as at 31 March 2019.

At the end of the financial year, there were a five-year 7% coupon unlisted straight bonds with an outstanding aggregate carrying amount of approximately HK\$26,569,000 (2019: HK\$34,369,000).

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 2020, we continued our business on different categories such as development of financial services businesses including securities and futures brokerage, assets management and money lending services and equine services including breeding service.

Operation

Stable revenue will be expected from equine 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 finance costs of approximately HK\$26,729,000 (2019: HK\$48,757,000) for the year ended 31 March 2020, representing a decrease of 45% compared to that in the last financial year. The finance costs was mainly for effective interest expense on medium-term bonds and promissory notes.

Medium-term Bonds

During the financial year, the Group had retained a five-year 7% coupon unlisted straight bonds with an outstanding aggregate carrying amount of approximately HK\$26,569,000 (2019: HK\$34,369,000).

Loss attributable to owners of the Company

For the current financial year, the Group recorded a loss attributable to owners of the Company of approximately HK\$60,485,000 (2019: HK\$105,538,000).

Prospects

Following the US-China trade dispute and the outbreak of COVID-19, the global economy and consumer confidence have been adversely affected. The worldwide stock index drops significantly in 2020 due to the drop of crude oil price and the market panic of the outbreak of the COVID-19. The crisis may have a material impact on our 2020 financial results and our development plan. The management foresees that there is full of challenging in 2020. 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 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 has always tried its best to improve the efficiency and effectiveness of the operation so as to enhance the Group's value.

Business Development

Following the acquisition of SISL and SIAML in February 2016, the Group had successfully diversified 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 and services of several seasoned investment manager. Furthermore, in November 2015, the Group had acquired a money lending business with principal activities in equity financing and equity mortgage.

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 2020.

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 2020.

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 2020 and up to the date of this report 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 2020 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 2020 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

This audited annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sun8029.com. The annual report of the Company for the year ended 31 March 2020 containing all the information required by the Listing Rules is to be despatched to the Company's Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 11 August 2020

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.