



太陽娛樂集團
SUN ENTERTAINMENT GROUP

SUN ENTERTAINMENT GROUP LIMITED

太陽娛樂集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8082)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

UNAUDITED FINANCIAL RESULTS

The Board of Directors (the “Directors”) of Sun Entertainment Group Limited (the “Company”) announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2021 together with the comparative unaudited figures for the corresponding periods in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2021

		Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2	14,315	2,121	24,267	6,080
Cost of sales		(12,060)	(565)	(18,604)	(3,147)
Gross profit		2,255	1,556	5,663	2,933
Other income and gains	3	330	402	710	947
Selling, marketing and distribution expenses		(1,519)	(847)	(2,482)	(2,086)
General, administrative and other expenses		(16,406)	(6,890)	(27,178)	(15,030)
Finance costs		(307)	(18)	(586)	(43)
Share of loss of associate		(454)	—	(454)	—
LOSS BEFORE TAX	7	(16,101)	(5,797)	(24,327)	(13,279)
Income tax expense	4	(234)	(23)	(380)	(23)
LOSS FOR THE PERIOD		(16,335)	(5,820)	(24,707)	(13,302)
Attributable to:					
Owners of the Company		(15,915)	(5,763)	(23,879)	(13,137)
Non-controlling interests		(420)	(57)	(828)	(165)
		(16,335)	(5,820)	(24,707)	(13,302)
Dividend	5	—	—	—	—
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
– Basic and diluted (<i>HK cents</i>)		(1.3)	(0.5)	(1.9)	(1.1)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(16,335)	(5,820)	(24,707)	(13,302)
Other comprehensive income/(loss):				
Other comprehensive income/(loss)				
that may be reclassified to				
profit or loss in subsequent periods:				
Exchange differences on translation of				
foreign operations	<u>413</u>	<u>205</u>	<u>360</u>	<u>(389)</u>
Total comprehensive loss for the period	<u>(15,922)</u>	<u>(5,615)</u>	<u>(24,347)</u>	<u>(13,691)</u>
Attributable to:				
Owners of the Company	(15,474)	(5,564)	(23,489)	(13,483)
Non-controlling interests	<u>(448)</u>	<u>(51)</u>	<u>(858)</u>	<u>(208)</u>
	<u>(15,922)</u>	<u>(5,615)</u>	<u>(24,347)</u>	<u>(13,691)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		20,125	13,140
Right-of-use assets		119	187
Intangible assets		13,990	13,971
Investment in an associate		1,345	–
Investment in a film production project		1,350	1,350
Prepayments and deposits	10	4,178	10,571
Total non-current assets		41,107	39,219
Current assets			
Inventories	8	2,775	907
Investments in concert, other entertainment event, film and TV drama production projects		12,136	8,545
Trade receivables	9	10,951	3,905
Prepayments, deposits and other receivables	10	42,786	32,254
Tax recoverable		68	68
Cash and cash equivalents		13,474	34,037
Total current assets		82,190	79,716
Current liabilities			
Trade payables, other payables, accruals and other financial liabilities	11	27,034	23,482
Deferred income		505	498
Lease liabilities		118	141
Tax payable		7,453	7,429
Total current liabilities		35,110	31,550
Net current assets		47,080	48,166
Total assets less current liabilities		88,187	87,385
Non-current liabilities			
Deferred income		1,731	1,957
Lease liabilities		4	51
Other borrowing		35,000	20,000
Deferred tax liabilities		2,418	2,386
Total non-current liabilities		39,153	24,394
Net assets		49,034	62,991
Equity			
Equity attributable to owners of the Company			
Issued capital	12	31,270	31,270
Reserves		14,586	30,085
		45,856	61,355
Non-controlling interests		3,178	1,636
Total equity		49,034	62,991

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share-based payment reserve HK\$'000	Shares held under share awarded scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020 (audited)	31,270	350,143	31,713	(428)	6,979	(391)	(329,209)	90,077	1,635	91,712
Loss for the period	–	–	–	–	–	–	(13,137)	(13,137)	(165)	(13,302)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	(346)	–	–	–	(346)	(43)	(389)
Total comprehensive loss for the period	–	–	–	(346)	–	–	(13,137)	(13,483)	(208)	(13,691)
Equity-settled share award arrangements	–	–	–	–	143	–	–	143	–	143
At 30 June 2020 (unaudited)	<u>31,270</u>	<u>350,143</u>	<u>31,713</u>	<u>(774)</u>	<u>7,122</u>	<u>(391)</u>	<u>(342,346)</u>	<u>76,737</u>	<u>1,427</u>	<u>78,164</u>
At 1 January 2021 (audited)	<u>31,270</u>	<u>350,143</u>	<u>31,713</u>	<u>1,103</u>	<u>7,267</u>	<u>(391)</u>	<u>(359,750)</u>	<u>61,355</u>	<u>1,636</u>	<u>62,991</u>
Loss for the period	–	–	–	–	–	–	(23,879)	(23,879)	(828)	(24,707)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	–	–	–	390	–	–	–	390	(30)	360
Total comprehensive income/(loss) for the period	–	–	–	390	–	–	(23,879)	(23,489)	(858)	(24,347)
Equity-settled share award arrangements	–	–	–	–	142	–	–	142	–	142
Equity-settled share option arrangements	–	–	–	–	7,848	–	–	7,848	–	7,848
Formation of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	2,400	2,400
At 30 June 2021 (unaudited)	<u>31,270</u>	<u>350,143</u>	<u>31,713</u>	<u>1,493</u>	<u>15,257</u>	<u>(391)</u>	<u>(383,629)</u>	<u>45,856</u>	<u>3,178</u>	<u>49,034</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Operating activities		
Loss before taxation	(24,327)	(13,279)
Adjustments for:		
Share of loss of associate	454	–
Depreciation of property, plant and equipment	1,949	1,758
Depreciation of right-of-use assets	69	772
Amortisation of deferred income of government grants	(252)	(243)
Write-off of property, plant and equipment	–	157
Amortisation of an intangible asset	111	112
Reversal of impairment on trade receivables, net	–	(17)
Reversal of impairment on other receivables, net	–	(56)
Strategic cooperation expense	4,519	3,610
Equity-settled share-based payments	7,990	143
Finance costs	586	43
Income tax paid	(142)	(2,910)
	(9,043)	(9,910)
Increase in inventories	(1,868)	(359)
(Increase)/decrease in trade receivables	(7,046)	15,573
(Increase)/decrease in prepayments, deposits and other receivables	(8,658)	18,626
(Increase)/decrease in investments in concert, other entertainment event, film and TV drama production projects	(3,591)	11,304
Increase/(decrease) in trade payables, other payables, accruals and other financial liabilities	3,552	(23,323)
Net cash (used in)/generated from operating activities	(26,654)	11,911
Investing activities		
Purchase of property, plant and equipment	(8,613)	(375)
Investment in an associate	(1,800)	–
Formation of a non-wholly owned subsidiary	2,400	–
Net cash used in investing activities	(8,013)	(375)
Financing activities		
Principal portion of lease payments	(70)	(807)
Proceeds from other borrowing	15,000	–
Repayment of other borrowing	–	(335)
Interest paid	(586)	(43)
Net cash generated from/(used in) financing activities	14,344	(1,185)
Net (decrease)/increase in cash and cash equivalents	(20,323)	10,351
Cash and cash equivalents at beginning of the reporting period	34,037	19,039
Effect of foreign exchange rate changes, net	(240)	(6)
Cash and cash equivalents at the end of the reporting period	13,474	29,384
Analysis of balances of cash and cash equivalents		
Cash and bank balances	13,474	29,384

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020 (“2020 Annual Report”). The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the 2020 Annual Report.

Impact of new and revised HKFRSs which are issued but not effective

The Group had not early adopted the new and revised HKFRSs that have been issued but are not yet effective in the period.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the media and entertainment segment primarily engages in the organisation/production of and investments in concerts, other entertainment events, film and TV drama production projects and other media and entertainment related businesses; and
- (b) the cremation and funeral services segment primarily engages in the provision of cremation and funeral services and deathcare related business.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except that finance costs, share-based payment expense and head office and corporate expenses are excluded from such measurement.

Segment assets exclude certain property, plant and equipment, club membership, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowing and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The segment results and other segment items for the six months ended 30 June 2021 are as follows:

	Media and entertainment <i>HK\$'000</i>	Cremation and funeral services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	17,150	7,117	<u>24,267</u>
Segment results	(10,945)	771	(10,174)
<u>Reconciliation:</u>			
Corporate and other unallocated expenses, net			(13,567)
Finance costs			<u>(586)</u>
Loss before tax			<u>(24,327)</u>
Segment assets	85,473	27,472	112,945
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>10,352</u>
Total assets			<u>123,297</u>
Segment liabilities	(24,525)	(6,897)	(31,422)
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>(42,841)</u>
Total liabilities			<u>(74,263)</u>
Other segment information:			
Depreciation and amortisation	530	1,044	1,574
Capital expenditure	8,104	509	8,613

The segment results and other segment items for the six months ended 30 June 2020 are as follows:

	Media and entertainment <i>HK\$'000</i>	Cremation and funeral services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	956	5,124	<u>6,080</u>
Segment results	(8,273)	297	(7,976)
<u>Reconciliation:</u>			
Corporate and other unallocated expenses, net			(5,260)
Finance costs			<u>(43)</u>
Loss before tax			<u>(13,279)</u>
Segment assets	57,600	24,449	82,049
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>25,155</u>
Total assets			<u>107,204</u>
Segment liabilities	(13,414)	(6,696)	(20,110)
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>(8,930)</u>
Total liabilities			<u>(29,040)</u>
Other segment information:			
Depreciation and amortisation	288	613	901
Capital expenditure	42	333	375

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
Provision of cremation and funeral services and sale of related goods	1,935	1,170	3,934	2,352
Concert and other entertainment event income and sale of related goods	10,487	(5)	16,722	1,264
Artiste management and performance services income	513	14	558	29
	<u>12,935</u>	<u>1,179</u>	<u>21,214</u>	<u>3,645</u>
Revenue from other sources				
Rendering of cremation services	1,510*	1,280*	3,183*	2,772*
Loss on investments in concert, other entertainment event, film and TV drama production projects, net	(130)	(338)	(130)	(337)
	<u>1,380</u>	<u>942</u>	<u>3,053</u>	<u>2,435</u>
	<u>14,315</u>	<u>2,121</u>	<u>24,267</u>	<u>6,080</u>

* Being government subsidies received for the rendering of cremation services in certain location. There are no unfulfilled conditions or contingencies relating to these subsidies.

3. OTHER INCOME AND GAINS

An analysis of the other income and gains is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on investment in film project	—	—	—	2
Management fee income	204	204	408	408
Others	126	198	302	537
	<u>330</u>	<u>402</u>	<u>710</u>	<u>947</u>

4. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at the rate of 16.5% (30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during that period. No provision for Hong Kong profits tax has been made for the current period as the Group did not generate any assessable profits arising in Hong Kong during the current period (30 June 2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The Group did not have any significant deferred taxation which was not provided for in respect of each of the reporting periods.

5. DIVIDEND

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(15,915)	(5,763)	(23,879)	(13,137)
Weighted average number of ordinary shares in issue (in thousands)	<u>1,250,798</u>	<u>1,250,798</u>	<u>1,250,798</u>	<u>1,250,798</u>

(b) Diluted

For the period ended 30 June 2021 and 30 June 2020, no adjustment has been made to the basic loss per share amounts presented for the period in respect of a dilution as the impact of the share options outstanding and the unvested share awards had an anti-diluted effect on the basic loss per share amounts presented.

7. LOSS BEFORE TAX

Loss before tax is stated after charging the following:

	Six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	422	315
Employees benefits expenses	8,803	6,215
Depreciation of property, plant and equipment	1,949	1,758
Depreciation of right-of-use assets	69	772
Amortisation of an intangible asset	111	112
	<u>111</u>	<u>112</u>

8. INVENTORIES

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Funeral related merchandises	424	403
Other merchandises	2,351	504
	<u>2,775</u>	<u>907</u>

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or equivalent, is as follows:

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	15,251	8,205
Impairment	(4,300)	(4,300)
	<u>10,951</u>	<u>3,905</u>

The Group's trading terms with its credit sales customers for cremation and funeral business are generally 30 days. For the media and entertainment business, other than ticket sales and certain sponsorship arrangements whereby payments in advance are normally required, the credit period is generally 30 to 60 days from the date of billing, while ticketing agency and/or other relevant parties normally settle the corresponding amounts received by them attributable to the Group within 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed trade receivables as at the end of the reporting period, based on the invoice date or equivalent and net of loss allowance is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 30 days	7,237	546
31 – 60 days	530	62
61 – 90 days	478	57
Over 90 days	<u>2,706</u>	<u>3,240</u>
	<u>10,951</u>	<u>3,905</u>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Prepayments	16,154	25,250
Deposits	3,062	2,609
Other receivables	<u>31,961</u>	<u>19,180</u>
	51,177	47,039
Impairment allowance	<u>(4,213)</u>	<u>(4,214)</u>
	46,964	42,825
Less: Non-current portion	<u>(4,178)</u>	<u>(10,571)</u>
Current portion	<u>42,786</u>	<u>32,254</u>

11. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	4,795	4,882
Contract liabilities	955	917
Other payables and accruals	12,897	14,179
Financial liabilities at fair value through profit or loss	<u>8,387</u>	<u>3,504</u>
	<u>27,034</u>	<u>23,482</u>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within 30 days	61	35
31 to 60 days	54	28
61 to 90 days	21	11
Over 90 days	<u>4,659</u>	<u>4,808</u>
	<u>4,795</u>	<u>4,882</u>

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

12. ISSUED CAPITAL

	Number of shares '000	Authorised share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each at 1 January 2020, 31 December 2020 and 30 June 2021	<u>3,200,000</u>	<u>80,000</u>
	Number of shares in issue '000	Issued capital HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.025 each at 1 January 2020, 31 December 2020 and 30 June 2021	<u>1,250,798</u>	<u>31,270</u>

13. RELATED PARTY TRANSACTIONS

During the reporting period, the Group has the following related party transactions.

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Related companies:					
Rentals paid/payable	(i)	37	–	74	–
Management fee received	(ii)	90	90	180	180
Finance costs	(iii)	305	–	583	–
Remuneration of directors of the Group:					
Short term employee benefits		570	570	1,270	1,270
Equity-settled share award expense		72	72	142	143
Equity-settled share option expense		1,236	–	1,236	–
Pension scheme contribution		9	9	18	18
		<u>1,887</u>	<u>651</u>	<u>2,666</u>	<u>1,431</u>

Notes:

- (i) The rentals were charged in accordance with a tenancy agreement entered into between the relevant parties. A director of the Company during the relevant period has beneficial equity interest in the related company.
- (ii) The management fee was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.
- (iii) The interest on other borrowing for the current year in respect of a loan from a shareholder of the Company was charged in accordance with an agreement entered into between the relevant parties. The loan was drawn down under certain revolving loan facilities in the principal sum of up to HK\$100,000,000 granted by a shareholder of the Company to the Company during the year. The revolving loan facilities are available for the period commencing from 21 December 2020 and ending 36 months from that date.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit

For the six months ended 30 June 2021, the total revenue (which mainly consists of (i) the media and entertainment business; and (ii) cremation and funeral services business) was approximately HK\$24,267,000 which was 299.1% higher than that of last year corresponding period of approximately HK\$6,080,000. The overall gross profit for the six months ended 30 June 2021 amounted to HK\$5,663,000, which was 93.1% higher than last year corresponding period. The increase in revenue was due to the group has organised a concert, pop up stores and exhibitions during the six months ended 30 June 2021, while nil in the last year corresponding period.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the six months ended 30 June 2021 was approximately HK\$2,482,000, which was 19% higher than last corresponding period of approximately HK\$2,086,000. Percentage to revenue was approximately 10.2% (six months ended 30 June 2020: 34.3%).

General, administrative and other expenses

General, administrative and other expenses for the six months ended 30 June 2021 amounted to approximately HK\$27,178,000 which was 80.8% higher as compared with last year corresponding period of approximately HK\$15,030,000. The increase was mainly attributable to (i) non-cash share-based payment expense of approximately HK\$7,848,000 in relation to share options granted to several grantees during the six months ended 30 June 2021; and (ii) sub-contracting fee and rental expense of approximately HK\$2,934,000 in total for joint venture company which formed in January 2021.

Loss for the period

The Group's loss for the six months ended 30 June 2021 was approximately HK\$24,707,000 (six months ended 30 June 2020: loss of approximately HK\$13,302,000).

Operation review

Media and entertainment

During the six months ended 30 June 2021, the media and entertainment segment recorded a revenue of approximately HK\$17,150,000, representing an increase of 1,693.9% as compared with last year corresponding period of approximately of HK\$956,000. The increase was mainly attributable to the ticket income generated by the exhibitions and concert organised by the group and the merchandise income generated by pop up stores during the current period.

Cremation and funeral services

During the six months ended 30 June 2021, the revenue from cremation and funeral business was approximately HK\$7,117,000, which was 38.9% higher than last year corresponding period of approximately HK\$5,124,000. Owing to the prohibition of group gathering under the effect of COVID-19, the revenue of value-added funeral services had decreased during the last year corresponding period.

Prospects

The Group has been making continuous efforts in identifying future strategic alliances and cooperation opportunities. It has developed an integrated entertainment platform incorporating an all-in-one lifestyle platform, combining online streaming contents, ticketing system, consumer products and a membership system. At the same time, it cooperates with industry players, entertainment platforms and merchandising network to provide both online and offline entertainment experiences, including live shows, concerts and events/exhibitions booking, movie and drama streaming, live broadcasts, shopping mall and franchised events to the customers. The goal is to create a one-stop service platform for members to enjoy a handy entertainment, consumption, and information platform.

Recently, the Group has started a new non-fungible tokens (“NFT”) production studio. NFT refers to unique, non-transferable digital assets stored in blockchain which is a proper way to use the blockchain technology. Owning an NFT is like owning a one-of-a-kind work of art or a collectible antique. According to Statista 2021, the market capitalization of NFT shows a fast growth rate of nearly ten-fold between 2018 and 2020. NFTs are going to be something that media and celebrities such as musicians or artists or other creators of collectible products, will use to monetize. “Sunny Side Up” is our flagship studio to promote the NFT business which mainly focuses on two major areas, namely (1) producing art works for various artists and (2) investing in NFT related market place and social media platforms. The Group will utilize its network in forming strategic partnership with various artists and industry players to capture the ever-growing NFT market.

In addition, the Group has established a subsidiary called Pet It Go Limited which is principally engaged in the provision of pet funeral services in Hong Kong. The Group will utilise its resources and network accumulated in its media entertainment business segment to promote Pet It Go Limited.

The Group will respond to forthcoming market challenges and capture business opportunities by focusing on high quality entertainment related projects with proven track records and commercial viability. In addition, the Group will further explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income streams. The Group will continue to access its existing financial resources, and will seek new sources of funding where necessary, to maintain and grow our business in a cost-effective basis.

Liquidity and financial resources

As at 30 June 2021, the Group has cash and bank balances of approximately HK\$13,474,000 (31 December 2020: HK\$34,037,000) and the total assets of the Group were HK\$123,297,000 (31 December 2020: HK\$118,935,000). The net current assets of the Group were HK\$47,080,000 (31 December 2020: HK\$48,166,000) and the current ratio, which represented the current assets over the current liabilities, is 2.34 times (31 December 2020: 2.53 times). The gearing ratio of the Group as at 30 June 2021 (as calculated by the total liabilities of HK\$74,263,000 over equity attributable to the owners of the Company of HK\$45,856,000) is 162% (31 December 2020: 91.2%).

Currency risk exposure

As at 30 June 2021, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars, Renminbi or New Taiwan Dollars.

Employees and remuneration policies

As at 30 June 2021, the Group had 59 (six months ended 30 June 2020: 59) employees, including Directors. Total staff costs for the six months ended 30 June 2021, including Directors' remuneration, amounted to approximately HK\$8,803,000 (six months ended 30 June 2020: HK\$6,215,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2020 Annual Report.

Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2021.

Directors' and chief executives' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2021, the interests or short positions of the Directors and chief executives in the shares and underlying shares of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of the Company, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held:

(A) Long positions

Name	Capacity	Notes	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Chong Cho Lam ("Mr. Chong")	Beneficial owner	1	2,000,000	10,000,000	12,000,000	0.96%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		287,549,682	–	287,549,682	22.99%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	2	431,346,823	–	431,346,823	34.49%
			718,896,505	–	718,896,505	57.48%

Notes:

- The underlying shares represent (i) 1,000,000 awarded shares, which shall be vested within 1 business day after an audited consolidated net profit after tax of the Group of not less than HK\$5 million is recorded in any annual report of the Company published within 3 years from the grant date (i.e. 13 December 2019); and (ii) 9,000,000 share options granted by the Company to Mr. Chong to subscribe for 9,000,000 shares at an exercise price of HK\$0.296 per share.
- Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

(B) *Share options*

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 June 2021 were as follow:

	Number of share options				Outstanding as at 30 June 2021	Date of grant	Exercise period	Vesting period	Exercise price per share	Closing share price immediate before the date of grant
	Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period						
Category 1: Director										
Mr. Chong	–	9,000,000	–	–	9,000,000	12 April 2021	12 April 2021 – 11 April 2024	Vested on date of grant	HK\$0.296	HK\$0.280
Category 2: Employees/consultants										
Employees	8,500,000	–	–	–	8,500,000	12 July 2019	12 July 2019 – 11 July 2029	Vested on date of grant	HK\$0.740	HK\$0.720
Consultants	7,800,000	–	–	–	7,800,000	12 July 2019	12 July 2019 – 11 July 2029	Vested on date of grant	HK\$0.740	HK\$0.720
Employees	–	6,000,000	–	–	6,000,000	12 April 2021	12 April 2021 – 11 April 2024	Vested on date of grant	HK\$0.296	HK\$0.280
Consultants	–	34,000,000	–	(500,000)	33,500,000	12 April 2021	12 April 2021 – 11 April 2024	Vested on date of grant	HK\$0.296	HK\$0.280
Consultants	–	51,500,000	–	(1,000,000)	50,500,000	12 April 2021	12 April 2022 – 11 April 2025	Vested one year after date of grant	HK\$0.296	HK\$0.280
Sub total	16,300,000.00	91,500,000	–	(1,500,000)	106,300,000					
Total of all categories	16,300,000.00	100,500,000	–	(1,500,000)	115,300,000					

1,500,000 share options have lapsed during the six months ended 30 June 2021.

(C) *Share award scheme*

On 6 December, 2019, the Company adopted a share award scheme (the “Share Award Scheme”), which is not subject to the provisions of Chapter 23 of the GEM Listing Rules, to recognise and reward the contribution of certain eligible persons to the growth and development of the Group and to attract suitable personnel for further development of the Group, through an award of the shares. Details of Share Award Scheme are set out in the announcement of the Company dated 6 December 2019.

No shares were awarded under the Share Award Scheme during six months ended 30 June 2021.

A summary of the awarded shares granted to eligible participant is set forth below:

Name of awardee	Date of grant	Number of awarded shares				Outstanding as at 30 June 2021
		Outstanding as at 1 January 2021	Granted during the period	Vested during the period	Lapsed during the period	
Mr. Chong Cho Lam	13 December 2019	1,000,000	–	–	–	1,000,000

Substantial shareholders' interests and short positions in the shares, underlying shares and convertible bonds of the Company

As at six months ended 30 June 2021, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or convertible bonds of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held:

Name	Capacity	Notes	Number of shares	Long/short position	Percentage of issued share capital
Mr. Dong	Beneficial owner		287,549,682	Long	22.99%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,346,823	Long	34.49%
			718,896,505		57.48%
Mr. Chau Cheok Wa ("Mr. Chau")	Beneficial owner		431,346,823	Long	34.49%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	287,549,682	Long	22.99%
			718,896,505		57.48%
Mr. Cheng Ting Kong ("Mr. Cheng")	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	718,896,505	Long	57.48%
New Brilliant Investments Limited	Beneficial owner	2	98,472,498	Long	7.87%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	4	1,800	Long	0.00%
	Interest of controlled corporation	2 and 3	149,472,498	Long	11.95%
			149,474,298		11.95%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	7.79%

Notes:

1. Mr. Dong, Mr. Cheng and Mr. Chau are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.
2. New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
3. Checkmate Capital Limited and Grand Sea Limited are holding 36,000,000 and 15,000,000 shares respectively. They are incorporated in Hong Kong. They are wholly and beneficially owned by Mr. Chui.
4. Mr. Chui is also holding 1,800 shares as beneficial owner.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Securities transactions by directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance for the six months ended 30 June 2021.

Director's interests in competing business

Mr. Dong Choi Chi, Alex ("Mr. Dong"), an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Mr. Chong Cho Lam, an executive Director of the Company, is a substantial shareholder and the managing director of Chessman Entertainment Production Company Limited, which is principally engaged in concert co-ordination and production, advertising design and market planning, original music, record production and distribution, public relations and artiste management in Macau. He is a substantial shareholder and director of Chessman Entertainment Production (HK) Limited, which is engaged in advertising production, project planning consultation, design, publishing, entertainment production and promotion. He is also a substantial shareholder and director of Chessman Management and Investment Company Limited, which is engaged in entertainment related investments and management in Macau. He is also a substantial shareholder of Good Media Production Company Limited which is engaged in film production and filming, music production, advertising production, original music, web design, publication publishing and media in Macau. He is also a substantial shareholder of Easy Music Production Company Limited which is engaged in record distribution, artiste management, music producer management, band management, musician management, concert production and music production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 June 2021.

Arrangements to purchase shares

Other than the share option scheme and the Share Award Scheme disclosed above, at no time during the six months ended 30 June 2021 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2021.

Compliance with corporate governance practices

During the six months ended 30 June 2021, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as stated in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

Audit committee

The Company has established an Audit Committee (the “AC”) with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, namely Mr. Chan Wai Man (the chairman of AC), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

The AC’s principal duties include reviewing the Group’s financial controls, internal control and risk management systems, reviewing and monitoring integrity of consolidated financial statements and reviewing annual, interim and quarterly consolidated financial statements and reports before submission to the Board and considering and recommending the appointment, re-appointment and removal of external auditors of the Company. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The AC is authorized to take independent professional advice at Company’s expense, if necessary.

The AC has reviewed the Group’s unaudited result for the six months ended 30 June 2021.

By order of the Board
SUN ENTERTAINMENT GROUP LIMITED
Dong Choi Chi, Alex
Chairman and executive Director

Hong Kong, 13 August 2021

As at the date of this announcement, the board comprises two executive directors, namely Mr. Dong Choi Chi, Alex (the chairman) and Mr. Chong Cho Lam (chief executive officer), and three independent non-executive directors, namely Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.

This announcement will remain on the “Latest Listed Company Information” page of the GEM Website for at least 7 days from the day of its publication and on the website of the Company at www.8082.com.hk.