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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

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

#### **FINANCIAL HIGHLIGHTS**

- Total revenue from continuing operations increased by 99% to RMB148,770,000 (six months ended 30 June 2020: RMB74,621,000)
- Gross profit from continuing operations increased by 239% to RMB35,901,000 (six months ended 30 June 2020: RMB10,584,000)
- Profit for the period attributable to equity holders of the Company of RMB320,028,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: loss for the period attributable to equity holders of the Company of RMB118,594,000)
- Basic earnings per share attributable to shareholders of the Company of RMB3.13 cents for the six months ended 30 June 2021 (six months ended 30 June 2020: Basic loss per share attributable to shareholders of the Company of RMB1.78 cents)

The board (the “**Board**”) of directors (the “**Directors**”) of Suncity Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company and the independent auditor of the Company, Crowe (HK) CPA Limited:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	Notes	For the six months ended	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited) (Restated)
<b>Continuing operations</b>			
<b>Revenue</b>	5	<b>148,770</b>	74,621
Cost of sales		<u>(112,869)</u>	<u>(64,037)</u>
<b>Gross profit</b>		<b>35,901</b>	10,584
Other income, gains and losses	6	<b>49,725</b>	(55,024)
Selling and distribution expenses		<b>(10,706)</b>	(2,117)
Administrative expenses		<b>(110,529)</b>	(60,044)
Other operating expenses		<b>(2,150)</b>	(7,786)
Gain on disposal of an associate		<b>495</b>	–
Impairment on interest in an associate		–	(47,363)
Change in fair value of derivative financial instruments	19	<b>449,407</b>	588,159
Share of losses of associates		<b>(433)</b>	(15,532)
Share of loss of a joint venture		<b>(139,919)</b>	(90,132)
Finance costs	7	<u><b>(123,110)</b></u>	<u>(166,112)</u>
Profit before taxation		<b>148,681</b>	154,633
Income tax expense	8	<u><b>(9,979)</b></u>	<u>(66)</u>
Profit for the period from continuing operations	9	<u><b>138,702</b></u>	<u>154,567</u>
<b>Discontinued operations</b>			
Profit (loss) for the period from discontinued operations	20(b)	<u><b>147,097</b></u>	<u>(277,775)</u>
<b>Profit (loss) for the period</b>		<u><b>285,799</b></u>	<u>(123,208)</u>
<b>Other comprehensive (expense) income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(98,517)</b>	20,224
Share of other comprehensive expense of a joint venture, net of related income tax		<b>(295)</b>	(1,284)
Release of reserve upon disposal of an associate		<u><b>(64)</b></u>	<u>–</u>
		<u><b>(98,876)</b></u>	<u>18,940</u>
<b>Total comprehensive income (expense) for the period</b>		<u><b>186,923</b></u>	<u>(104,268)</u>

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2021</b>	2020
<i>Notes</i>		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Profit (loss) for the period attributable to:</b>			
– Equity holders of the Company:			
	– Shareholders of the Company	<b>209,036</b>	(118,594)
	– Holder of perpetual securities	<b>110,992</b>	–
		<b>320,028</b>	(118,594)
	– Non-controlling interests	<b>(34,229)</b>	(4,614)
		<b>285,799</b>	(123,208)
<b>Total comprehensive income (expense) for the period attributable to:</b>			
– Equity holders of the Company:			
	– Shareholders of the Company	<b>132,698</b>	(102,291)
	– Holder of perpetual securities	<b>110,992</b>	–
		<b>243,690</b>	(102,291)
	– Non-controlling interests	<b>(56,767)</b>	(1,977)
		<b>186,923</b>	(104,268)
<b>Total comprehensive income (expense) for the period attributable to equity holders of the Company arose from:</b>			
	– Continuing operations	<b>96,593</b>	175,484
<i>20(b)</i>	– Discontinued operations	<b>147,097</b>	(277,775)
		<b>243,690</b>	(102,291)
<b>Earnings (loss) per share attributable to shareholders of the Company:</b>			
– Basic ( <i>RMB cents</i> )			
	– For profit (loss) for the period	<b>3.13</b>	(1.78)
	– For profit from continuing operations	<b>0.93</b>	2.39
– Diluted ( <i>RMB cents</i> )			
	– For loss for the period	<b>(2.51)</b>	(7.36)
	– For loss from continuing operations	<b>(4.23)</b>	(4.10)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		As at	
		30 June 2021	31 December 2020
	Notes	<b>RMB'000</b> (Unaudited)	<b>RMB'000</b> (Audited)
<b>Non-current assets</b>			
Property, operating right and equipment		2,388,881	1,923,582
Right-of-use assets		1,937,402	2,027,469
Investment properties		–	1,185,600
Intangible assets		11,874	11,889
Prepayments and deposits for non-current assets	12	165,239	57,208
Pledged bank deposits	16	4,604	5,500
Interests in associates		–	20,846
Interest in a joint venture	13	469,314	615,464
Loans to a joint venture	13	94,423	85,587
Amounts due from a joint venture	13	4,384	2,775
Loan receivable	15	90,628	–
Deferred tax assets		–	66
Derivative financial instrument	19(c)	2,890	2,701
		<b>5,169,639</b>	<b>5,938,687</b>
<b>Current assets</b>			
Inventories		251,312	585,971
Trade and other receivables and prepayments	14	120,039	92,194
Loan receivable	15	404,621	–
Amounts due from directors		55	57
Amount due from a related company		2,150	–
Amount due from a non-controlling shareholder of a subsidiary		–	3,713
Loan to a joint venture	13	193,289	183,983
Amount due from a joint venture	13	13,039	6,394
Pledged bank deposits	16	41,610	305
Restricted bank deposits	16	–	3,004
Bank balances and cash		1,901,186	2,216,790
		<b>2,927,301</b>	<b>3,092,411</b>

		As at	
		30 June 2021	31 December 2020
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	17	311,226	272,191
Amounts due to related companies		196,311	192,869
Loans from non-controlling shareholders of a subsidiary		77,263	83,614
Amounts due to non-controlling shareholders of a subsidiary		3,383	2,666
Contract liabilities		6,245	128,527
Receipt in advance		–	886
Rent and other deposits		4,996	10,717
Provisions for potential claims		–	22,564
Provision for litigation		–	27,800
Bank and other borrowings	18	640,221	274,496
Lease liabilities		9,819	9,162
Derivative financial instruments	19(a) and (b)	248,412	704,920
Current tax liabilities		5,266	10,759
		<u>1,503,142</u>	<u>1,741,171</u>
<b>Net current assets</b>		<u>1,424,159</u>	<u>1,351,240</u>
<b>Total assets less current liabilities</b>		<u>6,593,798</u>	<u>7,289,927</u>
<b>Non-current liabilities</b>			
Bank and other borrowings	18	325,038	1,038,152
Other payables	17	38,912	27,825
Lease liabilities		827,974	823,922
Amount due to a director		4,647	4,700
Loans from non-controlling shareholders of a subsidiary		118,753	116,576
Convertible bonds	19(a) and (b)	453,744	412,730
Liabilities for value-added tax (“VAT”) arrangements		23,288	29,953
Deferred tax liabilities		–	235,462
		<u>1,792,356</u>	<u>2,689,320</u>
<b>Net assets</b>		<u><u>4,801,442</u></u>	<u><u>4,600,607</u></u>

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
<b>Capital and reserves</b>		
Share capital	582,894	582,811
Perpetual securities	4,956,561	4,845,569
Reserves	<u>(2,071,582)</u>	<u>(2,218,035)</u>
<b>Equity attributable to equity holders of the Company</b>	<b>3,467,873</b>	<b>3,210,345</b>
<b>Non-controlling interests</b>	<b><u>1,333,569</u></b>	<b><u>1,390,262</u></b>
<b>Total equity</b>	<b><u><u>4,801,442</u></u></b>	<b><u><u>4,600,607</u></u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal place of business of the Company is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Its immediate holding company is Fame Select Limited ("**Fame Select**"), a company incorporated in the British Virgin Islands (the "**BVI**") and Mr. Chau Cheok Wa ("**Mr. Chau**") and Mr. Cheng Ting Kong are the ultimate controlling parties of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in (i) through Suntrust Home Developers, Inc. ("**SunTrust**") and its subsidiaries (collectively refer as the "**SunTrust Group**"), the development and operation of an integrated resort in the Philippines; (ii) through Summit Ascent Holdings Limited ("**Summit Ascent**") and its subsidiaries (collectively refer as the "**Summit Ascent Group**"), the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region ("**IEZ Primorye**") in the Russian Federation; (iii) provision of travel related products and services and aircraft chartering services; (iv) provision of hotel and integrated resort general consultancy services; (v) property development in the People's Republic of China (the "**PRC**") and Japan; and (vi) property leasing and management and operation of malls in the PRC.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting*.

The Group incurred recurring net operating cash outflow of approximately RMB114,481,000 for the six months ended 30 June 2021 and the Group had committed capital expenditure of approximately RMB3,439,362,000 as at 30 June 2021. The Group is dependent on the financial support from Mr. Chau, its controlling shareholder and related companies. Taking into account the financial resources of the Group, including the financial support from Mr. Chau, the Directors are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for the next twelve months from the date of approving the condensed consolidated financial statements by the Board and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.

### 3. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

- (a) On 21 February 2021, the Company entered into a sale and purchase agreement (the "**S&P Agreement**") with an independent third party (the "**Purchaser**"). Pursuant to the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest of Access Achievement Limited ("**Access Achievement**", together with its subsidiaries as the "**Disposal Group**"), a directly wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (the "**Disposal**"). The Disposal was completed on 30 June 2021 with a gain of approximately RMB167,864,000 recognised by the Group. Details of the Disposal are set out in Note 20. Upon the completion of the Disposal, the Group ceased and discontinued its operations in property development and property leasing business in Shenzhen, the PRC.

- (b) The social distancing and travel-related measures implemented by governments to combat the spread of COVID-19 in the Group's operating and customer markets have deterred, disrupted and inhibited international travel in general. As a result, the overall businesses of the Group, especially the Group's travel related products and services in Macau and the hotel and gaming business in the IEZ Primorye in Russian Federation continued to be adversely impacted by the ongoing and evolving nature of the COVID-19 pandemic.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

##### **Application of amendments to HKFRSs**

During the six months ended 30 June 2021, the Group has applied, for the first time, the following amendments to HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The application of the amendments to HKFRSs and HKASs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

##### **Restatements due to discontinued operations**

The presentation of comparative information in respect of the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 has been restated in order to disclose the discontinued operations separately from continuing operations pursuant to the Disposal. As the restatements do not affect the condensed consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2020.

## 5. REVENUE AND SEGMENT INFORMATION

### Segment Information

Information reported to the Executive Directors of the Company, being the chief operating decision maker (“CODM”) for the purpose of resources allocation and assessment of segment performance, focuses on types of goods or services delivered or provided.

Specifically, the Group’s operating and reportable segments are as follows:

#### (a) *Continuing operations*

- (1) Operation of integrated resort in the Philippines – Development and operation of an integrated resort at the Entertainment City, Manila, the Philippines through a non-wholly owned subsidiary, SunTrust;
- (2) Operation of integrated resort in the Russian Federation – Operation of the hotel and gaming business in the IEZ Primorye in the Russian Federation through a non-wholly owned subsidiary, Summit Ascent;
- (3) Travel related products and services – Sales of travel related products and provision of travel agency services and aircraft chartering services;
- (4) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services;
- (5) Property development – Development and sales of properties and hotel premises in Chaohu, Anhui Province, the PRC and Japan; and
- (6) Management and operation of malls – Management and operation of malls in the PRC through a wholly-owned subsidiary, Dongyang Xinguang Pacific Industrial Company Limited (“**Dongyang Xinguang**”).

#### (b) *Discontinued operations*

- (1) Property development – Development and sales of office premises, residential and retail properties in Shenzhen, the PRC; and
- (2) Property leasing – Leasing of retail and residential properties and provision of property management services in Shenzhen, the PRC.

The Company disposed the entire equity interest in Access Achievement on 30 June 2021. Accordingly, part of the property development segment and the entire property leasing segment were discontinued as at 30 June 2021. Details about these discontinued operations and the Disposal are set out in Note 20. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results of the Disposal Group as discontinued operations.



Segment	Continuing operations						Discontinued operations																		
	Operation of integrated resort in the Philippines			Operation of integrated resort in the Russian Federation			Hotel and integrated resort general consultancy services			Management and operation of malls			Property development			Property leasing			Sub-total			Total			
	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	For the six months ended 30 June	2020	2021	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Geographical markets</b>																									
The PRC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Macao	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cambodia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vietnam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The Russian Federation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Revenue from contracts with customers</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Timing of revenue recognition</b>																									
At a point in time	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Over time	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The duration of contracts in relation to property management services income, revenue from management and operation of malls, income from sales of travel related products, revenue from aircraft chartering services and hotel and integrated resort general consultancy services income usually varies from 1 to 20 years, 6 months to 15 years, 1 to 31 days, 1 day and 1 to 10 years, respectively and the contract fees of those contracts are either fixed or variable based on certain percentages of gross gaming revenue and EBITDA of a casino under management.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

Segment	Continuing operations						Discontinued operations													
	Operation of integrated resort in the Philippines		Operation of integrated resort in the Russian Federation		Travel related products and services		Hotel and integrated resort general consultancy services		Property development		Management and operation of malls		Sub-total		Property leasing		Sub-total		Total	
	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the six months ended 30 June 2021
Segment revenue from external customers	-	107,872	-	26,950	67,733	1,309	6,888	-	74,621	-	148,770	74,621	-	19,054	19,127	19,054	19,127	167,824	93,748	
Segment (loss) profit	(21,240)	(6,572)	(31,004)	(19,543)	(9,827)	(9,440)	(3,714)	(1,886)	(79,889)	(35,872)	(23,790)	(21,401)	(38,905)	(356,452)	(118,794)	(392,324)				
Change in fair value of derivative financial instruments									449,407	588,159								449,407	588,159	
Impairment on interest in an associate									-	(47,363)								-	(47,363)	
Gain on disposal of subsidiaries									-	-								167,864	167,864	
Gain on disposal of an associate									495	-								-	495	
Share of losses of associates									(433)	(15,532)								-	(433)	
Share of loss of a joint venture									(139,919)	(90,132)								-	(139,919)	
Reversal of provision for litigation									-	-								17,800	17,800	
Unallocated other income, gains and losses									44,449	(51,659)								-	44,449	
Unallocated finance costs									(99,258)	(149,728)								-	(99,258)	
Unallocated expenses									(26,171)	(43,240)								(51)	(26,222)	
Profit (loss) before taxation									148,681	154,633								146,708	(359,027)	
Income tax (expense) credit									(9,979)	(66)								389	81,252	
Profit (loss) for the period									138,702	154,567								147,097	(277,775)	

Segment results represent the profit earned by/loss from each segment without allocation of certain other income, gains and losses, certain finance costs, change in fair value of derivative financial instruments, share of losses of associates, share of loss of a joint venture, gain on disposal of subsidiaries, gain on disposal of an associate, impairment on interest in an associate, reversal of provision for litigation and corporate expenses. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
<b><i>Segment assets</i></b>		
Operation of integrated resort in the Philippines	3,885,181	3,040,092
Operation of integrated resort in the Russian Federation	1,810,499	2,643,570
Travel related products and services	90,650	126,169
Hotel and integrated resort general consultancy services	8,005	4,202
Property development	707,601	611,910
Property leasing and management and operation of malls	<u>82,294</u>	<u>1,305,770</u>
Total segment assets	<b>6,584,230</b>	7,731,713
Unallocated assets:		
Interests in associates	–	20,846
Interest in a joint venture	469,314	615,464
Loans to a joint venture	287,712	269,570
Amounts due from a joint venture	17,423	9,169
Property, operating right and equipment	216	295,682
Right-of-use assets	1,309	1,800
Derivative financial instrument	2,890	2,701
Loan receivable	495,249	–
Pledged bank deposits	41,610	–
Bank balances and cash	181,684	42,840
Deferred tax assets	–	66
Others	<u>15,303</u>	<u>41,247</u>
Consolidated total assets	<b><u>8,096,940</u></b>	<b><u>9,031,098</u></b>

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
<b><i>Segment liabilities</i></b>		
Operation of integrated resort in the Philippines	934,483	787,984
Operation of integrated resort in the Russian Federation	186,261	188,254
Travel related products and services	11,715	60,003
Hotel and integrated resort general consultancy services	2,328	2,781
Property development	128,994	1,168,047
Property leasing and management and operation of malls	<u>71,287</u>	<u>531,052</u>
Total segment liabilities	<b>1,335,068</b>	2,738,121
Unallocated liabilities:		
Current tax liabilities	5,266	10,759
Deferred tax liabilities	–	235,462
Convertible bonds	453,744	412,730
Derivative financial instruments	248,412	704,920
Lease liabilities	1,299	1,765
Loans from non-controlling shareholders of a subsidiary	–	83,614
Amounts due to non-controlling shareholders of a subsidiary	–	2,666
Amounts due to related companies	196,311	192,869
Amount due to a director	4,647	4,700
Bank and other borrowings	965,259	–
Provision for litigation	–	27,800
Others	<u>85,492</u>	<u>15,085</u>
Consolidated total liabilities	<b><u>3,295,498</u></b>	<b><u>4,430,491</u></b>

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

- all assets are allocated to operating segments other than interests in associates, interest in a joint venture, loans to and amounts due from a joint venture, loan receivable, certain right-of-use assets, derivative financial instrument, certain property, operating right and equipment, certain pledged bank deposits, certain bank balances and cash, deferred tax assets and corporate assets of investment holding companies; and
- all liabilities are allocated to operating segments other than certain lease liabilities, convertible bonds, derivative financial instruments, current tax liabilities, deferred tax liabilities, amounts due to a director and related companies, certain bank and other borrowings, provision for litigation and corporate liabilities of investment holding companies.

## 6. OTHER INCOME, GAINS AND LOSSES

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Bank interest income	3,879	1,679
Interest income on loans to a joint venture	15,297	1,186
Imputed interest income on loans to a joint venture	20,846	5,721
Gain on disposal of property, operating right and equipment	153	–
Net exchange gain (loss)	8,267	(65,057)
Others	1,283	1,447
	<u>49,725</u>	<u>(55,024)</u>

## 7. FINANCE COSTS

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Imputed interest expense on convertible bonds <i>(Notes 19(a) and (b))</i>	45,738	27,812
Imputed interest expense on promissory note	20,489	11,828
Imputed interest expense on loans from a related company	8,002	69,430
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	3,340	–
Imputed interest expense on VAT arrangements	824	–
Interest on promissory note	2,504	2,733
Interest on loans from a related company	1,903	36,511
Interest on loans from non-controlling shareholders of a subsidiary	940	1,194
Interest on bank borrowings	1,475	1,302
Interest on other borrowings	20,970	15,082
Interest on lease liabilities	16,925	220
	<u>123,110</u>	<u>166,112</u>

No finance costs have been capitalised for both periods.

## 8. INCOME TAX EXPENSE

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
<b>Current tax</b>		
– PRC Enterprise Income Tax (“EIT”)	905	–
– Macau Complementary Income Tax (“CIT”)	9	7
– Philippines capital gains tax	3,134	–
– Philippines withholding tax	5,752	59
– Russian corporate tax	48	–
– Other jurisdictions tax	131	–
	<u>9,979</u>	<u>66</u>

### (a) Hong Kong Profits Tax

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

**(b) PRC EIT**

Under the Law of the PRC on the PRC EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% for the six months ended 30 June 2021 and 2020.

According to the EIT Law and the Implementation Regulation of the EIT Law of the PRC, an entity eligible as a small low-profit enterprise (“**Small Low-profit Enterprise**”) is subject to preferential tax treatments, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to PRC EIT calculated at 25% of its taxable income at a tax rate of 20%; a Small Low-profit Enterprise with annual taxable income which exceeds RMB1,000,000 but does not exceed RMB3,000,000 is subject to PRC EIT calculated at 50% of its taxable income at a tax rate of 20%. For the six months ended 30 June 2021 and 2020, none of the subsidiaries of the Group is eligible as a Small Low-profit Enterprise.

**(c) PRC withholding income tax**

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries for those registered as foreign-investment enterprises under the laws of the PRC from 1 January 2008 onwards. As at 30 June 2021, no deferred taxation has been provided for in the condensed consolidated financial statements as no accumulated profits is generated by PRC subsidiaries of the Group registered as foreign-investment enterprises.

**(d) Macau CIT**

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the six months ended 30 June 2021 and 2020.

**(e) Philippines Corporate Income Tax (“Philippines CIT”)**

Philippines CIT is calculated at 30% of the estimated profits for the six months ended 30 June 2021 and 2020. No provision for Philippines CIT has been made for the period as the Philippines subsidiaries incurred losses for the period.

**(f) Philippines capital gains tax**

Philippine capital gains tax is calculated at (i) 15% of the net capital gains realised during the taxable year from sale, barter, exchange or other disposal of shares in a domestic corporation, except for shares traded and sold through The Philippine Stock Exchange, Inc.; or (ii) 6% of the gross selling price or current fair market value, whichever is higher, during the taxable year from sale, barter, exchange or other disposal of real property classified as capital assets located in the Philippines.

**(g) Philippines withholding tax**

Philippines withholding tax of 30% shall be levied on the dividend declared by the companies incorporated in the Philippines to non-resident foreign corporations in the Philippines.

Interests on bank savings and time deposits received by the companies incorporated in the Philippines and gross interest income from intragroup borrowings between Summit Ascent Group and SunTrust Group are subject to a final tax between 15% to 20%.

**(h) Japan Corporate Income Tax**

Corporate tax in Japan is calculated on the estimated assessable profit for the six months ended 30 June 2021 and 2020 at the rates of taxation prevailing in Japan in which the Group operates. No provision for Japan Corporate Income Tax has been made for the period as the Japan subsidiaries incurred losses for the period.

**(i) Russian corporate tax**

Russian corporate tax is calculated at a rate of 20% of the estimated assessable profit for the six months ended 30 June 2021. However, no Russian corporate tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation.

**(j) Overseas income tax**

The Company and a subsidiary were incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax. Pursuant to the rules and regulations of the BVI and Bermuda, the Company's subsidiaries are not subject to any income tax in the respective jurisdictions.

## 9. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Profit for the period from continuing operations has been arrived at after charging (crediting) the following:		
Depreciation of property, operating right and equipment	41,254	2,584
Depreciation of right-of-use assets	56,918	1,400
Amortisation of intangible assets	12	–
	<u>98,184</u>	<u>3,984</u>
Total depreciation and amortisation	98,184	3,984
Less: capitalised in construction in progress included in property, operating right and equipment	(51,740)	–
	<u>46,444</u>	<u>3,984</u>
Total depreciation and amortisation expensed	<u>46,444</u>	<u>3,984</u>
Total depreciation and amortisation expensed is presented in the condensed consolidated statement of profit or loss as		
– Cost of sales	32,381	–
– Administrative expenses	14,063	3,984
	<u>46,444</u>	<u>3,984</u>
Directors' remuneration	9,756	12,296
Staff costs, excluding Directors and consultants		
– salaries and wages	67,008	14,713
– share-based compensation benefits	625	1,234
– retirements benefits scheme contributions	11,091	523
	<u>78,724</u>	<u>16,470</u>
Staff costs, excluding Directors and consultants	78,724	16,470
Total staff costs	88,480	28,766
Less: capitalised in construction in progress included in property, operating right and equipment	(2,550)	–
	<u>85,930</u>	<u>28,766</u>
Total staff costs expensed	<u>85,930</u>	<u>28,766</u>
Impairment loss recognised in respect of deposits	110	–
Short-term and variable lease payments (including COVID-19 related rent concessions of RMB256,000 (six months ended 30 June 2020: RMB354,000))	709	408
Cost of sales		
– cost of travel related products sold	25,991	64,037
– cost of services rendered	3,805	–
– operating expenses of gaming and hotel operations	83,073	–
	<u>112,869</u>	<u>64,037</u>

## 10. DIVIDENDS

No dividends were proposed, declared or paid during the six months ended 30 June 2021 and 2020. The Directors have determined that no dividends will be paid in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 11. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the shareholders of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings (loss)</b>		
Profit (loss) attributable to shareholders of the Company for the purpose of calculating basic earnings (loss) per share from:		
– Continuing operations	61,939	159,181
– Discontinued operations	147,097	(277,775)
	<u>209,036</u>	<u>(118,594)</u>
Effect of dilutive potential ordinary shares:		
– Adjustment to share of loss of SunTrust based on dilution of its loss per share	(7,544)	–
– Change in fair value of conversion option derivatives of 2016 Convertible Bond and 2018 Convertible Bond	(448,874)	(587,264)
– Imputed interest expenses on 2016 Convertible Bond and 2018 Convertible Bond	45,241	27,812
– Exchange (gain) loss in relation to 2016 Convertible Bond and 2018 Convertible Bond	(11,921)	49,648
	<u>(214,062)</u>	<u>(628,398)</u>
Loss for the purpose of calculating diluted loss per share	<u>(214,062)</u>	<u>(628,398)</u>
Attributable to:		
– Continuing operations	(361,159)	(350,623)
– Discontinued operations	147,097	(277,775)
	<u>(214,062)</u>	<u>(628,398)</u>

	<b>Number of shares</b>	
	<b>2021</b>	<b>2020</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>6,667,862,249</b>	6,666,972,746
Effect of dilutive potential ordinary shares:		
– 2016 Convertible Bond and 2018 Convertible Bond	<u><b>1,876,153,845</b></u>	<u>1,876,153,845</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><b>8,544,016,094</b></u>	<u>8,543,126,591</u>

For the six months ended 30 June 2021 and 2020, the calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the assumed exercise of those share options would result in decrease in loss per share.

For the six months ended 30 June 2021, the conversion of the outstanding convertible bonds issued by Summit Ascent has an anti-dilutive effect on the basic earnings per share amount presented.

## 12. PREPAYMENTS AND DEPOSITS FOR NON-CURRENT ASSETS

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Land use right in the PRC <i>(Note (a))</i>	<b>8,136</b>	8,136
Long-term prepayments <i>(Note (b))</i>	<b>11,260</b>	11,389
Deposits for purchase of property, operating right and equipment <i>(Note (c))</i>	<b>152,000</b>	9,693
Deposit for acquisition of land parcels <i>(Note (d))</i>	<u>–</u>	<u>34,106</u>
	<b>171,396</b>	63,324
Less: Allowance for impairment	<u><b>(6,157)</b></u>	<u>(6,116)</u>
	<u><b>165,239</b></u>	<u>57,208</u>

*Notes:*

- (a) The amount represents prepayment for the land use right for a property project in the PRC.
- (b) Long-term prepayments represent prepayments for connection to the utility infrastructure network located in the IEZ Primorye in the Russian Federation.

- (c) The balance mainly represents the advance deposits paid to the main contractor for the construction of a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines, which is currently under development by SunTrust (the “**Main Hotel Casino**”).
- (d) Deposit for acquisition of land parcels represents a refundable deposit for the acquisition of land parcels located at Niseko, Hokkaido, Japan. The acquisition of the land parcels was completed in January 2021.

### 13. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost of unlisted investment	363,621	363,621
Share of post-acquisition losses and other comprehensive expenses	(366,190)	(345,885)
Exchange difference	<u>2,569</u>	<u>2,595</u>
	–	20,331
Loans to a joint venture ( <i>Note</i> )	444,309	444,309
Deemed capital contribution	184,983	184,983
Share of post-acquisition losses and other comprehensive expenses in excess of cost of investment	(119,909)	–
Exchange difference	<u>(40,069)</u>	<u>(34,159)</u>
Interest in a joint venture	<u><u>469,314</u></u>	<u><u>615,464</u></u>
Loans to a joint venture		
– Current	193,289	183,983
– Non-current	<u>94,423</u>	<u>85,587</u>
	<u><u>287,712</u></u>	<u><u>269,570</u></u>
Amounts due from a joint venture		
– Current	13,039	6,394
– Non-current	<u>4,384</u>	<u>2,775</u>
	<u><u>17,423</u></u>	<u><u>9,169</u></u>

*Note:* The loans of approximately RMB444,309,000 to a joint venture are interest-free, unsecured and with no fixed repayment term. Such loans form the Group’s net investment in a joint venture.

#### 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables ( <i>Note</i> )		
– Contracts with customers	7,980	19,863
– Leases	–	7,253
	<u>7,980</u>	<u>27,116</u>
Allowance for impairment	<u>(1,893)</u>	<u>(1,915)</u>
	6,087	25,201
Other receivables	28,359	25,538
Other deposits	13,486	12,077
Indirect tax recoverable	50,428	5,642
Prepayments	<u>21,679</u>	<u>23,736</u>
	<u><u>120,039</u></u>	<u><u>92,194</u></u>

*Note:*

Amount represents trade receivables from hotel and integrated resort general consultancy services and travel agency services. For the hotel and integrated resort general consultancy services, a credit period ranging from 0 to 15 days is granted. For the travel agency services, the Group generally allows a credit period of 30 days to its customers.

The following is an aging analysis of trade receivables based on the invoice dates of both hotel and integrated resort general consultancy services and property leasing, dates of check-in and dates of the properties delivered at the end of each reporting period which approximated to the revenue recognition dates.

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within 30 days	3,786	17,183
31–90 days	678	2,460
91–180 days	–	2,583
Over 180 days	<u>1,623</u>	<u>2,975</u>
	<u><u>6,087</u></u>	<u><u>25,201</u></u>

## 15. LOAN RECEIVABLE

The maturity profile of the loan receivable is as follows:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within one year (shown under current assets)	404,621	–
More than one year and not more than two years (shown under non-current assets)	<u>90,628</u>	–
	<u><u>495,249</u></u>	<u><u>–</u></u>

On 30 June 2021, as part of the Disposal, a loan and guarantee agreement (the “**Loan Agreement**”) was entered into among Shenzhen Sky Alliance Property Company Limited (“**Shenzhen Sky Alliance**”), an indirect wholly-owned subsidiary of the Company, Shenzhen Zirui Real Estate Development Limited (“**Shenzhen Zirui**”), a wholly-owned subsidiary of Access Achievement, and Mr. Chiu King Yan (“**Mr. Chiu**”), the agent of Shenzhen Sky Alliance. A property mortgage agreement (the “**Property Mortgage Agreement**”) was subsequently entered into between Mr. Chiu as the agent of Shenzhen Sky Alliance and Shenzhen Zirui, as the guarantor on 30 June 2021. Pursuant to the Loan Agreement and the Property Mortgage Agreement, the outstanding principal amount of RMB519,249,000 owed by Shenzhen Zirui to Shenzhen Sky Alliance (the “**Shenzhen Sky Alliance Loan**”) on 30 June 2021 is interest-free, and secured by 20 commercial units and shops, 1 apartment and 22 villas in Le Paysage, which are owned by Shenzhen Zirui.

Shenzhen Sky Alliance Loan shall be repayable according to the schedule as outlined below:

	<i>RMB'000</i>
On or before 31 July 2021	17,500
On or before 31 March 2022	401,749
On or before 30 June 2023	<u>100,000</u>
Total outstanding principal amount	<u><u>519,249</u></u>

The carrying amount of the loan receivable is determined using effective interest rate of 5.04% per annum.

## 16. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits represent deposits for the following purposes:

	As at	
	30 June 2021	31 December 2020
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Securities for banking facilities	41,610	6
Securities for mortgage loan facilities granted by the banks to buyers of the Group's properties	–	299
Securities for the travel agency business to the suppliers and license granted by the local regulatory bodies	<u>4,604</u>	<u>5,500</u>
	<u><u>46,214</u></u>	<u><u>5,805</u></u>
Amounts presented as:		
– Current	41,610	305
– Non-current ( <i>Note</i> )	<u>4,604</u>	<u>5,500</u>
	<u><u>46,214</u></u>	<u><u>5,805</u></u>

*Note:* The amounts are placed for rendering travel agency services and the entire balances are not expected to be received within one year and therefore are classified as non-current assets.

As at 30 June 2021, pledged bank deposits are subjected to floating interest rate ranged from 0.1% to 0.4% (31 December 2020: 0.2% to 1.5%) per annum.

As at 30 June 2021, none of the bank deposits were restricted.

As at 31 December 2020, restricted bank deposits represented:

- (i) deposits of income generated by certain pledged investment properties of the Disposal Group in a specified bank account as requested by a bank for satisfying the repayment of the bank borrowings and its withdrawal required prior approval by the bank amounted to approximately RMB1,165,000;
- (ii) in connection with a litigation in relation to a building management service contract with a service provider, a bank account of the Group with balance of approximately RMB981,000 was subject to court seizure during the period from 14 July 2020 to 13 July 2021. The seizure of bank account was subsequently released in June 2021 by the court since the mediation arrangement had been affirmed by the court on 17 June 2021. Pursuant to the mediation arrangement, an amount of RMB1,670,000 shall be paid to the plaintiff as settlement; and
- (iii) certain bank balances frozen by the relevant local bureau in the PRC amounting to approximately RMB858,000 (the “**Frozen Bank Accounts**”). One of such Frozen Bank Accounts as at 31 December 2020 was held by the Disposal Group with a balance of approximately RMB251 and was released in February 2021. The remaining Frozen Bank Accounts with a balance of approximately RMB858,000 were held by a subsidiary of the Company, which was deregistered during the six months ended 30 June 2021.

## 17. TRADE AND OTHER PAYABLES

An analysis of trade and other payables, including the aging analysis of trade payables, based on invoice dates, is as follows:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Trade payables ( <i>Note</i> )	47,073	57,156
Interest payables	49,915	60,151
Payable in respect of transfer of connection right to local electricity supply network	9,089	8,993
Liabilities of VAT arrangements	7,832	7,749
Retention payables	25,301	–
Other tax payables	11,987	7,571
Provision for indemnity ( <i>Note 21(b)</i> )	22,537	–
Other payables and accruals	<u>176,404</u>	<u>158,396</u>
	<u><u>350,138</u></u>	<u><u>300,016</u></u>
Amounts presented as:		
– Current	311,226	272,191
– Non-current	<u>38,912</u>	<u>27,825</u>
	<u><u>350,138</u></u>	<u><u>300,016</u></u>

*Note:*

The following is an aging analysis of trade payables at the end of each reporting period based on invoice dates:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
0–90 days	2,276	4,922
Over 90 days	<u>44,797</u>	<u>52,234</u>
	<u><u>47,073</u></u>	<u><u>57,156</u></u>

## 18. BANK AND OTHER BORROWINGS

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Bank borrowings		
– Secured	<u>38,236</u>	<u>376,507</u>
Other borrowings		
– Secured	124,815	242,416
– Unsecured	<u>802,208</u>	<u>693,725</u>
	<u>927,023</u>	<u>936,141</u>
	<u><u>965,259</u></u>	<u><u>1,312,648</u></u>

### (a) Bank borrowings

The maturity profile of bank borrowings is as follows:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within one year	38,236	77,996
More than one year but not exceeding two years	–	38,208
More than two years but not more than five years	–	114,846
Over five years	<u>–</u>	<u>145,457</u>
	<u>38,236</u>	<u>376,507</u>
Less: Repayable on demand due to breach of loan covenants	–	(40,000)
Amounts due for settlement within one year (shown under current liabilities)	<u>(38,236)</u>	<u>(37,996)</u>
	<u>(38,236)</u>	<u>(77,996)</u>
Amounts due for settlement after one year	<u>–</u>	<u><u>298,511</u></u>

(b) **Other borrowings**

The maturity profile of other borrowings is as follows:

	As at	
	30 June 2021	31 December 2020
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Within one year	601,985	196,500
More than one year but not exceeding two years	<u>325,038</u>	<u>739,641</u>
	927,023	936,141
Less: Amounts due for settlement within one year	<u>(601,985)</u>	<u>(196,500)</u>
Amounts due for settlement after one year	<u><u>325,038</u></u>	<u><u>739,641</u></u>

- (c) During the six months ended 30 June 2021, there were new other borrowings of RMB216,815,000 (six months ended 30 June 2020: RMB374,000,000) raised from three (six months ended 30 June 2020: four) non-financial institutions. One new other borrowing of RMB124,815,000 is secured and guaranteed by Mr. Chau, the chairman and a director of the Company, with interest bearing at 18.29% per annum and repayable within 4 months. Two new other borrowings in the aggregate amount of RMB92,000,000 are unsecured and guaranteed by the Company, with interest bearing at 12% per annum and repayable within 3 months.

As at 31 December 2020, bank borrowing of approximately RMB51,507,000 was guaranteed by Mr. Chau and such bank borrowing was repaid during the six months ended 30 June 2021.

- (d) As at 30 June 2021, the Group's assets pledged as securities for the Group's bank borrowings are as follows:

	As at	
	30 June 2021	31 December 2020
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Investment properties	–	1,185,600
Pledged bank deposits	41,610	6
Property, operating right and equipment ( <i>Note (a)</i> )	<u>65,547</u>	<u>70,027</u>
	<u><u>107,157</u></u>	<u><u>1,255,633</u></u>

*Note:*

- (a) As at 30 June 2021, (i) certain property, operating right and equipment of RMB65,547,000 and (ii) the entire equity interest of a subsidiary of the Group have been pledged as securities for a bank borrowing of which has been fully repaid, and such securities have been released on 11 August 2021.

- (e) As at 30 June 2021, the Group's assets pledged as securities for the Group's other borrowings are as follows:

On 31 May 2021, the Company entered into a loan agreement with an independent third party for a loan of HK\$150,000,000 (equivalent to RMB124,815,000) (the "**Facility**"). The Facility was secured by a debenture (the "**Debenture**") incorporating a first fixed charge and a first floating charge over certain undertaking, property and assets of the Group with carrying value of RMB5,276.8 million as at 30 June 2021. Subsequent to the end of the reporting period, the Company has fully settled the Facility on 26 July 2021 and the securities under the Debenture have been released in July 2021.

As at 31 December 2020, inventories of RMB172,139,000 and the entire equity interest of a subsidiary of the Group were pledged as securities of the Group's other borrowings of RMB242,416,000.

## 19. CONVERTIBLE BONDS/ DERIVATIVE FINANCIAL INSTRUMENTS

- (a) **Convertible bonds**

### *2016 Convertible Bond*

On 8 December 2016, the Company issued a convertible bond ("**2016 Convertible Bond**") with a principal amount of HK\$570,000,000 (equivalent to RMB505,077,000 at the issuance date) to Fame Select, the major shareholder of the Company to set off the balance of the loan from immediate holding company and the related accrued interest due to Fame Select on a dollar-for-dollar basis against the total subscription price payable by Fame Select in respect of the subscription of the 2016 Convertible Bond.

The original maturity date of the 2016 Convertible Bond is 7 December 2018 ("**2016 CB Maturity Date**") which is 2 years from the date of issue of the 2016 Convertible Bond. The 2016 Convertible Bond is not interest bearing and matures on 2016 CB Maturity Date at the principal amount. The 2016 Convertible Bond is convertible into shares of the Company at any time after the issuance up to the close of business on the 2016 CB Maturity Date at the conversion price of HK\$0.26 per share, subject to anti-dilutive adjustments ("**2016 CB Conversion Option**"). The initial number of ordinary shares of the Company issuable upon conversion is 2,192,307,692 shares, which represent 59.34% of the total number of ordinary shares of the Company issued and outstanding as at the issue date of the 2016 Convertible Bond as enlarged by the conversion of the entire 2016 Convertible Bond.

The Company is entitled to an option to early redeem at any time before the 2016 CB Maturity Date the whole or part of the principal outstanding amount of the 2016 Convertible Bond at the corresponding principal amount.

The 2016 Convertible Bond contains a debt component and derivative component. The 2016 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments on the basis that the 2016 Convertible Bond is denominated in HK\$, a foreign currency of the Company.

The fair value of the 2016 Convertible Bond was approximately HK\$568,761,000 (equivalent to approximately RMB503,979,000) on the initial recognition date. On initial recognition, the debt component was recognised at fair value, calculated based on the present value of the principal amount plus accrued coupon interest over the expected life of the 2016 Convertible Bond. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 14.64% per annum. The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

On 8 May 2018, the Company and Fame Select entered into an amendment agreement (the “**Amendment Agreement**”) to extend the 2016 CB Maturity Date to 7 December 2020 (the “**Extended 2016 CB Maturity Date**”). The Amendment Agreement was passed by the ordinary resolution at the extraordinary general meeting of the Company held on 28 September 2018. The effective interest rate of the debt component was 8.01% per annum after the extension of the 2016 CB Maturity Date.

On 8 November 2018, the Company received the conversion notice from Fame Select in respect of the exercise in part of the subscription rights attached to the 2016 Convertible Bond to convert an aggregate of HK\$168,000,000 of the principal amount of the 2016 Convertible Bond (the “**Partial 2016 Convertible Bond Conversion**”) into 646,153,846 ordinary shares at the conversion price of HK\$0.26 per share.

Due to the Partial 2016 Convertible Bond Conversion, the carrying amount of the debt component had been reduced from approximately HK\$502,867,000 (equivalent to approximately RMB444,204,000) to approximately HK\$334,867,000 (equivalent to approximately RMB295,803,000) and the carrying amount of the derivative financial instruments had been reduced from approximately HK\$1,558,596,000 (equivalent to approximately RMB1,376,770,000) to approximately HK\$1,099,220,000 (equivalent to approximately RMB970,985,000) on 8 November 2018 (i.e. date of Partial 2016 Convertible Bond Conversion) based on the present value of the principal amount plus accrued coupon interest over the expected life of the remaining 2016 Convertible Bond after the Partial 2016 Convertible Bond Conversion. The change in carrying amount of the debt component of HK\$168,000,000 (equivalent to approximately RMB148,401,000) and of the derivative financial instruments of approximately HK\$459,376,000 (equivalent to approximately RMB405,785,000) were transferred to the equity.

On 15 October 2020, the Company and Fame Select entered into a supplemental deed to further extend the Extended 2016 CB Maturity Date to 7 December 2022. The supplemental deed became effective on 7 December 2020, the date on which all the conditions precedent of the supplemental deed had been fulfilled.

Due to the extension of the Extended 2016 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$402,000,000 (equivalent to approximately RMB359,319,000) to approximately HK\$268,499,000 (equivalent to approximately RMB226,426,000) on 7 December 2020 (i.e. date of extension) based on the present value of the principal amount. The effective interest rate of the debt component is 22.36% per annum after the extension of the Extended 2016 CB Maturity Date.

The fair values of the derivative financial instruments of 2016 Convertible Bond as at 31 December 2019, 30 June 2020, 7 December 2020, 31 December 2020 and 30 June 2021 are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Option Pricing Model (the “**Binomial Model**”).

### **2018 Convertible Bond**

On 28 August 2018, the Company issued a convertible bond (“**2018 Convertible Bond**”) with a principal amount of HK\$297,000,000 (equivalent to approximately RMB257,475,000 at the issuance date) to Star Hope Limited (“**Star Hope**”), a related company wholly-owned by Mr. Chau and Better Linkage Limited (“**Better Linkage**”), a related company wholly-owned by Mr. Lo Kai Bong, a director of the Company, for the acquisition of the entire equity interest of Star Admiral Limited (“**Star Admiral**”) and shareholder’s loan owed by Star Admiral.

The maturity date of the 2018 Convertible Bond is 28 August 2020 (“**2018 CB Maturity Date**”) which is 2 years from the date of issue of the 2018 Convertible Bond. The 2018 Convertible Bond is not interest bearing and matures on 2018 CB Maturity Date at the principal amount. The 2018 Convertible Bond is convertible into shares of the Company at any time after the issuance up to the close of business on the 2018 CB Maturity Date at the conversion price of HK\$0.90 per share, subject to anti-dilutive adjustments (“**2018 CB Conversion Option**”). The initial number of ordinary shares of the Company issuable upon conversion is 329,999,999 shares, which represent 5.20% of the total number of ordinary shares of the Company issued and outstanding as at the issue date of the 2018 Convertible Bond as enlarged by the conversion of the entire 2018 Convertible Bond.

The Company is entitled to an option to early redeem at any time before the 2018 CB Maturity Date the whole or part of the principal outstanding amount of the 2018 Convertible Bond at the corresponding principal amount.

The 2018 Convertible Bond contains a debt component and derivative component. The 2018 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for fixed number of the Company’s own equity instruments on the basis that the 2018 Convertible Bond is denominated in HK\$, a foreign currency of the Company.

The fair value of the 2018 Convertible Bond was approximately HK\$471,123,000 (equivalent to approximately RMB408,426,000) on the initial recognition date. On initial recognition, the debt component was recognised at fair value, calculated based on the present value of the principal amount plus accrued coupon interest over the expected life of the 2018 Convertible Bond. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 9.86% per annum. The derivative component is measured at fair values at the issuance date and in subsequent periods with changes in fair value recognised in profit or loss.

On 3 July 2020, the Company, Star Hope and Better Linkage entered into a supplemental deed to extend the 2018 CB Maturity Date to 28 August 2022. The supplemental deed became effective on 24 August 2020, the date on which all the conditions precedent of the supplemental deed have been fulfilled.

Due to the extension of the 2018 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$297,000,000 (equivalent to approximately RMB265,984,000) to approximately HK\$184,018,000 (equivalent to approximately RMB164,289,000) on 24 August 2020 (i.e. date of extension) based on the present value of the principal amount. The effective interest rate of the debt component is 26.87% per annum after the extension.

The fair values of the derivative financial instruments of 2018 Convertible Bond as at 31 December 2019, 30 June 2020, 24 August 2020, 31 December 2020 and 30 June 2021 are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

The significant inputs used for the calculations of fair values of the derivative financial instruments are as follows:

#### 2016 Convertible Bond

	<b>30 June 2021</b>	31 December 2020
Share price	<b>HK\$0.39</b>	HK\$0.69
Conversion price	<b>HK\$0.26</b>	HK\$0.26
Expected volatility ( <i>Note (a)</i> )	<b>56.37%</b>	61.50%
Expected option life	<b>1.44 years</b>	1.94 years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.23%</b>	0.31%

#### 2018 Convertible Bond

	<b>30 June 2021</b>	31 December 2020
Share price	<b>HK\$0.39</b>	HK\$0.69
Conversion price	<b>HK\$0.90</b>	HK\$0.90
Expected volatility ( <i>Note (a)</i> )	<b>55.03%</b>	62.58%
Expected option life	<b>1.16 years</b>	1.66 years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.21%</b>	0.32%

*Notes:*

- (a) The expected volatility was determined by using the historical volatility of the Company's share price over a period commensurate with the remaining term.
- (b) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the next two years of the Company.
- (c) Risk-free rate is estimated based on the yield of Hong Kong Dollar Swap Curve with a similar remaining tenure.

The movements of the debt component of convertible bonds and derivative financial instruments are shown respectively as follows:

### 2016 Convertible Bond

	<b>Debt component</b>	<b>Derivative financial instruments</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020 (Audited)	333,008	1,907,282	2,240,290
Credit to profit or loss	–	(468,170)	(468,170)
Exchange difference	6,644	34,171	40,815
Imputed interest expense ( <i>Note 7</i> )	<u>14,563</u>	<u>–</u>	<u>14,563</u>
At 30 June 2020 (Unaudited)	<u>354,215</u>	<u>1,473,283</u>	<u>1,827,498</u>
At 1 January 2021 (Audited)	229,303	666,228	895,531
Credit to profit or loss	–	(413,716)	(413,716)
Exchange difference	(2,633)	(6,956)	(9,589)
Imputed interest expense ( <i>Note 7</i> )	<u>24,809</u>	<u>–</u>	<u>24,809</u>
<b>At 30 June 2021 (Unaudited)</b>	<b><u>251,479</u></b>	<b><u>245,556</u></b>	<b><u>497,035</u></b>

### 2018 Convertible Bond

At 1 January 2020 (Audited)	248,723	238,933	487,656
Credit to profit or loss	–	(119,094)	(119,094)
Exchange difference	4,981	3,852	8,833
Imputed interest expense ( <i>Note 7</i> )	<u>13,249</u>	<u>–</u>	<u>13,249</u>
At 30 June 2020 (Unaudited)	<u>266,953</u>	<u>123,691</u>	<u>390,644</u>
At 1 January 2021 (Audited)	169,583	37,989	207,572
Credit to profit or loss	–	(35,158)	(35,158)
Exchange difference	(1,952)	(380)	(2,332)
Imputed interest expense ( <i>Note 7</i> )	<u>20,432</u>	<u>–</u>	<u>20,432</u>
<b>At 30 June 2021 (Unaudited)</b>	<b><u>188,063</u></b>	<b><u>2,451</u></b>	<b><u>190,514</u></b>
<b>Total</b>			
<b>At 30 June 2021 (Unaudited)</b>	<b><u>439,542</u></b>	<b><u>248,007</u></b>	<b><u>687,549</u></b>
At 31 December 2020 (Audited)	<u>398,886</u>	<u>704,217</u>	<u>1,103,103</u>

(b) **Convertible bonds payable issued by Summit Ascent (“Summit Ascent CB”)**

During the year ended 31 December 2020, a non-wholly owned subsidiary of the Company, Summit Ascent, issued convertible bonds denominated in United States dollars (“US\$”) for the acquisition of additional interests in its subsidiary from a non-controlling shareholder in an aggregate principal amount of US\$3,000,000 with an initial conversion price of HK\$3.50 (to be translated to US\$ at a fixed rate of HK\$7.75 to US\$1.00) per share with adjustments clauses, which will mature on the fifth anniversary of the respective issue dates. The Summit Ascent CB carries no interest.

The Summit Ascent CB contains two components, a debt component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the holders the right at any time to convert the Summit Ascent CB into ordinary shares of Summit Ascent (“**Summit Ascent Shares**”). However, since the conversion option would be settled other than by the exchange of a fixed amount of the Summit Ascent’s own equity instruments, the conversion option was accounted for as derivative financial instrument.

At initial recognition, the derivative financial instrument in the Summit Ascent CB is measured at fair value and is separately presented. Any excess of the fair values of the Summit Ascent CB over the amounts initially recognised as derivative financial instrument in Summit Ascent CB is recognised as debt component in the Summit Ascent CB.

At the end of the reporting period, the fair value of the derivative financial instrument in the Summit Ascent CB is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss.

The debt component in the Summit Ascent CB is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rate of the debt component in the Summit Ascent CB is 7.37% per annum.

When the Summit Ascent CB is converted, the Summit Ascent Shares to be issued are measured at fair value and any difference between the fair value of Summit Ascent Shares to be issued and the carrying amounts of the derivative financial instrument and debt component in the Summit Ascent CB is recognised in profit or loss.

The fair value of the derivative financial instrument of the Summit Ascent CB as at 30 June 2021 had been determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

The movements of the debt component and derivative financial instrument of the Summit Ascent CB are shown as follows:

	<b>Debt component</b>	<b>Derivative financial instrument</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021 (Audited)	13,844	703	14,547
Credit to profit or loss	–	(292)	(292)
Exchange difference	(139)	(6)	(145)
Imputed interest expense ( <i>Note 7</i> )	497	–	497
<b>At 30 June 2021 (Unaudited)</b>	<b>14,202</b>	<b>405</b>	<b>14,607</b>

The significant inputs used for the calculation of fair value of the derivative financial instrument are as follows:

	<b>30 June 2021</b>	31 December 2020
<b>Summit Ascent CB</b>		
Share price of Summit Ascent	<b>HK\$0.68</b>	HK\$0.75
Expected volatility ( <i>Note (a)</i> )	<b>57.04%</b>	60.45%
Expected remaining life	<b>4.38 Years</b>	4.88 Years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.76%</b>	0.41%

*Notes:*

- (a) The expected volatility was determined by using the historical volatility of Summit Ascent over a period commensurate with the remaining term.
- (b) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the remaining term of Summit Ascent.
- (c) Risk-free rate is estimated with reference to the US Treasury Yield Curve of similar remaining tenure.

(c) **Put option**

On 28 October 2019, the Group has entered into an agreement with Westside City Resorts World Inc. (“**Westside**”) and Travellers International Hotel Group Inc. (“**Travellers**”), related companies of a non-controlling shareholder of SunTrust. Pursuant to the agreement, the Group is entitled, at its sole discretion, to exercise a put option in relation to its equity interest in SunTrust with a consideration of approximately RMB151,548,000 plus interest of 3.5% per annum to Westside and Travellers upon occurrence of events stated in the agreement.

The fair values of the derivative financial instrument of the put option as at 30 June 2021 and 31 December 2020 were approximately RMB2,890,000 and RMB2,701,000 respectively, which are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

The significant inputs used for the calculation of fair values of the derivative financial instrument of the put option are as follows:

**Put option**

	<b>30 June 2021</b>	31 December 2020
Share price	<b>PHP1.720</b>	PHP1.670
Expected volatility ( <i>Note (a)</i> )	<b>66.71%</b>	58.80%
Expected option life ( <i>Note (b)</i> )	<b>2.50 Years</b>	3.00 Years
Expected dividend yield ( <i>Note (c)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (d)</i> )	<b>2.19%</b>	2.18%

*Notes:*

- (a) The expected volatility was determined by using the historical volatility of SunTrust’s share price over a period commensurate with the remaining term.
- (b) The option period is assumed to be expiring on 31 December 2023, being the date of expected commencement of operation of the Main Hotel Casino. The expected option life used in the model is based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.
- (c) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment during the expected option life of SunTrust.
- (d) Risk-free rate is estimated based on the yield-to-maturity in continuous compounding of the Philippines peso swap rates with a similar remaining tenure.

The movements of the fair value of derivative financial instrument of the put option is shown as follows:

	<i>RMB'000</i>
At 1 January 2020 (Audited)	2,619
Credit to profit or loss	895
Exchange difference	<u>102</u>
At 30 June 2020 (Unaudited)	<u><u>3,616</u></u>
At 1 January 2021 (Audited)	2,701
Credit to profit or loss	241
Exchange difference	<u>(52)</u>
<b>At 30 June 2021 (Unaudited)</b>	<b><u><u>2,890</u></u></b>

## 20. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

On 21 February 2021, the Company entered into the S&P Agreement with the Purchaser. Pursuant to the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in Access Achievement, a directly wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000. Control and ownership of Access Achievement passed to the Purchaser upon the completion of the Disposal on 30 June 2021.

Access Achievement is principally an investment holding company. Access Achievement owns entire equity interest in Sun Century Property Group Company Limited (太陽世紀地產集團有限公司), which is principally engaged in property development and property investment in Shenzhen, the PRC. Its principal assets are (1) Hong Long Plaza; and (2) the entire equity interest in Shenzhen Zirui. Shenzhen Zirui is principally engaged in property development and its principal assets are the remaining unsold units in Le Paysage.

(a) **The net liabilities at the date of the disposal of subsidiaries were as follows:**

RMB'000

**Net liabilities disposed of**

Property, operating right and equipment	288
Investment properties	1,175,610
Right-of-use assets	2,253
Deferred tax assets	66
Inventories	334,253
Trade and other receivables and prepayments	15,501
Pledged bank deposits	306
Restricted bank deposits	2,502
Bank balances and cash	81
Trade and other payables	(106,385)
Amounts due from the Group	1,474,159
Amounts due to the Group	(2,793,395)
Contract liabilities	(126,197)
Receipt in advance	(886)
Rent and other deposits	(6,023)
Provision for potential claims	(22,564)
Bank and other borrowings	(567,000)
Lease liabilities	(2,342)
Current tax liabilities	(5,409)
Deferred tax liabilities	(235,003)
	<hr/>
Net liabilities disposed	<u>(860,185)</u>
Cash consideration received	155,290
Net liabilities disposed	860,185
Waiver of amounts due to the Group	(799,987)
Other costs directly attributable to the Disposal	(1,087)
Fair value loss on initial recognition of a loan receivable	(24,000)
Loss on indemnification arising from the Disposal	(22,537)
	<hr/>
Gain on disposal of subsidiaries	<u>167,864</u>

Analysis of net cash inflow in respect of the Disposal is as follows:

	<i>RMB'000</i>
Cash consideration received	155,290
Bank balances and cash disposed of	<u>(81)</u>
Total net cash inflow from disposal	<u><u>155,209</u></u>

**(b) Results of the discontinued operations have been included in the condensed consolidated statement of profit or loss and other comprehensive income:**

The disposal of Access Achievement was completed on 30 June 2021 and was reported in the condensed consolidated financial statements for the six months ended 30 June 2021 as discontinued operations. Financial information relating to the discontinued operations for the period to the completion date of the Disposal is set below.

The financial performance and cash flow information presented reflects the discontinued operations for the six months ended 30 June 2021.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
– Contracts with customers	<b>2,643</b>	2,820
– Leases	<b>16,411</b>	16,307
	<u>19,054</u>	<u>19,127</u>
<b>Total revenue</b>	<b>19,054</b>	19,127
Cost of sales	<b>(5,660)</b>	(1,746)
	<u>13,394</u>	17,381
<b>Gross profit</b>	<b>13,394</b>	17,381
Other income, gains and losses	<b>508</b>	311
Selling and distribution expenses	<b>(701)</b>	(836)
Administrative expenses	<b>(8,377)</b>	(11,983)
Other operating expenses	<b>(6,478)</b>	(4,204)
Change in fair value of investment properties	<b>(9,990)</b>	(333,200)
Reversal of provision for litigation	<b>17,800</b>	–
Finance costs	<b>(27,312)</b>	(26,496)
	<u>(21,156)</u>	(359,027)
Loss before taxation	<b>(21,156)</b>	(359,027)
Income tax credit	<b>389</b>	81,252
	<u>(20,767)</u>	(277,775)
<b>Loss for the period from discontinued operations</b>	<b>(20,767)</b>	(277,775)
Gain on disposal of subsidiaries ( <i>Note 20(a)</i> )	<b>167,864</b>	–
	<u>147,097</u>	<u>(277,775)</u>
Profit (loss) and total comprehensive income (expense) for the period from discontinued operations	<b>147,097</b>	(277,775)

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Net cash flows used in operating activities	(5,749)	(329,909)
Net cash flows used in investing activities	(358)	(1,002)
Net cash flows (used in) from financing activities	(296)	331,433

<b>Net (decrease) increase in cash and cash equivalents of the Disposal Group</b>	<b>(6,403)</b>	<b>522</b>
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Basic earnings (loss) per share from discontinued operations attributable to shareholders of the Company ( <i>RMB cents</i> )	<b>2.21</b>	(4.17)
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Diluted earnings (loss) per share from discontinued operations attributable to shareholders of the Company ( <i>RMB cents</i> )	<b>2.21</b>	(4.17)
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**(c) Loss for the period of the discontinued operations**

Loss for the period of the discontinued operations is stated after charging the following:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, operating right and equipment	60	61
Depreciation of right-of-use assets	743	–
Directors' remuneration	–	–
Staff costs, excluding Directors		
– salaries and wages	4,468	4,496
– retirements benefits scheme contributions	778	143
Total staff costs, excluding Directors	<b>5,246</b>	<b>4,639</b>
Impairment loss recognised in respect of other receivables	–	2,504
Short-term and variable lease payments	4	532
Cost of sales		
– cost of services rendered	5,660	1,746
Gross rental income from investment properties	(16,411)	(16,307)
Less: Direct operating expenses incurred for investment properties included in cost of sales	3,939	983
	<b>(12,472)</b>	<b>(15,324)</b>

## 21. CONTINGENT LIABILITIES

- (a) As at 30 June 2021 and 31 December 2020, the Group was involved in several litigations in relation to the construction of the Group's properties under development in the PRC with several contractors and suppliers, who are independent third parties to the Company. In connection with one of the litigations, a court judgement was received and the Group is obliged to pay the compensation to a plaintiff of approximately RMB4.6 million. The judgement is being enforced for execution and the Group had recorded full amount as trade and other payables as at 30 June 2021 and 31 December 2020. Save for the above, based on the fact that the legal proceedings of the remaining litigations were still in progress and with reference to the legal opinion obtained from the Company's PRC lawyer, management considers that the likelihood for further outflow of resources of the Group was remote.
- (b) On 30 June 2021, pursuant to the S&P Agreement in relation to the Disposal and a deed of indemnity (the "**Deed of Indemnity**") entered into by the Company, the Purchaser and Access Achievement, the Company will indemnify the Purchaser against certain tax, litigation and contingent liabilities which, except for litigation liabilities, in aggregate cannot exceed the sum of (i) the consideration of the Disposal amounting to RMB155,290,000; and (ii) the principal amount of the Shenzhen Sky Alliance Loan amounting to RMB519,249,000, in the aggregate amount of RMB674,539,000. In this regard, approximately RMB22,537,000 was recorded as provision for indemnity included in other payables in the condensed consolidated financial statements as at 30 June 2021.
- (c) As at 31 December 2020, the Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by buyers of the Group's properties as follows:

	<b>As at</b>	
	<b>30 June 2021</b>	31 December 2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Guarantees given by the Group to banks for mortgage facilities granted to buyers	<u>                    -</u>	<u>                    623</u>

Pursuant to the terms of the guarantees contract, if there are any defaults on the mortgages, the Group is liable to the repayment of the outstanding mortgage principals together with the accrued interest and penalty payable by the defaulting buyers to banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees shall be released upon the issue of the relevant buyer's property ownership certificate and in the custody of the banks.

The fair value of the guarantees at date of inception is not significant and is not recognised in the condensed consolidated financial statements. The directors of the Company consider that no provision should be recognised at 31 December 2020 as the potential cash outflow related to the guarantee is not probable.

- (d) As at 31 December 2020, bank balances of approximately RMB299,000 were pledged with banks as guarantee deposits for the mortgage loan facilities granted by the banks to buyers of the Group's properties.

On 30 June 2021, the Disposal Group was disposed by the Company as set out in Note 20. Upon the completion of the Disposal, the Group no longer has the contingent liabilities in relation to (c) and (d) above.

## 22. CAPITAL COMMITMENTS

The Group has the following material commitments in respect of property, operating right and equipment which are not provided for in the condensed consolidated financial statements as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Contracted but not provided for	<u><b>3,439,362</b></u>	<u>4,008,835</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group recorded a profit attributable to equity holders of the Company of RMB320.0 million for the six months ended 30 June 2021 (“**1H 2021**”), significantly turnaround from loss attributable to equity holders of the Company of RMB118.6 million. Consolidated Adjusted EBITDA from continuing operations was approximately negative RMB33.7 million versus approximately negative RMB44.5 million for the six months ended 30 June 2020 (“**1H 2020**”).

The profit attributable to equity holders of the Company for 1H 2021 was mainly attributable to (i) the gain on change in fair value of derivative financial instruments of approximately RMB449.4 million; (ii) profit for the period from discontinued operations of approximately RMB147.1 million, including the gain on disposal of the entire equity interest in Access Achievement of approximately RMB167.9 million; and (iii) partially offset by costs and expenses from continuing operations of (a) finance costs of approximately RMB123.1 million; and (b) share of loss of a joint venture of approximately RMB139.9 million.

In 1H 2021, Summit Ascent’s 77.5%-owned integrated resort located in the IEZ Primorye in the Russian Federation, Tigre de Cristal, contributed revenue from gaming and hotel operations of approximately RMB107.9 million to the Group, with contribution of approximately RMB115 million total gross gaming revenue (“**GGR**”) to the Group.

#### Group Key Financial Data

	<b>1H 2021</b>	1H 2020
	<b>RMB’000</b>	RMB’000
Revenue:		
Operation of integrated resort in the Russian Federation		
– Tigre de Cristal:		
– Gaming operations	<b>102,262</b>	N/A <sup>(i)</sup>
– Hotel operations	<b>5,610</b>	N/A <sup>(i)</sup>
	<b>107,872</b>	N/A <sup>(i)</sup>
Other segments:		
– Property development	–	–
– Management and operation of malls	<b>12,639</b>	–
– Hotel and integrated resort general consultancy services	<b>1,309</b>	6,888
– Travel related products and services	<b>26,950</b>	67,733
Total revenue from continuing operations	<b>148,770</b>	74,621
Consolidated Adjusted EBITDA from continuing operations	<b>(33,728)</b>	(44,467)

## Gaming Statistics

	Q1 2021	Q2 2021	1H 2021	1H 2020
<i>(In RMB million)</i>				
Total GGR <sup>(ii)</sup>	<u>53</u>	<u>62</u>	<u>115</u>	<u>–</u>
Rolling Chip Volume	–	–	–	–
Gross Win Rate %	N/A	N/A	N/A	N/A
Gross Win	–	–	–	–
Mass Table Drop	103	96	<b>199</b>	–
Net Win Rate %	19.5%	27.2%	<b>23.2%</b>	N/A
Net Win	20	26	<b>46</b>	–
Electronic Gaming Volume	640	647	<b>1,287</b>	–
Net Win Rate %	4.2%	4.5%	<b>4.4%</b>	N/A
Net Win	27	29	<b>56</b>	–

- (i) Summit Ascent became a non wholly-owned subsidiary of the Company since October 2020.
- (ii) GGR represents the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs.

The following is a reconciliation of profit (loss) for the period to Consolidated Adjusted EBITDA from continuing operations of the Group:

	<b>1H 2021</b>	1H 2020
	<b>RMB'000</b>	RMB'000
Profit (loss) for the period	<b>285,799</b>	(123,208)
Add (deduct):		
(Profit) loss for the period from discontinued operations	<b>(147,097)</b>	277,775
Income tax expense	<b>9,979</b>	66
Change in fair value of derivative financial instruments	<b>(449,407)</b>	(588,159)
Gain on disposal of an associate	<b>(495)</b>	–
Gain on disposal of property, operating right and equipment	<b>(153)</b>	–
Impairment on interest in an associate	–	47,363
Share of losses of associates	<b>433</b>	15,532
Share of loss of a joint venture	<b>139,919</b>	90,132
Finance costs	<b>123,110</b>	166,112
Interest income and imputed interest income on loans to a joint venture	<b>(36,143)</b>	(6,907)
Other operating expenses	<b>2,150</b>	7,786
Depreciation and amortisation	<b>46,444</b>	3,984
Net exchange (gain) loss	<b>(8,267)</b>	65,057
Consolidated Adjusted EBITDA from continuing operations	<b><u>(33,728)</u></b>	<b><u>(44,467)</u></b>

## Revenue

Revenue from continuing operations in 1H 2021 was approximately RMB148.8 million, increased by approximately RMB74.2 million or 99% when compared to approximately RMB74.6 million in 1H 2020. The increase was mainly attributable to the contribution from Summit Ascent Group for the full six-months period since the acquisition in the fourth quarter of 2020.

- i) **Operation of integrated resort in the Philippines** – through an indirect 51% owned subsidiary of the Company, SunTrust, the Group is currently developing a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines (the “**Main Hotel Casino**” or the “**Westside City Project**”) of which SunTrust would be the sole and exclusive operator and manager to operate and manage the Main Hotel Casino upon commencement of operation of the Main Hotel Casino in 2023. In 1H 2021, the construction works of pile cap and the basement of the Main Hotel Casino were in progress. No revenue was recognised during the period.

- ii) **Operation of integrated resort in the Russian Federation** – Summit Ascent, the 69.66% owned subsidiary of the Company, contributed revenue from gaming and hotel operations in the IEZ Primorye in the Russian Federation through its approximately 77.5% owned subsidiary of approximately RMB107.9 million to the Group during 1H 2021.
- iii) **Travel related products and services** – Revenue mainly represented the sales of hotel accommodation products, travel agency services income and aircraft chartering service fee income. Due to the COVID-19 pandemic, there has been a significant impact on the Group’s travel and tourism related business in 1H 2021. The Group recorded a substantial decrease in revenue from this segment by approximately RMB40.7 million to approximately RMB27.0 million in 1H 2021 (six months ended 30 June 2020: RMB67.7 million).
- iv) **Hotel and integrated resort general consultancy services** – The Group has entered into several technical service agreements and casino management agreement with integrated resorts since 2017, generating revenue of approximately RMB1.3 million in 1H 2021 (six months ended 30 June 2020: RMB6.9 million).
- v) **Property development** – The Group delivered residential units in the aggregate Gross Floor Area (“GFA”) of approximately nil m<sup>2</sup> (six months ended 30 June 2020: nil m<sup>2</sup>). Since there are no units delivered during 1H 2021, no revenue was recognised in 1H 2021.
- vi) **Management and operation of malls** – The revenue for concessionaire sales and provision of retail management and related services from the management and operation of the Group’s leased assets, namely Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 30 June 2021 were approximately 88% and 79%, respectively.

### **Other income, gains and losses**

The increase in other income, gains and losses during 1H 2021 was mainly due to (i) the net exchange gain recognised in 1H 2021 of approximately RMB8.3 million (six months ended 30 June 2020: net exchange loss of RMB65.1 million) which was primarily due to the translation of convertible bonds, derivative financial instruments and promissory notes and (ii) the increase in interest income and imputed interest income from loans to a joint venture advanced by the Group from the first to third quarter of 2020.

### **Selling and distribution expenses**

Selling and distribution expenses remained stable during the 1H 2021 and 1H 2020, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses.

### **Administrative expenses**

The increase in administrative expenses in 1H 2021 was mainly attributable to the increase in share-based compensation benefits and increase in staff costs since the acquisition of Summit Ascent Group in the fourth quarter of 2020.

### **Other operating expenses**

The decrease in other operating expenses in 1H 2021 was mainly attributable to less spending of legal and professional fees incurred for investment projects of the Group during 1H 2021.

### **Gain on disposal of an associate**

During 1H 2021, the Group disposed of its remaining 24.27% equity interest in First Oceanic Property Management, Inc. (“**FOPM**”) at the consideration of PHP153,728,294 (equivalent to approximately RMB20.6 million) and recognised a gain of approximately RMB0.5 million.

### **Impairment on interest in an associate**

During 1H 2020, the Group performed impairment review on the interest in an associate, Summit Ascent which has become a non wholly-owned subsidiary of the Company since October 2020. As the recoverable amount was less than the carrying amount, the Group had recognised an impairment on interest in an associate of approximately RMB47.4 million by reference to the valuation carried out by an independent professional valuer accordingly.

### **Change in fair value of derivative financial instruments**

It mainly represented the change in fair value of derivative components carried in the 2016 Convertible Bond and the 2018 Convertible Bond. The fair values of the derivative financial instruments as at 30 June 2021 were assessed by an independent professional valuer.

## **Share of losses of associates**

Upon the completion of further acquisition of approximately 24.68% equity interest in Summit Ascent on 23 April 2019 (the “**Summit Ascent 2019 Acquisition**”), the interest of the Group in Summit Ascent increased from approximately 3.29% to approximately 27.97%, where those shares held were classified as investment in an associate. As at 30 June 2020, the Group held approximately 24.74% equity interest in Summit Ascent. In October 2020, the Group had further acquired additional equity interest in Summit Ascent up to approximately 69.66% immediately after the rights issue of Summit Ascent. Summit Ascent ceased to be an associate of the Group and became a non-wholly owned subsidiary of the Company since then.

On 10 December 2019, FOPM, a wholly-owned subsidiary of SunTrust before the FOPM Shares Subscription (as defined below), issued 150,000,000 new shares to a related company of a non-controlling shareholder of SunTrust at PHP1.0 each (the “**FOPM Shares Subscription**”). Upon completion of FOPM Shares Subscription, FOPM and its subsidiary ceased as subsidiaries of the Group and FOPM became 24.27% owned by the Group. The retained interest in FOPM was recognised as an investment in an associate. As at 30 June 2020, the Group held approximately 24.27% equity interest in FOPM.

The Group recognised the share of loss of an associate of approximately RMB0.4 million for 1H 2021 (six months ended 30 June 2020: RMB15.5 million), which represented the share of loss of FOPM in 1H 2021 before the disposal of remaining approximately 24.27% equity interest in FOPM in April 2021.

## **Share of loss of a joint venture**

The amount represented the share of loss of the Group’s joint venture, which is owned by Star Admiral (an indirect wholly-owned subsidiary of the Company). The principal asset of Star Admiral is approximately 34% equity interest in the integrated resort development project located in Hoi An South, Quang Nam Province, Vietnam (“**Hoiana**”). Hoiana was opened for preview on 28 June 2020. As a tourist-dependent property, Hoiana was in loss making position and its performance was adversely impacted by the COVID-19 pandemic during 1H 2021. Due to the increase of operating cost in 1H 2021 after the preview opening in June 2020, the share of loss of a joint venture has been increased from approximately RMB90.1 million to approximately RMB139.9 million.

## **Finance costs**

Finance costs for 1H 2021 comprise mainly (i) interests on interest-bearing bank and other borrowings, (ii) imputed interest expenses on convertible bonds, (iii) interests and imputed interest expenses on promissory note and loan from a related company, (iv) interest on lease liabilities; and (v) interest and imputed interest expense on loans from non-controlling shareholders of subsidiaries. The decrease in finance costs during 1H 2021 was mainly attributable to the lower interest on loans from a related company due to the settlement of loans from Star Hope by issuances of perpetual securities in August 2020.

## **Income tax expense**

Income tax expense comprises current tax and the increase for 1H 2021 was mainly due to the Philippines capital gains tax levied on gain on disposal of remaining 24.27% equity interest in FOPM and Philippines withholding tax on gross interest income earned by Summit Ascent Group on intragroup borrowings advanced to SunTrust during 1H 2021.

## **SEGMENT ANALYSIS**

In 1H 2021, (i) revenue from gaming and hotel operations in the Russian Federation; (ii) travel related products and services revenue and aircraft chartering services revenue; (iii) hotel and integrated resort general consultancy services income; (iv) property development revenue; (v) revenue from management and operation of malls accounted for 72.5% (six months ended 30 June 2020: Nil), 18.1% (six months ended 30 June 2020: 90.8%), 0.9% (six months ended 30 June 2020: 9.2%), Nil (six months ended 30 June 2020: Nil) and 8.5% (six months ended 30 June 2020: Nil) of total revenue from continuing operations of the Group respectively.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

Bank balances and cash, pledged bank deposits and restricted bank deposits, in aggregate, as at 30 June 2021 amounted to approximately RMB1,947.4 million (31 December 2020: RMB2,225.6 million).

The Group had total bank and other borrowings of approximately RMB965.3 million as at 30 June 2021 (31 December 2020: RMB1,312.6 million) of which approximately RMB640.2 million were repayable on demand or within one year and approximately RMB325.1 million were repayable in the second year. The Group's borrowings carried interest at fixed or floating interest rates as at 30 June 2021.

The amount due to a director represents the issuance of a HK\$ denominated promissory note (“**2016 Promissory Note**”) to a director of approximately RMB4.6 million as at 30 June 2021 (31 December 2020: RMB4.7 million), which is unsecured, non-interest bearing and repayable on 31 August 2022.

The amount due to a related company represents the issuance of a HK\$ denominated promissory note (“**2018 Promissory Note**”) to a related company of approximately RMB192.1 million as at 30 June 2021 (31 December 2020: RMB173.6 million), which is unsecured, interest bearing at 2% per annum and repayable on 28 August 2022.

The Group has loans from non-controlling shareholders of subsidiaries of approximately RMB196.0 million as at 30 June 2021 (31 December 2020: RMB200.2 million), in which (i) an amount of approximately RMB77.3 million which is secured by parcels of land (including in property, operating right and equipment), interest bearing at 2.4% per annum and repayable on 21 July 2021, and (ii) an amount of approximately RMB118.7 million which is unsecured, interest-free and will not be repaid unless there are sufficient free cash flows generated from the operations to make the repayment.

The Group had convertible bonds and derivative financial instruments liabilities of approximately RMB453.7 million (31 December 2020: RMB412.7 million) and approximately RMB248.4 million (31 December 2020: RMB704.9 million), respectively.

The gearing ratio, expressed as a percentage of total bank and other borrowings, promissory notes, loans from a related company, loans from non-controlling shareholders of subsidiaries, convertible bonds and derivative financial instruments liabilities divided by consolidated total assets of the Group as at 30 June 2021 as approximately 25.4% (31 December 2020: 31.1%).

As at 30 June 2021, the Group had current assets of approximately RMB2,927.3 million (31 December 2020: RMB3,092.4 million) and current liabilities of approximately RMB1,503.1 million (31 December 2020: RMB1,741.2 million).

As at 30 June 2021, the aggregate perpetual securities facilities with principal amount of up to HK\$6,000.0 million (equivalent to approximately of RMB4,992.6 million) have been granted by a related company to the Group, of which approximately HK\$5,372.0 million (equivalent to approximately of RMB4,769.0 million at the respective dates of issuance) have been issued and the unissued amount of the facilities is approximately HK\$628.0 million (equivalent to approximately of RMB522.6 million).

## CHARGE ON ASSETS

As at 30 June 2021, bank borrowings of approximately RMB38.2 million (31 December 2020: RMB376.5 million) were secured by the Group's assets, including (i) certain property, operating right and equipment of approximately RMB65.5 million (31 December 2020: RMB70.0 million); (ii) pledged bank deposits of approximately RMB41.6 million (31 December 2020: RMB0.006 million); (iii) pledge of the entire equity interest of a subsidiary of the Group; and (iv) investment properties of RMB Nil (31 December 2020: RMB1,185.6 million). As at 30 June 2021, (i) certain property, operating right and equipment of RMB65.5 million and (ii) the entire equity interest of a subsidiary of the Group have been pledged as securities for a bank borrowing of which has been fully repaid in 1H 2021, and such securities have been released on 11 August 2021.

As at 30 June 2021, other borrowings of approximately RMB124.8 million were secured by the Debenture incorporating a first fixed charge and a first floating charge over certain undertaking, property and assets of the Group with carrying value of RMB5,276.8 million. Subsequent to the end of the reporting period, the Company has fully settled the Facility on 26 July 2021 and the securities under the Debenture has been released in July 2021. As at 31 December 2020, other borrowings of RMB242.4 million were secured by certain inventories and entire equity interest of a subsidiary of the Group of approximately RMB172.1 million.

Among the abovementioned secured bank and other borrowings, other borrowing of approximately RMB124.8 million was guaranteed by Mr. Chau as at 30 June 2021 (31 December 2020: bank borrowing of RMB51.5 million).

As at 30 June 2021, pledged bank deposits of approximately RMB4.6 million (31 December 2020: RMB5.5 million) were pledged for the license and suppliers in relation to Sun Travel Ltd (“**Sun Travel**”).

As at 30 June 2021, a pledged bank deposit of approximately RMB41.6 million has been pledged to a bank as security for a banking facility (31 December 2020: pledged bank deposits of RMB0.3 million had been pledged with the banks as guarantee deposits for the mortgage loan facilities granted to the buyers of the Group's properties).

As at 30 June 2021, loans from non-controlling shareholders of a subsidiary of approximately RMB77.3 million (31 December 2020: RMB83.6 million) were secured by parcels of land under property, operating right and equipment of the Group of approximately RMB282.2 million (31 December 2020: RMB295.1 million).

As at 30 June 2021, the indirect equity interest of approximately 34% in Hoi An South Development Limited (“**HASD**”) were pledged to a bank for the banking facilities granted to HASD.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The functional currency of the Company and the presentation currency of condensed consolidated financial statements of the Company are in Renminbi. The income and expenses, assets and liabilities, interests in associates and interest in a joint venture of the Company and its subsidiaries which denominated in currencies other than the functional currency are converted into Renminbi for financial reporting purpose. Fluctuations in exchange rates may have an impact on the Group's financial position and results. The Group monitors the exposure to fluctuations in exchange rates and takes appropriate measures to mitigate and manage the risk on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 30 June 2021.

## **CONTINGENT LIABILITIES**

For details of contingent liabilities, please refer to Note 21.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

On 21 February 2021, the Company entered into the S&P Agreement with the Purchaser. Pursuant to the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in Access Achievement, a directly wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000. The Disposal was completed on 30 June 2021 with a gain of approximately RMB167,864,000. Details of which are set out in Note 20 to the condensed consolidated financial statements. Upon the completion of the Disposal, the Group ceased and discontinued its operations in property development and property leasing in Shenzhen, the PRC.

Save for the Disposal above, the Group had no significant investments, material acquisitions and disposals of subsidiaries during 1H 2021.

## **TREASURY POLICIES AND CAPITAL STRUCTURE**

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

## **EMPLOYEES**

As at 30 June 2021, the Group had a staff force of approximately 1,166 (31 December 2020: 1,291) employees, of this, most were situated in the Russian Federation. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as share option scheme). Total staff costs, including directors, incurred for the six months ended 30 June 2021 was approximately RMB93.7 million (six months ended 30 June 2020: RMB33.4 million).

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for 1H 2021 (six months ended 30 June 2020: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period that had significant impacts on the Group after 30 June 2021 and up to the date of this announcement.

## **BUSINESS REVIEW**

During the six months ended 30 June 2021, the Group engages in the following continuing operations: (i) through SunTrust Group, the development and operation of an integrated resort in the Philippines; (ii) through Summit Ascent Group, the operation of the hotel and gaming business in the IEZ Primorye in the Russian Federation; (iii) provision of travel related products and services; (iv) provision of hotel and integrated resort general consultancy services in Vietnam; (v) property development in the PRC and Japan; and (vi) management and operation of malls in the PRC.

## Development, operation and investment in integrated resorts, hotels and gaming business

### (i) *Co-Development of Westside City Project at Entertainment City*

The Company, through its wholly-owned subsidiary, Fortune Noble Limited (“**Fortune Noble**”), acquired 51% equity interest in SunTrust on 28 October 2019. Pursuant to the operations and management/services agreement dated 4 May 2020 entered into between Westside and SunTrust, Westside appointed SunTrust as the sole and exclusive operator and manager of the Main Hotel Casino as contemplated under the co-development agreement between SunTrust and Westside on 28 October 2019 (the “**Co-Development Agreement**”), The investment in SunTrust marked the first step towards establishing the Group’s presence in the growing casino and entertainment market of the Philippines whilst providing synergies for the overall tourism-related business of the Group. Further details of the co-development of Westside City Project at Entertainment City were disclosed in the announcements of the Company dated 29 October 2019, 25 November 2019, 20 January 2020, 23 February 2020, 30 March 2020, 4 May 2020, 15 June 2020 and 23 July 2020 as well as the circular of the Company dated 26 March 2020.

On 29 May 2020, SunTrust and Fortune Noble entered into a subscription agreement (the “**CB Subscription Agreement**”) for PHP7.3 billion (equivalent to approximately RMB1,037.6 million) zero coupon convertible bonds issued by SunTrust to Fortune Noble for an initial term of 5 years (the “**Fortune Noble Subscribed CB**”). Upon full exercise of the rights to convert the Fortune Noble Subscribed CB into common shares of SunTrust at the initial conversion price of PHP1.1 each into shares of SunTrust (the “**SunTrust Conversion Shares**”), SunTrust will become 74.42% owned by the Group (on the basis of 7,250,000,000 shares of SunTrust in issue as at the date of the CB Subscription Agreement and assuming no change in that number other than by the issuance of the SunTrust Conversion Shares). Further details of the Fortune Noble Subscribed CB were disclosed in the announcement of the Company dated 29 May 2020.

On 1 June 2020, SunTrust (as issuer) and Summit Ascent Investments Limited, a wholly-owned subsidiary of Summit Ascent (“**SA Investments**”) (as subscriber), entered into a subscription agreement, pursuant to which, SA Investments conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately RMB796.0 million) with a 6% coupon rate (or 8% per annum if held until their maturity) for an initial term of 5 years, which are convertible into common shares of SunTrust (the “**Summit Ascent Subscribed CB**”). Further details of the Summit Ascent Subscribed CB were disclosed in the circular of Summit Ascent dated 14 August 2020.

In December 2020, both the Fortune Noble Subscribed CB and the Summit Ascent Subscribed CB had been issued by SunTrust to Fortune Noble and SA Investments respectively and the subscription proceeds of the Fortune Noble Subscribed CB and the Summit Ascent Subscribed CB have been/will be applied by SunTrust for the development of the Main Hotel Casino.

On 18 December 2020, SunTrust entered into a supplemental agreement (the “**Supplemental Agreement**”) with the main contractor of the Main Hotel Casino, Megawide Construction Corporation (“**Megawide**”), to revise the letters of award dated 13 November 2020 by expanding the scope of work of Megawide as main contractor and increasing the contract sum payable by PHP20,000,000,000 (equivalent to approximately RMB2,661.1 million) in relation to the (i) construction of basement, podium and tower of the Main Hotel Casino and (ii) construction work of the pile cap, excavation and lateral support and additional pile cap area of the Main Hotel Casino (the “**Construction Agreements**”). The terms of the Construction Agreements remain unchanged save as revised by the Supplemental Agreement. Further details of the Supplemental Agreement were disclosed in the circular of the Company dated 11 February 2021.

On 23 February 2021, SunTrust, as borrower entered into a loan agreement (the “**Loan Agreement**”) with SA Investments as lender, pursuant to which SA Investments shall provide a loan in the principal amount of US\$120 million (the “**SA Loan**”) to SunTrust. The SA Loan is unsecured, interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the SA Loan, which is extendable not more than three months. The SA Loan was advanced to SunTrust in May 2021. The loan proceeds from the SA Loan will be applied by SunTrust for the development of the Main Hotel Casino. Further details of the SA Loan were disclosed in the announcement of Summit Ascent dated 26 March 2021.

As at 30 June 2021, the construction works of the pile cap and the basement of the Main Hotel Casino were in progress. The Main Hotel Casino is expected to commence operation in 2023. During 1H 2021, SunTrust had recorded a loss because of its pre-operating activities under the development phase.

**(ii) Tigre de Cristal**

In 2020, Summit Ascent became a subsidiary of the Company upon the completion of the rights issue of Summit Ascent which increased the Group’s equity interest in Summit Ascent from approximately 24.74% to approximately 69.66%. Summit Ascent held approximately 77.5% of the controlling interest in an integrated resort named “Tigre de Cristal” in the IEZ Primorye in the Russian Federation.

Tigre de Cristal recorded a positive Adjusted EBITDA of approximately HK\$17 million in the 1H 2021, versus a negative Adjusted EBITDA of approximately HK\$22 million in the 1H 2020.

### *Gaming operations*

Net gaming revenue of Tigre de Cristal, which consists of three main sources namely the rolling chip business, mass table business and electronic gaming business, was approximately HK\$129 million during 1H 2021, increased by approximately HK\$33 million or 34% year-on-year comparing to 1H 2020.

Due to the COVID-19 pandemic, no rolling chip activities has been noted in the 1H 2021. Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was approximately HK\$1.2 billion in the 1H 2020. Gross win rate percentage (represented the ratio of gross win to rolling chip volume) was approximately 4.2% in the 1H 2020.

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased remarkably by 68% to approximately HK\$237 million in the 1H 2021, compared to approximately HK\$141 million in the 1H 2020. Net win from mass table business increased by 62% to approximately HK\$55 million in the 1H 2021, compared to approximately HK\$34 million in the 1H 2020. Net win rate percentage (represented net win as a percent of mass table drop) decreased slightly from 24.1% in the 1H 2020 to 23.2% in the 1H 2021.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$1,563 million in the 1H 2021, increased significantly by 93% compared to approximately HK\$810 million in the 1H 2020. The electronic gaming business recorded net win of approximately HK\$68 million, increased by 66% compared to approximately HK\$41 million in the 1H 2020. The net win rate percentage decreased to 4.4% in the 1H 2021 from 5.1% in the 1H 2020.

### *Hotel Operations*

Revenue from hotel operations, despite largely dependent on foreign tourists, steadily increased to approximately HK\$6.7 million in the 1H 2021 or by 82% compared to the 1H 2020. Average hotel occupancy rates increased to approximately 44% (six months ended 30 June 2020: 15%) during weekends and approximately 21% (six months ended 30 June 2020: 20%) during weekdays in the 1H 2021.

## Key Financial Data of Tigre de Cristal

	For the six months ended 30 June	
	2021	2020
	HK\$'million	HK\$'million
Revenue:		
Net Gaming	122	92
Hotel/F&B/Others	7	4
Total Net Revenue	<u>129</u>	<u>96</u>
Adjusted EBITDA	<u>17</u>	<u>(22)</u>
Adjusted EBITDA margin	13%	N/A

## Gaming Statistics

	Q1 2021	Q2 2021	1H 2021 <sup>(ii)</sup>	1H 2020 <sup>(i)</sup>
<i>(In HK\$ million)</i>				
Total GGR <sup>(iii)</sup>	<u>64</u>	<u>75</u>	<u>139</u>	<u>127</u>
Rolling Chip Volume	–	–	–	1,192
Gross Win Rate %	N/A	N/A	N/A	4.2%
Gross Win	–	–	–	50
Mass Table Drop	123	114	237	141
Net Win Rate %	19.5%	27.2%	23.2%	24.1%
Net Win	24	31	55	34
Electronic Gaming Volume	782	781	1,563	810
Net Win Rate %	4.2%	4.5%	4.4%	5.1%
Net Win	33	35	68	41

(i) For the period from 1 January 2020 to 30 June 2020.

(ii) For the period from 1 January 2021 to 30 June 2021.

(iii) GGR represents the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs.

**(iii) Hoiana**

As at 30 June 2021, the Group held approximately 34% indirect equity interest in Hoiana through the investment in a joint venture. The Certificate for the Eligibility for Casino Business in relation to the casino operation of Hoiana in Vietnam was granted in May 2020, and the preview took place on 28 June 2020. Hoiana features an integrated resort with a casino that holds gaming tables, electronic gaming machines, Asian delights and other international cuisine with more than 1,000 hotel rooms and an eighteen-hole golf course. The commencement of operation of Hoiana was in the midst of the pandemic when international travel restrictions were in place which had significant impact on its business performance. The Group will continue to ramp up the property to prepare for more VIP rooms, hotel rooms, additional food & beverage and retail outlets.

In 1H 2021, Hoiana's total net revenue was approximately US\$6.8 million. Adjusted EBITDA was approximately negative US\$20.6 million.

**Key Financial Data of Hoiana**

	<b>For the six months ended 30 June 2021 US\$'000</b>	For the six months ended 30 June 2020 <sup>(i)</sup> US\$'000
Revenue:		
Net Gaming	<b>5,177</b>	(2,823)
Hotel/F&B/Others	<b>1,598</b>	263
Total Net Revenue	<b><u>6,775</u></b>	<u>(2,560)</u>
Adjusted EBITDA	<b><u>(20,557)</u></b>	<u>N/A<sup>(iii)</sup></u>
Adjusted EBITDA margin	N/A	N/A

## Gaming Statistics

	Q1 2021	Q2 2021	1H 2021 <sup>(ii)</sup>	1H 2020 <sup>(i)</sup>
<i>(In US\$'000)</i>				
Total GGR <sup>(iv)</sup>	<u>7,130</u>	<u>5,868</u>	<u>12,998</u>	<u>(1,498)</u>
Rolling Chip Volume	142,539	129,387	<b>271,926</b>	47,256
Gross Win Rate %	3.4%	3.1%	<b>3.3%</b>	(3.5%)
Gross Win	4,878	4,005	<b>8,883</b>	(1,674)
Mass Table Drop	10,847	6,822	<b>17,669</b>	174
Gross Win Rate %	16.1%	13.9%	<b>15.2%</b>	39.7%
Gross Win	1,745	949	<b>2,694</b>	69
Electronic Gaming Volume	8,760	10,542	<b>19,302</b>	973
Gross Win Rate %	5.8%	8.7%	<b>7.4%</b>	11.0%
Gross Win	507	914	<b>1,421</b>	107

- (i) For the 3-days period from 28 June 2020 (the date of commencement of casino operation) to 30 June 2020.
- (ii) For the period from 1 January 2021 to 30 June 2021.
- (iii) As the financial data of 1H 2020 only comprised of 3-days operation period from 28 June 2020 to 30 June 2020, no Adjusted EBITDA analysis was adopted for 1H 2020.
- (iv) GGR represents the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs.

## Travel related products and services

The Group has commenced the provision of hotel accommodation products, transportation tickets and travel related products in Macau since 2016 and has extended its travel products to Vietnam and Turkey.

In 1H 2021, the COVID-19 pandemic and measures against COVID-19 have an adverse impact on the Macau's gaming and tourism industries. The Group recorded a substantial decrease in revenue from travel related products and services for 1H 2021. According to the information published by the Statistics and Census Service of the Macau SAR Government, the number of visitor arrivals were approximately 3.9 million during 1H 2021, up by 20.2% comparing to the corresponding period of 2020. The average occupancy rate of hotels and guesthouses for 1H 2021 increased by 23.2% year-on-year to 50.4% comparing to the corresponding period of 2020. The average length of stay of guests for 1H 2021 held steady at 1.8 nights.

In January 2020, the Group completed the acquisition of an aircraft. The Group commenced the provision of charter flight since January 2021 and the revenue generated is recorded as part of the Group's revenue classified under Group's "Travel related products and services" segment. The Group will continue to enrich travel related products to cover more Asian countries in the near future and improve the product mix.

### **Hotel and integrated resort general consultancy services**

The Group has commenced the provision in hotel and integrated general consultancy services and entered into several technical service agreements and casino management agreement with integrated resorts since 2017. Since the preview of Hoiana took place in 1H 2020, the Group has begun to receive casino management income from Hoiana under the casino management agreement.

### **Property development**

As at 30 June 2021, the Group had three property development projects in the PRC and Japan.

#### ***(i) Property development in the PRC***

The Landale project is located at Chaohu, Anhui Province. The Landale is currently suspended due to the change in policy regarding the rules of scenic areas, in the PRC. During the year ended 31 December 2019, the Group received a notice from Chaohu Government that in accordance with the relevant laws and rules of scenic area in the PRC, Chaohu Government intended to reclaim the land use rights in respect of the Landale project of total land area of approximately 183.54 Chinese Mu (equivalent to approximately 122,360 m<sup>2</sup>) owned by the Group's subsidiary with appropriate compensation to be paid to the Group's subsidiary, which is yet to be determined. Details of which were disclosed in the announcement of the Company dated 12 April 2019.

## **(ii) Property development in Japan**

- (a) As at 30 June 2021, the Group owns 51% of the issued share capital of MSRD Corporation Limited (“MSRD”), which held a plot of land with a total site area of 108,799 m<sup>2</sup> located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRD intends to build 40 villas and a hotel tower of more than 100 rooms on the land.
- (b) On 30 September 2020, the Group entered into sale and purchase agreement with an independent third party in acquisition of land parcels with a total site area of 220,194 m<sup>2</sup> located at Niseko, Hokkaido, Japan and the acquisition of the land parcels was completed in January 2021. Subject to the final development plan to be approved by the Group, the Group intends to build over 50 villas and 20 townhouses and a hotel with over 40 rooms on the land.

Apart from the PRC and Japan, the Group has been exploring opportunities in Asia.

### **Management and operation of malls**

On 19 November 2020, the Group acquired the entire interest of Dongyang Xinguang, Dongyang Xinguang has become a wholly-owned subsidiary of the Group. Dongyang Xinguang is currently engaged in the management and operation of malls located in Zhejiang Province, the PRC, in which Dongyang Xinguang is the lessee in relation to a lease on the Phase 1 Shopping Mall of Xinguang Tiandi (新光天地一期購物廣場) and Phase 2 Living Mall of Xinguang Tiandi (新光天地二期生活廣場). Phase 1 Shopping Mall and Phase 2 Living Mall comprise 620 units with a total floor area of 65,241.98 m<sup>2</sup> for a term of twenty (20) years commencing on 1 January 2015 and ending on 31 December 2034. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 30 June 2021 were approximately 88% and 79%, respectively.

### **MARKET OVERVIEW**

The gaming industry in different jurisdictions remained affected by the COVID-19 pandemic in the first half of 2021, which has greatly hindered recovery for the industry.

## **Russia**

In Russia, the tourism industry was significantly impacted by the resurgence of COVID-19 pandemic in the first half of 2021. Total foreign arrivals in Primorsky region in the first quarter of 2021 decreased 71% year-on-year to 19,788<sup>1</sup>. Borders for international tourism remained closed, while electronic visas to Russia were still suspended. Authorities extended tightened COVID-19 countermeasures, including restrictions on mass entertainment events and limiting restaurants' operating hours. Russia has launched its vaccination program in December 2020. Mandatory vaccination was introduced in at least 18 regions in the country for high-risk groups as virus cases surged in the first half of 2021. Russian authorities target herd immunity by 1 November 2021.

## **The Philippines**

In the Philippines, international tourism has not resumed yet. Manila's integrated resorts were required to temporarily suspend all operations in late March 2021 as the country entered another wave of COVID-19. Until late May 2021, the casinos resumed operations at limited capacity. The Philippines' total Gross Gaming Revenue (GGR) in the first half of 2021 was PHP50.9 billion (equivalent to approximately US\$1 billion), down 8% year-on-year<sup>2</sup>. Foreign arrivals in January to May of 2021 decreased 97% year-on-year to 46,322<sup>3</sup>. The Philippines government started its COVID-19 vaccination program in March 2021 and targets to have up to 70 million people vaccinated by 2021.

## **Vietnam**

Vietnam has closed its borders to foreign tourists since late March 2020 to contain the pandemic and implemented strict quarantine protocols. The country has closed its borders for international tourism for over a year, and many tourist destinations remained closed. The country has started its COVID-19 vaccination program for high-risk groups in March 2021<sup>4</sup>, and targets herd immunity by the end of the first quarter of 2022<sup>5</sup>.

## **Macau**

Macau's total GGR for the first half of 2021 was MOP49.0 billion<sup>6</sup>, up 45% year-on-year, down 67% versus 2019 Total visitor arrivals in the first half of 2021 increased 20% year-on-year to 3.9 million<sup>7</sup>, down 81% versus 2019. The average hotel occupancy rate in Macau in the first half of 2021 was 50%<sup>8</sup>, up 23 percentage points year-on-year. As of 30 June 2021, over 34%<sup>9</sup> of Macau residents have received at least one dose of the COVID-19 vaccine.

<sup>1</sup> Federal Security Service (FSB), Russia

<sup>2</sup> Philippines Amusement and Gaming Corporation "PAGCOR"

<sup>3</sup> Department of Trade and Industry, Republic of the Philippines

<sup>4 & 5</sup> Online Newspaper of the Government of the Socialist Republic of Vietnam

<sup>6</sup> Gaming Inspection and Coordination Bureau, Macao SAR

<sup>7 & 8</sup> Statistics and Census Service, Macao SAR

<sup>9</sup> Novel Coronavirus Response and Coordination Centre, Statistics and Census Service, Macao SAR

## **PROSPECT**

### **Development Update**

#### *Tigre de Cristal, Russia*

Tigre de Cristal Phase I upgrade has already been completed, pending border reopening. A brand-new Suncity Premium Club, a new authentic hotpot restaurant and a new private club are now ready.

Phase II planning and construction are well underway except minor delays due to COVID-19. When Phase I & II are both running in 2023, Tigre de Cristal will triple in its number of rooms, and double in number in its gaming facilities. Together with other integrated resorts in Primorye, they are going to form a gaming cluster known as the IEZ Primorye.

#### *Westside City Project, Philippines*

Construction works are going on at full steam in Westside City Project even though Manila was under lockdown. The construction team on the ground are working around multiple challenges due to the lockdown while they adjust the priority to deliver progress. The foundation works have been completed, cranes are now being erected and the focus is to construct the building upwards. Westside City Project is expected to be ready in 2023.

When all phases of Westside City Project are ready, it will consist of:

- Approximately 300 gaming tables
- Over 1,300 electronic gaming machines
- Over 450 five-star hotel rooms
- Approximately 1,000 car park spaces; and
- Pool club & leisure club etc.

Westside City Project will be integrated with the shopping malls, theatres, restaurants, and shopping streets, etc. to be built by our partner Westside/Travellers. They will also build additional hotel rooms, a shopping mall, a Grand Opera House, restaurants, a theatre district and an additional of approximately 2,000 car park spaces.

### *Hoiana, Vietnam*

In Hoiana, hotel rooms are being rolled out gradually in Phase I according to demand. Hoiana Shores Golf Club, Hoiana Suncity, Hoiana Hotel & Suites and New World Hoiana Hotel are now operational.

Phase II and beyond are planning in progress. Land plots are now being prepared for development.

### *Other international locations*

The Group plans to develop a diving resort and a skiing resort in Japan, located in Okinawa and in Hokkaido. In Miyako Islands, Okinawa, the Group plans to develop 40 villas and a hotel with more than 100 rooms. In Niseko, Hokkaido, near Grand Hirafu Mountain, the Group plans to develop 50 villas, 20 townhouses and a hotel with over 40 rooms.

### **Outlook**

The most prevalent uncertainty for now is that we do not know how long the pandemic will last. While near-term earnings may be dampened by border restrictions, on a property-by-property basis, we can identify clear performers with better performance during the pandemic. Tigre de Cristal, our Russian integrated resort with exposure to the local market, has delivered positive-EBITDA merely with mass and slots segments.

From a Group-wide perspective, firstly, focusing on cash flow is the most imperative task at hand in the near term. We are being very pragmatic at cost control without affecting customer experience. In each of our projects, vigorous cost-control and efficiency programmes are put in place. The Group is practical about the speed and the scale of our developments which is why we prioritise projects with the highest returns for investors.

Secondly, we believe that the worst-case scenario of having to mandatory shut down the entire integrated resort for COVID prevention, has already passed. The exposure to local demand in Russia also helps us to recover faster in the near term. Tigre de Cristal's mass and slots segments delivered credible results even though borders were not yet reopened, thanks to the support of the local Russian gaming patrons. Vladivostok is also blessed as it has access to the Russian-developed vaccine Sputnik-V and Sputnik Light, which signals that as vaccination rates in Russia continue to improve, it will become less likely for mandatory closure to be required again. Meanwhile, our colleagues in Hoiana are using creative ways to generate new sources of revenue, as long as Hoiana is allowed to be opened for business. As long as our doors remain open, the integrated resort with local access will outperform the others that solely rely on tourists.

Thirdly, the hardware for gaming business is now ready to drive volumes. We believe that having a quality product is the key to driving land-based gaming business. Currently, the upgrade in hardware in Tigre de Cristal Phase I including Suncity Premium Club and the latest F&B options have been completed, pending border reopening. Simultaneously, we are creating other growth drivers across Asia. Phase II is coming on board in 2023. Westside City Project, a US\$1 billion state-of-the-art integrated resort in the heart of Manila, will become the next stylish icon in the Philippines. Local demand in Russia and the Philippines will not only be able to drive recovery, but will also be key growth drivers for the Group after their openings respectively in 2023.

In addition, the Group is also well-positioned to make the best use of our synergistic network in the North, East and South of Asia. In the North of Asia, IEZ Primorye is on track to become a leisure destination on its own, as recent and would-be openings are going to form a new gaming cluster in the heart of North Asia, similar to Cotai. Nearby North Asian markets, such as South Koreans and Japanese, would be able to access the integrated resort within a reasonable commute. The uncertainty in the development of land-based gaming in Japan has, in fact, posed an untapped opportunity for Vladivostok for the underserved Japanese and Korean gaming markets. In the South, Manila and Hoi An will act as entertainment hubs for the South and the East Asian markets, serving locals and tourists alike. These two integrated resorts will each have their respective themes – Hoiana, a beach side resort; Westside City Project, a chic spot in Manila. In the East, in Japan, the diving resort in Miyako Islands and the skiing resort in Niseko offers pure non-gaming leisure for guests to enjoy Japanese-style exquisite services. The North, South and East Asia strategy offers diverse entertainment under the Group’s platform where integrated resorts, pure hotels and leisure combine to leverage on the Group’s advantage. In a post-COVID world, the Group will make the best use of our network to offer a multitude of entertainment choices for the South-East Asian, Korean and Japanese markets.

Riding on the digitalisation wave, the Group is also transforming digitally which includes using big data strategies, exploring an all-in-one digitally-transformed integrated resort experience as well as bringing in innovative augmented reality experience in the Group’s entertainment offerings.

Finally, as long as the Group can sustain through the pandemic, Suncity is not far from becoming a renowned Asian gaming name. While the Group remains pragmatic on the speed and scale of development for growth, the faster the funding, the quicker we can develop. The Group also maintains a flexible stance in raising capital, such as selling the legacy real estate segment for cash; as well as selling land plots to secondary developers to speed up future phases. More importantly, as the Group transforms into an integrated resort operator, we will be operating our own mass, premium mass and slots segments because we have control of resources. By using a multi-jurisdiction approach, the Group is also able to diversify our geopolitical risks, deploying capital flexibly to the jurisdiction with the highest and fastest returns.

We remain cautiously optimistic in the Asian gaming sector in the very long term. We are hopeful about the vaccination progress, as we firmly believe that one day, the pandemic will soon be behind us.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2021 except the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Following the resignation of Ms. Yeung So Lai as an executive Director and the chief executive officer of the Company (the “**Chief Executive Officer**”) on 31 March 2017, the Company has not appointed an individual to take up the vacancy of the Chief Executive Officer, and the roles and functions of the Chief Executive Officer have been performed by all the executive Directors collectively.

Under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company and invite the chairman of the committees to attend. However, due to his other business commitment, Mr. Chau, the chairman of the Board, did not attend the annual general meeting held on 8 June 2021.

Under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chau Cheok Wa (“**Mr. Chau**”), Mr. Lo Kai Bong (“**Mr. Lo**”), Mr. Au Chung On John (“**Mr. Au**”) and Mr. Manuel Assis Da Silva, executive Directors of the Company. However, Mr. Chau, Mr. Lo, Mr. Au and Mr. Manuel Assis Da Silva are subject to retirement by rotation at least once in every three years in accordance with the Company's articles of association.

## **AUDIT COMMITTEE**

The Company has established an audit committee (“**Audit Committee**”) with written terms of reference to set out its authority and duties. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the “**Securities Code**”) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

Employees who are likely to be in possession of unpublished price sensitive information of the Company are also subject to compliance with the Securities Code.

## **APPROVAL OF INTERIM REPORT**

The unaudited condensed consolidated financial statements in the interim report have been reviewed by Crowe (HK) CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and the interim report was approved and authorised for issue by the Board on 31 August 2021.

## **EXTRACT FROM THE INDEPENDENT AUDITOR’S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The following is an extract of the independent auditor’s report on review of the Group’s condensed consolidated financial statements for the six months ended 30 June 2021, but without qualification:

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 to the condensed consolidated financial statements which indicates that the Group had net operating cash outflow as shown in the condensed consolidated statement of cash flows of approximately RMB114,481,000 for the six months ended 30 June 2021 and the Group had committed capital expenditure of approximately RMB3,439,362,000 as at 30 June 2021. As stated in Note 2 to the condensed consolidated financial statements, the Group is dependent on the financial support from its controlling shareholder and related companies. Should the financial support not be available, the Group may not be able to fulfill its financial obligations as and when they fall due in the ordinary course of business. These conditions indicate that a material uncertainty exists that may cast a significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## **OTHER MATTERS**

We draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2020, and the relevant notes disclosed in this interim financial information have not been reviewed in accordance with HKSRE 2410.

By order of the Board  
**Suncity Group Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 31 August 2021

*As at the date of this announcement, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*