

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)

ANNUAL  
REPORT | 2021



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chau Cheok Wa (*Chairman*)  
(resigned on 1 December 2021)  
Mr. Lo Kai Bong  
Mr. Au Chung On John  
Mr. Manuel Assis Da Silva

### Independent Non-Executive Directors

Mr. Tou Kin Chuen  
Dr. Wu Kam Fun Roderick  
Mr. Lo Wai Tung John

## COMPANY SECRETARY

Mr. Chiu King Yan

## AUDITOR

Crowe (HK) CPA Limited  
*Registered Public Interest Entity Auditors*

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1705, 17/F., West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D  
P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

### In Hong Kong:

Bank of Communications Co., Ltd. Hong Kong Branch  
Bank of Communications (Hong Kong) Limited

### In the People's Republic of China:

China CITIC Bank Corporation Limited

### In Macau:

Bank of China Limited, Macau Branch  
Industrial and Commercial Bank of China  
(Macau) Limited

### In the Philippines:

Union Bank of the Philippines  
China Banking Corporation

### In Russian Federation:

PJSC Bank Primorye  
PJSC Sberbank  
Alfa-Bank

### In Japan:

Sumitomo Mitsui Banking Corporation

## STOCK CODE

1383 (Listed on the Hong Kong Stock Exchange)

## WEBSITE

[www.suncitygroup Holdings.com](http://www.suncitygroup Holdings.com)

## INVESTOR RELATIONS

For other information relating to the Company, please contact  
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# Group Financial Summary

## RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000 (Note 1) (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000 (Restated)	2017 HK\$'000 (Restated)
Revenue – Contracts with customers	<b>340,437</b>	181,858	650,304	883,265	575,490
Revenue – Leases	-	-	44,952	53,223	54,229
<b>Total Revenue</b>	<b>340,437</b>	181,858	695,256	936,488	629,719
Change in fair value of investment properties	-	-	(128,182)	(12,642)	(8,208)
Change in fair value of financial assets at fair value through profit or loss	-	-	23,501	1,195	-
Change in fair value of convertible bonds	-	240,183	-	87,354	-
Change in fair value of derivative financial instruments	<b>825,835</b>	1,530,268	(592,893)	(1,405,369)	(381,336)
Loss on remeasurement of existing interest in an associate upon business combination	-	(122,404)	-	-	-
Gain on bargain purchase on acquisition of subsidiaries	-	348,283	-	-	-
Gain on disposal of subsidiaries	-	-	10,506	-	-
Loss on deemed disposal of subsidiaries	-	-	(172,672)	-	-
Loss on deemed partial disposal of equity interest of an associate	-	-	(68,685)	-	-
Gain on disposal of an associate	<b>594</b>	-	-	-	-
Reversal of provision (provision) for potential claims	-	-	-	23,060	(48,419)
(Provision) reversal of provision for litigation	-	-	(31,591)	-	334,382
Impairment loss recognised in respect of inventories	-	-	-	-	(65,935)
Impairment loss on interest in an associate	-	(53,295)	(224,690)	-	-
Impairment loss on equity loans to a joint venture	<b>(119,717)</b>	-	-	-	-
Impairment loss on loans to a joint venture	<b>(194,212)</b>	-	-	-	-
Impairment loss on amounts due from a joint venture	<b>(22,906)</b>	-	-	-	-
Impairment loss on property, operating right and equipment	<b>(287,119)</b>	-	-	-	-
Reversal of impairment loss recognised in respect of deposits for non-current assets	-	-	-	-	506,358
Share of (losses) profits of associates	<b>(520)</b>	(24,092)	6,369	(1,237)	(42)
Share of loss of a joint venture	<b>(437,952)</b>	(277,483)	(93,369)	(17,598)	-
Finance costs	<b>(283,876)</b>	(329,053)	(252,797)	(190,704)	(136,470)
(Loss) profit before taxation	<b>(623,063)</b>	1,277,229	(1,698,922)	(1,628,085)	302,987
Income tax expense	<b>(23,149)</b>	(3,596)	(16,158)	(95,564)	(75,365)
(Loss) profit for the year					
- Continuing operations	<b>(646,212)</b>	1,273,633			
- Discontinued operations	<b>176,815</b>	(402,067)			
<b>Net (loss) profit for the year</b>	<b>(469,397)</b>	871,566	(1,715,080)	(1,723,649)	227,622

# Group Financial Summary

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000 (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000 (Restated)	2017 HK\$'000 (Restated)
Non-current assets	<b>5,615,172</b>	7,056,422	3,538,409	2,997,791	2,194,819
Current assets	<b>2,716,659</b>	3,674,442	1,059,707	945,234	1,296,865
Current liabilities	<b>(2,017,404)</b>	(2,068,882)	(4,723,835)	(3,194,465)	(2,875,424)
Non-current liabilities	<b>(1,487,659)</b>	(3,195,483)	(1,778,027)	(1,957,188)	(912,728)
Non-controlling interests	<b>(1,387,634)</b>	(1,651,986)	(274,788)	17,117	12,887
Equity (deficit) attributable to equity holders of the Company	<b>3,439,134</b>	3,814,513	(2,178,534)	(1,191,511)	(283,581)

Note:

- (1) The disposal of the operations in the People's Republic of China carried out by Access Achievement Limited (together with its subsidiaries, the "**Disposal Group**") was completed on 30 June 2021. The financial results of the Disposal Group were presented as "Profit (Loss) from Discontinued Operations" on a net basis. Comparative figures for the year ended 31 December 2020 have been restated accordingly. The financial results prior to 2020 have not been restated for discontinued operations.

# Board Statement

Dear fellow shareholders,

Thank you for your support in staying together with the Company. 2021 has been a tough year in the Group's operating history. COVID and geopolitical tensions in Russia topped global headlines. Despite these challenges, the Company is dedicated to developing licensed integrated resorts in Asia.

The board (the "**Board**") of directors (the "**Directors**") of the Company believes that the demand for gaming and entertainment is a universal desire. The rise of the mega-rich and middle-class customers in South Korea, Japan, Singapore, Thailand, Malaysia, the Philippines etc serves as the fundamental demand for high-quality integrated resorts with a localised theme in Asia. There is a relatively limited supply of high-end gaming facilities in Asia to cater to this rising demand since Macau has now virtually left the VIP junket business. As the Group continues to transform into a pan-Asian integrated resort operator, the Group will be targeting all traditional gaming business segments, including VIP, premium mass, mass, slots and non-gaming businesses.

The Board has also ordered the Company to consolidate all resources to focus on survival. Intense cash preservation is the Group's highest priority. The Group is now implementing the most uncompromising cost-cutting programme ever. Non-core businesses have been sold and will continue to be sold, such as the disposal of the mainland Chinese property business and the aircraft in 2021. Management has also turned Hoiana into a temporary quarantine hotel; assertively cutting operating expenses while trying our best to avoid disruption to guests' experience in Hoiana as a world-class integrated resort. In Japan, the Group may consider offloading the land parcels for hotel development in Niseko and Miyako Islands. In Russia, local mass & slots businesses have already enabled Tigre de Cristal to be self-sustaining while generating a positive EBITDA. Cash preservation and self-sustainability through EBITDA generation will continue to keep the Group afloat and carry on.

Additionally, the Board will focus resources on the jurisdictions with the soundest returns and lowest risks. For instance, Tigre de Cristal has already been self-sufficient based on an all-local contribution, yet geopolitical tensions blurred visibility in investing in Russia. As a result, Tigre de Cristal Phase II and its sub-phases will not be ready earlier than 2025. There is no imminent need for the Group to transfer funds into the Russian Federation. In Vietnam, unfortunately, Hoiana opened its doors right in the middle of the pandemic, and its original expected return profile has been significantly impacted. The Board will continuously monitor global business and political developments and will not rule out reallocating resources to the jurisdiction where we could generate the best returns with the lowest risks in the interest of all shareholders.

# Board Statement

In times like now, having a foot in the door in the Philippines gaming market could be the brightest spot for the Group, especially when COVID no longer hinders travel in the near future. The Philippines gaming sector is underpinned by a strong domestic market and a track record of double-digit GGR growth in Entertainment City prior to the pandemic. Westside City Project construction has been ongoing despite COVID. Once Westside City Project is ready, it will become the newest attraction in Manila's Entertainment City for Filipinos, Koreans, Japanese, Singaporeans, Malaysians, Thais and other South East Asian tourists alike.

Finally, the Board would like to extend our gratitude to our team, our directors, our staff, our shareholders, our suppliers, our investment partners, and our customers for going through a tough 2021. The Board maintains a cautious view in the years to come.

The Board of Suncity Group Holdings Limited

29 March 2022

# Management Discussion and Analysis

## FINANCIAL REVIEW

The Group recorded a loss attributable to equity holders of the Company of HK\$258.3 million for the year ended 31 December 2021 (“**FY2021**”), significantly reduced from the profit attributable to equity holders of the Company of HK\$884.8 million for the year ended 31 December 2020 (“**FY2020**”). Consolidated Adjusted EBITDA from continuing operations was approximately negative HK\$70.8 million versus approximately negative HK\$134.1 million for FY2020.

The loss for the year attributable to equity holders of the Company in FY2021 was mainly attributable to the costs and expenses from continuing operations of (i) finance costs of approximately HK\$283.9 million; (ii) share of loss of a joint venture of approximately HK\$438.0 million; (iii) impairment loss on property, operating right and equipment of approximately HK\$287.1 million; (iv) impairment loss on equity loans to a joint venture of approximately HK\$119.7 million; (v) impairment loss on loans to and amounts due from a joint venture of approximately HK\$217.1 million; and (vi) partially offset by (a) the gain of approximately HK\$825.8 million in respect of the change in fair value of derivative financial instruments; and (b) profit for the year from discontinued operations of approximately HK\$176.8 million, including the gain on disposal of the entire equity interest in Access Achievement Limited of approximately HK\$201.7 million.

In FY2021, the 77.5%-owned integrated resort of Summit Ascent Holdings Limited (“**Summit Ascent**”, together with its subsidiaries as “**Summit Ascent Group**”) located in the Integrated Entertainment Zone of the Primorye Region (the “**IEZ Primorye**”) in the Russian Federation, Tigre de Cristal, contributed revenue from gaming and hotel operations of approximately HK\$265.5 million to the Group, with contribution of approximately HK\$286.1 million total gross gaming revenue (“**GGR**”) to the Group.

## Group Key Financial Data

	<b>FY2021</b> <b>HK\$'000</b>	FY2020 HK\$'000 (Restated)
Revenue:		
Operation of integrated resort in the Russian Federation		
– Tigre de Cristal:		
– Gaming operations	<b>248,355</b>	45,692
– Hotel operations	<b>17,164</b>	1,993
	<b>265,519</b>	47,685
Other segments:		
– Management and operation of malls	<b>28,789</b>	1,503
– Hotel and integrated resort general consultancy services	<b>3,284</b>	8,866
– Travel related products and services	<b>42,845</b>	123,804
Total revenue from continuing operations	<b>340,437</b>	181,858
Consolidated Adjusted EBITDA from continuing operations	<b>(70,776)</b>	(134,092)

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### Gaming Statistics

(In HK\$ million)	<b>FY2021</b>	FY2020 <sup>(i)</sup> (Restated)
Total GGR <sup>(ii)</sup>	<b>286</b>	53
Rolling Chip Volume	–	38
Gross Win Rate %	<b>N/A</b>	NEG <sup>(iii)</sup>
Gross Win	–	(1)
Mass Table Drop	<b>496</b>	95
Net Win Rate %	<b>22.78%</b>	24.21%
Net Win	<b>113</b>	23
Electronic Gaming Volume	<b>3,477</b>	629
Net Win Rate %	<b>3.88%</b>	3.82%
Net Win	<b>135</b>	24

(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.

(iii) NEG represents negative win rate percentage.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### Gaming Statistics (Cont'd)

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

	<b>FY2021</b> <b>HK\$'000</b>	FY2020 HK\$'000 (Restated)
(Loss) profit for the year	<b>(469,397)</b>	871,566
Add (deduct):		
(Profit) loss for the year from discontinued operations	<b>(176,815)</b>	402,067
Income tax expense	<b>23,149</b>	3,596
Change in fair value of convertible bonds	–	(240,183)
Change in fair value of derivative financial instruments	<b>(825,835)</b>	(1,530,268)
Loss on remeasurement of existing interest in an associate upon business combination	–	122,404
Gain on bargain purchase on acquisition of subsidiaries	–	(348,283)
Gain on disposal of an associate	<b>(594)</b>	–
Loss (gain) on disposal/write-off of property, operating right and equipment	<b>1,966</b>	(726)
Loss on disposal of intangible assets	<b>60</b>	–
Impairment loss on interest in an associate	–	53,295
Impairment loss on equity loans to a joint venture	<b>119,717</b>	–
Impairment loss on loans to a joint venture	<b>194,212</b>	–
Impairment loss on amounts due from a joint venture	<b>22,906</b>	–
Impairment loss on property, operating right and equipment	<b>287,119</b>	–
Impairment loss on amount due from a related company	<b>5,819</b>	–
Share of losses of associates	<b>520</b>	24,092
Share of loss of a joint venture	<b>437,952</b>	277,483
Finance costs	<b>283,876</b>	329,053
Interest income and imputed interest income on loans to a joint venture	<b>(75,727)</b>	(50,045)
Imputed interest income on loan receivable	<b>(14,668)</b>	–
Imputed interest income on value-added tax arrangements	<b>(472)</b>	–
Other operating expenses	<b>16,121</b>	16,491
Depreciation and amortisation	<b>110,286</b>	26,297
Net exchange gain	<b>(10,971)</b>	(90,931)
Consolidated Adjusted EBITDA from continuing operations	<b>(70,776)</b>	(134,092)

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### Revenue

Revenue from continuing operations in FY2021 was approximately HK\$340.4 million, increased by approximately HK\$158.5 million or 87% when compared to approximately HK\$181.9 million in FY2020. The increase was mainly attributable to the contribution from Summit Ascent Group for the full year 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 Home Developers, Inc. (“**Suntrust**”, together with its subsidiaries as “**Suntrust Group**”), 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 (which is expected to commence operation in 2024). In FY2021, the construction work of the pile cap has been completed while the construction works of the basement and ground floor of the Main Hotel Casino have been substantially completed. No revenue was recognised during the year.
- (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 HK\$265.5 million to the Group during FY2021 (2020: HK\$47.7 million).
- (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 and the suspension of operation with effect from 1 December 2021, there has been a significant impact on the Group’s travel and tourism related business in FY2021. The Group recorded a substantial decrease in revenue from this segment by approximately HK\$81.0 million to approximately HK\$42.8 million in FY2021 (2020: HK\$123.8 million).
- (iv) **Hotel and integrated resort general consultancy services** – The Group has entered into several technical service agreements and a casino management agreement with integrated resorts since 2017, generating revenue of approximately HK\$3.3 million in FY2021 (2020: HK\$8.9 million).
- (v) **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 People’s Republic of China (the “**PRC**”). The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as of 31 December 2021 were approximately 87% and 77%, respectively (31 December 2020: 87% and 77% respectively).

### Other income, gains and losses

The decrease in other income, gains and losses during FY2021 was mainly due to (i) lower net exchange gain recognised in FY2021 of approximately HK\$11.0 million (FY2020: net exchange gain of HK\$90.9 million) and partially offset by (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 quarters of 2020, which has a full year effect in FY2021.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### Selling and distribution expenses

Selling and distribution expenses, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses, increased during FY2021 attributable to the full year consolidation of financial results of Summit Ascent.

### Administrative expenses

The increase in administrative expenses in FY2021 was mainly attributable to the increase in staff costs since the acquisition of Summit Ascent in the fourth quarter of 2020.

### Other operating expenses

Other operating expenses remained stable during FY2021 and FY2020, which comprised mainly legal and professional fees incurred for merger and acquisition activities of the Group and an impairment loss recognised in respect of an amount due from a related company in FY2021.

### Change in fair value of convertible bonds

The Company has convertible bonds with outstanding principal amount of HK\$402.0 million ("**2016 Convertible Bond**") held by Fame Select Limited ("**Fame Select**"), the major shareholder of the Company. The Company has convertible bonds with outstanding aggregate principal amount of HK\$297.0 million ("**2018 Convertible Bond**") held by Star Hope Limited ("**Star Hope**") and Better Linkage Limited ("**Better Linkage**"). During FY2020, the maturity dates of the 2016 Convertible Bond and 2018 Convertible Bond were extended to 7 December 2022 and 28 August 2022 respectively, and this resulted in a change in fair value of convertible bonds of approximately HK\$240.2 million.

### 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 31 December 2021 were assessed by an independent professional valuer.

### Loss on remeasurement of existing interest in an associate upon business combination/Gain on bargain purchase on acquisition of subsidiaries

During FY2020, the Group had further acquired additional equity interest in Summit Ascent from approximately 24.74% to approximately 69.66% immediately after the taking up of rights shares of Summit Ascent by Victor Sky Holdings Limited (a wholly-owned subsidiary of the Company, "**Victor Sky**") as underwriter and shareholder and by the Company as shareholder pursuant to the rights issue of Summit Ascent on the basis of three rights shares for every two existing shares of Summit Ascent at a subscription price of HK\$0.6 per rights share of Summit Ascent ("**Summit Ascent Rights Issue**"). A net gain on bargain purchase on acquisition of Summit Ascent had been recognised, being (i) the excess of fair value of Summit Ascent Group's identifiable assets and liabilities at the date of acquisition over the costs of acquisition of approximately HK\$348.3 million and offset by (ii) the loss on remeasurement of existing interest in an associate of approximately HK\$122.4 million, being the difference between the fair value of the Group's approximately 24.74% equity interest in Summit Ascent prior to the Summit Ascent Rights Issue and the aggregate carrying amount of the interest in associates and related reserves retained by the Group as at the completion date of Summit Ascent Rights Issue.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### Gain on disposal of an associate

During FY2021, 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 HK\$24.7 million) and recognised a gain of approximately HK\$0.6 million.

### Impairment loss on interest in an associate

During FY2020, the Group performed impairment review on the interest in an associate, Summit Ascent, which had 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 HK\$53.3 million by reference to the valuation carried out by an independent professional valuer accordingly.

### Impairment losses on equity loans to a joint venture, loans to/amounts due from a joint venture

During the year ended 31 December 2021, the joint venture company (i.e., Gold Yield Enterprises Limited) failed to repay the interest on one of the loans to the joint venture and this indicated an actual or expected significant deterioration in the operating results of the joint venture. In view of this, the management of the Group considers that there was significant increase in credit risks during the year and assessed the expected credit loss (“**ECL**”) on the loans to and the amounts due from the joint venture changing from 12-month ECL to lifetime ECL during the year ended 31 December 2021. Assessment of impairment losses on loans to and amounts due from the joint venture were based on the method of ECL and such approach have been consistently applied throughout different financial years.

In determining the expected loss rates of loans to and amounts due from the joint venture, the financial position and performance of the joint venture and its subsidiaries including but not limited to financial information, business prospects and business forecasts of the joint venture and its subsidiaries were assessed and a credit rating was assigned. The ECL and expected loss rates of loans to and amounts due from the joint venture are determined by reference to the valuation carried out by an independent professional valuer. For the details of the basis and assumptions for the ECL assessment valuation, please refer to the Note 46 to the consolidated financial statements.

During FY2021, the Group has recognised impairment losses on the equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture of approximately HK\$119.7 million, HK\$194.2 million and HK\$22.9 million respectively.

### Impairment loss on property, operating right and equipment

During FY2021, an impairment loss of approximately HK\$287.1 million was recognised after the reassessment of the fair values of Summit Ascent Group’s property, operating right and equipment in relation to Tigre de Cristal and the changes in cash flow expectations. Such amount impaired has included the portion of fair value adjustments recognised by the Group upon the acquisition of Summit Ascent in 2020 upon the completion of Summit Ascent Rights Issue.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### 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. In October 2020, the Group had further acquired additional equity interest in Summit Ascent up to approximately 69.66% immediately after the Summit Ascent Rights Issue. Summit Ascent ceased to be an associate of the Group and became a non-wholly owned subsidiary of the Company since then. During FY2020, the Group recognised the share of loss of an associate of approximately HK\$26.1 million in respect of the equity interest in Summit Ascent prior to Summit Ascent Rights Issue.

During FY2021, the Group recognised the share of loss of an associate of approximately HK\$0.5 million in respect of the equity interest in FOPM 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 FY2021. Due to the increase of operating expenses and finance costs in FY2021, the Group has recognised the share of loss of a joint venture of approximately HK\$438.0 million (2020: HK\$277.5 million).

### Finance costs

Finance costs for FY2021 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 slightly decrease in finance costs during FY2021 was mainly attributable to the capitalisation of interest on lease liabilities incurred by Suntrust for the construction of the Main Hotel Casino.

### Income tax expense

Income tax expense comprises current tax and the increase for FY2021 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 taxes on gross interest income earned by Summit Ascent Group on intragroup convertible bonds and borrowings advanced to Suntrust in FY2020 and FY2021 respectively.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### 2016 Convertible Bond and 2018 Convertible Bond

#### *Dilution effect of the full conversion of convertible bonds*

*Number of shares that may be issued by the Company upon full conversion of the convertible bonds*

The following table sets out the number of shares that are issuable by the Company in the event that all convertible bonds were converted as at 31 December 2021 assuming they remain outstanding as at that date and the shareholdings held by the respective bondholder in the Company.

	<b>Immediately upon the full conversion of the 2018 Convertible Bond (Notes 1 &amp; 2)</b>		<b>Immediately upon the full conversion of the 2018 Convertible Bond and 2016 Convertible Bond (Notes 1, 3 &amp; 4)</b>	
	<b>Number of shares</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>
Star Hope (Holder of 2018 Convertible Bond)	196,666,666	2.81	196,666,666	2.30
Better Linkage (Holder of 2018 Convertible Bond)	133,333,333	1.90	133,333,333	1.56
Fame Select (Holder of 2016 Convertible Bond)			1,546,153,846	18.09

Notes:

1. Assuming full conversion of 2018 Convertible Bond at the initial conversion price of HK\$0.90.
2. The percentage of shareholding is calculated on the basis of 6,997,972,745 shares, which is the total number of issued share immediately upon the full conversion of 2018 Convertible Bond.
3. Assuming full conversion of 2016 Convertible Bond at the initial conversion price of HK\$0.26.
4. The percentage of shareholding is calculated on the basis of 8,544,126,591 shares, which is the total number of issued share immediately upon the full conversion of the 2018 Convertible Bond and the 2016 Convertible Bond.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### 2016 Convertible Bond and 2018 Convertible Bond (Cont'd)

#### *Dilution effect of the full conversion of convertible bonds (Cont'd)*

*Number of shares that may be issued by the Company upon full conversion of the convertible bonds (Cont'd)*

The following table sets out the dilution effect on the shares of the Company and the respective shareholdings of the substantial shareholders of the Company in the event that all outstanding convertible bonds were converted as at 31 December 2021 assuming they remain outstanding as at that date.

	As at 31 December 2021 (Notes 1)		Immediately upon the full conversion of the 2018 Convertible Bond (Notes 2 & 3)		Immediately upon the full conversion of the 2018 Convertible Bond and 2016 Convertible Bond (Notes 2, 4 & 5)	
	Number of shares	%	Number of shares	%	Number of shares	%
<b>Substantial shareholders</b>						
Fame Select (Note 6)	4,991,643,335	74.85	4,991,643,335	71.32	6,537,797,181	93.42
Mr. Cheng Ting Kong (“ <b>Mr. Cheng</b> ”) (Note 6)	4,991,643,335	74.85	4,991,643,335	71.32	6,537,797,181	93.42
Mr. Chau Cheok Wa (“ <b>Mr. Chau</b> ”) (Note 7)	4,991,643,335	74.85	5,188,310,001	74.14	6,734,463,847	96.23
Wooco Secretarial Services Limited (“ <b>Security Agent</b> ”) (Note 8)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Allied Group Limited (Notes 8 & 9)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Sun Hung Kai Structured Finance Limited (“ <b>SHKSFL</b> ”) (Note 8)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Lee Seng Huang (Notes 8 & 10)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Lee Seng Hui (“ <b>SH Lee</b> ”) (Note 8)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Lee Su Hwei (Notes 8 & 10)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Shipsshape Investments Limited (Notes 8 & 11)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13
Sun Hung Kai & Co. Limited (Notes 8 & 11)	4,991,643,335	74.85	5,321,643,334	76.04	6,867,797,180	98.13

Notes:

- The percentage of shareholding is calculated on the basis of 6,667,972,746 shares in issue as at 31 December 2021. These percentage shareholdings on a fully diluted basis are provided for illustrative purposes only. The terms of the 2016 Convertible Bond and 2018 Convertible Bond will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum public float requirement of the Listing Rules.
- Assuming conversion of 2018 Convertible Bond at the initial conversion price of HK\$0.90.
- The percentage of shareholding is calculated on the basis of 6,997,972,745 shares, which is the total number of issued share immediately upon the full conversion of 2018 Convertible Bond.
- Assuming conversion of 2016 Convertible Bond at the initial conversion price of HK\$0.26.
- The percentage of shareholding is calculated on the basis of 8,544,126,591 shares, which is the total number of issued share immediately upon the full conversion of the 2018 Convertible Bond and the 2016 Convertible Bond.
- 1,546,153,846 conversion shares under 2016 Convertible Bond were held by Fame Select. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng. As such, Mr. Chau and Mr. Cheng are deemed to be interested in 4,991,643,335 shares and 1,546,153,846 conversion shares under 2016 Convertible Bond held by Fame Select.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### 2016 Convertible Bond and 2018 Convertible Bond (Cont'd)

#### *Dilution effect of the full conversion of convertible bonds (Cont'd)*

*Number of shares that may be issued by the Company upon full conversion of the convertible bonds (Cont'd)*

Notes: (Cont'd)

- Out of 1,742,820,512 conversion shares to be issued upon the full conversion of the convertible bonds, 1,546,153,846 conversion shares and 196,666,666 conversion shares were held by Fame Select and Star Hope respectively. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng. Mr. Chau has 100% interests in Star Hope. Therefore, Mr. Chau is deemed to be interested in 4,991,643,335 shares and an aggregate of 1,742,820,512 conversion shares upon the full conversion of the convertible bonds.
- These represent security interest charged in favour of the Security Agent on 30 July 2021 as security agent for AG Capital Limited ("AG Capital"), SHKSFL and SH Lee as lenders, comprising (a) 4,991,643,335 shares charged by Fame Select; (b) the maximum of 1,546,153,846 underlying shares issuable upon full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK\$0.26 (subject to adjustment) charged by Fame Select; (c) the maximum of 196,666,666 underlying shares issuable upon full conversion of the convertible bonds issued by the Company to Star Hope at the initial conversion price of HK\$0.90 (subject to adjustment) charged by Star Hope; and (d) the maximum of 133,333,333 underlying shares issuable upon full conversion of the convertible bonds issued by the Company to Better Linkage Limited at the initial conversion price of HK\$0.90 (subject to adjustment) charged by Better Linkage Limited. The entire issued share capital of each of Fame Select and Star Hope was also charged in favour of the Security Agent.
- AG Capital is wholly-owned by AG Capital Holding Limited which in turn is wholly-owned by Allied Group Limited.
- Allied Group Limited is a controlled corporation of SH Lee, Lee Seng Huang and Lee Su Hwei.
- SHKSFL is wholly-owned by Shipshape Investments Limited which in turn is wholly-owned by Sun Hung Kai & Co. Limited.

#### *Dilution impact on loss per share*

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

	HK\$'000
Loss for the year ended 31 December 2021 attributable to shareholders of the Company for the purpose of calculating basic loss per share	(527,492)
	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	6,667,917,951
Number of Company's shares in issue upon full conversion of all the convertible bonds as at 31 December 2021 (Note 1)	1,546,153,846
Weighted average number of ordinary shares for the purpose of diluted loss per share	8,214,071,797
	HK cents
Basic loss per share attributable to shareholders of the Company	(7.91)
Diluted loss per share attributable to shareholders of the Company assuming conversion of convertible bonds (Note 1)	(15.52)

Note:

- Assuming conversion of 2016 Convertible Bond at the initial conversion price of HK\$0.26. For the year ended 31 December 2021, the conversion assumption of 2018 Convertible Bond has an anti-dilutive effect on the basic loss per share. Additional information of the (loss) earnings per share attributable to shareholders of the Company are set out in Note 13 to the consolidated financial statements.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Cont'd)

### 2016 Convertible Bond and 2018 Convertible Bond (Cont'd)

#### *Financial and liquidity position of the Group*

Referring to details of the financial and liquidity position of the Group and the Disclaimer of Opinion set out in page 66 of this report, the Company has been undertaking measures to improve the Group's liquidity and financial position for meeting its redemption obligations under the outstanding convertible bonds issued by the Company.

#### *Bondholders to convert or redeem*

In the future, when the price of the shares of the Company is not less than the conversion price of the convertible bonds issued by the Company, the Company believes that it will be equally financially advantageous for the bondholders to convert or redeem the convertible bonds.

## SEGMENT ANALYSIS

In FY2021, (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) revenue from management and operation of malls accounted for 78.0% (2020: 26.2%), 12.6% (2020: 68.1%), 1.0% (2020: 4.9%), and 8.4% (2020: 0.8%) 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 31 December 2021 amounted to approximately HK\$1,573.0 million (31 December 2020: HK\$2,644.5 million).

The Group had total other borrowings of approximately HK\$972.3 million as at 31 December 2021 which are denominated in Renminbi ("**RMB**") (31 December 2020: bank and other borrowings of HK\$1,559.7 million) of which approximately HK\$823.1 million were repayable on demand or within one year; approximately HK\$149.2 million were repayable in the second year. The Group's borrowings carried interest at fixed interest rates.

During the year ended 31 December 2021, the Group obtained bank overdrafts of up to HK\$80 million. Bank overdrafts were secured by fixed deposits and interest bearing at (i) 1.5% per annum over the overnight HIBOR or (ii) 1% per annum above the deposit rate for the pledged bank deposit, whichever is higher. Such bank overdrafts were repaid during the year.

The amount due to a former director mainly represents the issuance of a HK\$ denominated promissory note to a former director of approximately HK\$0.5 million as at 31 December 2021 (31 December 2020: HK\$5.6 million), which is unsecured, non-interest bearing and repayable on 31 August 2022.

The amounts due to related companies represents the issuance of a HK\$ denominated promissory note to a related company with carrying amount of approximately HK\$262.9 million as at 31 December 2021 (31 December 2020: HK\$206.2 million), which is unsecured, interest bearing at 2% per annum and repayable on 28 August 2022.

During the year ended 31 December 2020, the loans and interest thereon from a related company were fully settled by the issuance of perpetual securities.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING (Cont'd)

The Group had loans from non-controlling shareholders of subsidiaries of approximately HK\$237.3 million as at 31 December 2021 (31 December 2020: HK\$237.9 million), in which (i) an amount of approximately HK\$89.7 million which is denominated in JPY, secured by parcels of land (included in property, operating right and equipment), interest bearing at 2.4% per annum and repayable on 21 July 2023, and (ii) an amount of approximately HK\$147.6 million which is denominated in US\$, 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 HK\$607.0 million (31 December 2020: HK\$490.4 million) and approximately HK\$13.3 million (31 December 2020: HK\$837.6 million), respectively.

The gearing ratio, expressed as a percentage of total bank and other borrowings, promissory notes, loans from non-controlling shareholders of subsidiaries, convertible bonds and derivative financial instruments liabilities divided by consolidated total equity of the Group as at 31 December 2021 is approximately 43.4% (31 December 2020: 61.1%).

As at 31 December 2021, the Group had current assets of approximately HK\$2,716.7 million (31 December 2020: HK\$3,674.4 million) and current liabilities of approximately HK\$2,017.4 million (31 December 2020: HK\$2,068.9 million).

As at 31 December 2021, the aggregate perpetual securities facilities with principal amount of up to HK\$6,000.0 million have been granted by a related company to the Group, of which approximately HK\$5,408.0 million have been issued and the unissued amount of the facilities is approximately HK\$592.0 million.

## CHARGE ON ASSETS

As at 31 December 2021, other borrowings of approximately HK\$366.9 million (31 December 2020: Nil) were secured by the Group's loan receivable of approximately HK\$599.2 million as at 31 December 2021.

As at 31 December 2021, pledged bank deposits of approximately HK\$1.5 million (31 December 2020: HK\$6.5 million) were pledged for the license and suppliers in relation to Sun Travel Ltd. ("**Sun Travel**") (31 December 2020: Sun Travel and STL Passenger Transport Company Limited, indirect wholly-owned subsidiaries of the Company).

As at 31 December 2021, loans from non-controlling shareholders of a subsidiary of approximately HK\$89.7 million (31 December 2020: HK\$99.3 million) were secured by parcels of land under property, operating right and equipment of the Group of approximately HK\$321.7 million (31 December 2020: HK\$350.6 million).

As at 31 December 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.

As at 31 December 2021, the indirect equity interest of approximately 68% in Hoi An South Investment Pte. Limited ("**HASI**", the immediate holding company of HASD) and the approximately 66% equity interest of HASD were pledged to a joint venture partner for a loan granted to HASD.

# Management Discussion and Analysis

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The functional currency of the Company and the presentation currency of the consolidated financial statements of the Company are in Hong Kong Dollars. 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 HK\$ 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 31 December 2021.

In respect of Summit Ascent, a sharp devaluation of Russian Ruble ("**RUB**") due to the Russia-Ukraine conflict since the late February 2022 would mean a drop in the Group's asset values denominated in RUB when the consolidated financial statements of the Group are presented in HK\$.

## CONTINGENT LIABILITIES

For the details of contingent liabilities, please refer to Note 41 to the consolidated financial statements.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 21 February 2021, the Company entered into the sales and purchase agreement (the "**S&P Agreement**") with Wit Dragon Limited (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 Limited, a direct wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (equivalent to approximately HK\$186,624,000). The disposal was completed on 30 June 2021 with a gain of approximately RMB167,864,000 (equivalent to approximately HK\$201,736,000). Details of which are set out in Note 40. 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, associates and joint ventures during FY2021.

## 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 AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a staff force of approximately 1,103 (as at 31 December 2020: 1,291) employees. Of this, most were stationed in the Russian Federation and the PRC. 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 year ended 31 December 2021 was approximately HK\$205.5 million (2020: HK\$97.5 million).

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES (Cont'd)

The Group formulates its human resources allocation and recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in line with their individual performances and industry practice.

In addition, the Group encourages its employees to receive training that is suitable for their job nature and caters to their needs of obtaining certain professional qualifications, such as providing or encouraging employees to attend seminars and training for different professional knowledge. Appropriate training programmes and/or seminar subsidies are also offered to ensure continuous staff training and development.

The emoluments of the Directors, comprising Director's fee, salary package, discretionary bonus and share options, are reviewed and determined by the Board based on the recommendations from the Remuneration Committee with reference to the Company's performance, the Director's duties and responsibilities with the Company, and the prevailing market conditions. The Director's remuneration will be subject to annual review by the Remuneration Committee and the Board with the authorisation granted by shareholders at the AGM.

The human resources department of the Group is responsible for the collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Board about these recommendations on remuneration policy and structure and remuneration packages. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Group has followed the measures and directives issued by the government and health authorities at the cities with operations and deployed appropriate operation protocols and preventive measures to protect the Group's employees and provide them with healthy and hygienic working environments within the office premises during the reporting period. To help fight against the COVID-19 pandemic, the Group has followed the guidelines and requirements of relevant local government departments published from time to time. The Group has also implemented preventive measures for our employees such as introducing work-from-home practice, and encourages our employees to hold virtual meetings with our stakeholders as much as feasible.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year, 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 City Resorts World Inc. (“**Westside**”) as appointer and Suntrust as appointee in relation to the appointment of Suntrust as the sole and exclusive operator and manager to operate and manage the Main Hotel Casino as contemplated under the co-development agreement entered into between Suntrust and Westside on 28 October 2019 (the “**Co-Development Agreement**”), Suntrust will be the sole and exclusive operator and manager of the Main Hotel Casino. The investment in Suntrust marked the first step towards establishing the Group’s footprint in the integrated resort and entertainment market in the Philippines and allowing the Group to tap into this growing market. 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 have entered into the subscription agreement (the “**CB Subscription Agreement**”) of the PHP7.3 billion (equivalent to approximately HK\$1.1 billion) zero coupon convertible bonds of Suntrust to be 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 (“**SA Investments**”), a wholly-owned subsidiary of Summit Ascent (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 HK\$847.0 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.

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Development, operation and investment in integrated resorts, hotels and gaming business (Cont'd)

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

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 would be applied by Suntrust for the development of the Main Hotel Casino. As at 31 December 2021, the subscription proceeds of the Fortune Noble Subscribed CB and the Summit Ascent Subscribed CB have already been fully utilised as intended 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 HK\$3,211.0 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 “**SA Loan Agreement**”) with SA Investments as lender, pursuant to which SA Investments shall provide a loan in the principal amount of US\$120.0 million (equivalent to approximately HK\$930.0 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 announcements of Summit Ascent dated 23 February 2021 and 20 April 2021, respectively and the circular of Summit Ascent dated 26 March 2021.

On 17 August 2021, 17 September 2021 and 17 October 2021, the maturity date of the SA Loan was extended from 18 August 2021 to 18 September 2021, from 18 September 2021 to 18 October 2021 and from 18 October 2021 to 18 November 2021 respectively. SA Investments had agreed to further extend the maturity date of the SA Loan to 18 July 2022 or such other date as SA Investments otherwise agrees to in its sole and absolute discretion. Further details of the extension of SA Loan were disclosed in the announcement and circular of Summit Ascent dated 20 September 2021 and 26 October 2021 respectively.

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Development, operation and investment in integrated resorts, hotels and gaming business (Cont'd)

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

On 20 September 2021, SA Investments entered into a subscription agreement (the “**Subscription Agreement**”) with Suntrust, pursuant to which Suntrust has conditionally agreed to issue and SA Investments has conditionally agreed to subscribe for the convertible bonds in the maximum aggregate principal amount of PHP6.4 billion (equivalent to approximately HK\$1.0 billion). The aggregate subscription amount payable by SA Investments under the Subscription Agreement shall be satisfied by setting off the outstanding amount owing by Suntrust to SA Investments under the SA Loan Agreement comprising the principal amount of the SA Loan together with interest accrued up to (the “**Indebted Amount**”) with an equal amount of the aggregate subscription amount payable by SA Investments as at the completion of subscription for the convertible bonds (the “**Completion**”). Under the Subscription Agreement, SA Investments and Suntrust will enter into a set-off deed (the “**Set-Off Deed**”) upon the Completion to set-off the Indebted Amount up to a maximum set-off amount (the “**Maximum Set-off Amount**”). The Maximum Set-Off Amount under the Subscription Agreement is US\$128.4 million (equivalent to approximately PHP6.4 billion and HK\$995.1 million) comprising the principal amount of the Loan of US\$120.0 million (equivalent to approximately HK\$930.0 million) and the interest accrued up to the 18 July 2022 (the “**Expected Completion Date**”) of approximately US\$8.4 million (equivalent to approximately HK\$65.1 million). Further details of the Subscription Agreement and the Set-off Deed were disclosed in the announcement and circular of Summit Ascent dated 20 September 2021 and 26 October 2021 respectively.

As at 31 December 2021, the construction work of pile cap has been completed while the construction works of the basement and ground floor of the Main Hotel Casino have been substantially completed. The Main Hotel Casino is expected to commence operation in 2024. During FY2021, Suntrust had recorded a loss because of its pre-operating activities under the development phase.

#### (ii) *Tigre de Cristal*

In FY 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% in October 2020. 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.

The below analysis is performed on a year-on-year basis as if Summit Ascent became a subsidiary of the Group since 1 January 2020.

In FY2021, the COVID-19 pandemic continued to negatively impact the gaming and the hotel operating statistics; however, Tigre de Cristal experienced significant improvement in its results as compared to FY2020, which continue to reflect recovery from the adverse impact of the COVID-19 pandemic. Total revenue of Summit Ascent was approximately HK\$265.5 million in FY2021, up 26% compared to HK\$211.2 million in FY2020. Such increase was predominantly attributable to the local customers as the number of foreigners visiting Tigre de Cristal dropped significantly after different governments have adopted various travel restrictions and quarantine measures for travellers due to the COVID-19 pandemic. The increase was also partly due to the base effect as, in the second quarter of 2020, the gaming operations of Tigre de Cristal were suspended for about three months temporarily according to the respective measures recommended by the Russian government.

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Development, operation and investment in integrated resorts, hotels and gaming business (Cont'd)

#### (ii) Tigre de Cristal (Cont'd)

##### 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\$248 million during FY2021, increased by approximately HK\$45 million or 22% year-on-year compared to FY2020.

Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was approximately HK\$1,355 million in the FY2020. Gross win rate percentage (represented the ratio of gross win to rolling chip volume) was approximately 3.8% in FY2020. Due to the COVID-19 pandemic, no rolling chip business has been noted in FY2021.

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased by 37% to approximately HK\$496 million in FY2021, compared to approximately HK\$362 million in FY2020. Net win from mass table business increased by 38% to approximately HK\$113 million in FY2021, compared to approximately HK\$82 million in FY2020. Net win rate percentage (represented net win as a percent of mass table drop) increased slightly from 22.7% in the 2020 to 22.8% in FY2021.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$3,477 million in FY2021, increased by 57% compared to approximately HK\$2,217 million in FY2020. The electronic gaming business recorded net win of approximately HK\$135 million, up 31% compared to approximately HK\$103 million in FY2020. The net win rate percentage decreased to 3.9% in FY2021 from 4.6% in FY2020.

##### Hotel Operations

Revenue from hotel operations, despite largely dependent on foreign guests before the COVID-19 pandemic, increased to approximately HK\$17.2 million in FY2021 or by 106% compared to FY2020, as a result of an improvement in demand which was more severely depressed from the impacts of COVID-19 in FY2020. Average hotel occupancy rates increased to 55% (2020: 12%) during weekends and 25% (2020: 19%) during weekdays in FY2021.

##### Key Financial Data of Tigre de Cristal

	<b>FY2021</b>	FY2020
	<b>HK\$'000</b>	HK\$'000
Revenue:		
Net Gaming	<b>248,355</b>	202,924
Hotel/F&B/Others	<b>17,164</b>	8,314
Total Net Revenue	<b>265,519</b>	211,238
Adjusted EBITDA	<b>40,949</b>	(14,679)
Adjusted EBITDA margin	<b>15%</b>	N/A

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Development, operation and investment in integrated resorts, hotels and gaming business (Cont'd)

#### (ii) Tigre de Cristal (Cont'd)

##### Gaming Statistics

(HK\$ million)	Q12021	Q22021	Q32021	Q42021	<b>FY2021</b>	FY2020
Total GGR <sup>(i)</sup>	64	75	71	76	<b>286</b>	250
Rolling Chip Volume	-	-	-	-	-	1,355
Gross Win Rate %	N/A	N/A	N/A	N/A	<b>N/A</b>	3.8%
Gross Win	-	-	-	-	-	52
Mass Table Drop	123	114	118	141	<b>496</b>	362
Net Win Rate %	19.5%	27.2%	21.2%	23.4%	<b>22.8%</b>	22.7%
Net Win	24	31	25	33	<b>113</b>	82
Electronic Gaming						
Volume	782	781	915	999	<b>3,477</b>	2,217
Net Win Rate %	4.2%	4.5%	4.0%	3.0%	<b>3.9%</b>	4.6%
Net Win	33	35	37	30	<b>135</b>	103

(i) 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 31 December 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 pandemic had significant impacts on the operation of Hoiana.

In 2021, Hoiana's net revenue was approximately US\$12.1 million. Adjusted EBITDA was approximately negative US\$29.0 million.

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Development, operation and investment in integrated resorts, hotels and gaming business (Cont'd)

#### (iii) Hoiana (Cont'd)

##### Key Financial Data of Hoiana

	2021 US\$'000	2020 <sup>(i)</sup> US\$'000
Revenue:		
Net Gaming	<b>8,575</b>	3,455
Hotel/F&B/Others	<b>3,497</b>	1,323
Total Net Revenue	<b>12,072</b>	4,778
Adjusted EBITDA	<b>(29,011)</b>	(31,951)
Adjusted EBITDA margin	<b>N/A</b>	N/A

(i) For the period from 28 June 2020 (the date of commencement of casino operation) to 31 December 2020.

#### Gaming Statistics

(In US\$'000)	Q12021	Q22021	Q32021	Q42021	FY2021	FY2020 <sup>(i)</sup>
Total GGR <sup>(ii)</sup>	7,130	5,868	1,928	5,895	<b>20,821</b>	8,933
Rolling Chip Volume	142,539	125,252	38,398	69,122	<b>375,311</b>	250,036
Gross Win Rate %	3.4%	3.2%	4.0%	7.1%	<b>4.1%</b>	2.2%
Gross Win	4,878	4,005	1,554	4,889	<b>15,326</b>	5,376
Mass Table Drop	10,846	6,822	285	1,131	<b>19,084</b>	12,148
Gross Win Rate %	16.1%	13.9%	34.4%	25.7%	<b>16.2%</b>	18.3%
Gross Win	1,745	949	98	291	<b>3,083</b>	2,220
Electronic Gaming Volume	8,760	10,542	4,436	7,633	<b>31,371</b>	15,690
Gross Win Rate %	5.8%	8.7%	6.2%	9.4%	<b>7.7%</b>	8.5%
Gross Win	507	914	276	715	<b>2,412</b>	1,337

(i) For the period from 28 June 2020 (the date of commencement of casino operation) to 31 December 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.

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Management and operation of malls

On 19 November 2020, the Group acquired the entire interest of Dongyang Xinguang Pacific Industrial Company Limited (“**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) comprising 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 the Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 31 December 2021 were approximately 87% and 77%, respectively.

### Hotel and integrated resort general consultancy services

The Group commenced the provision in hotel and integrated general consultancy services and entered into several technical service agreements and a casino management agreement with integrated resorts since 2017. Since the preview of Hoiana took place on 28 June 2020, the Group began to receive casino management income from Hoiana under the casino management agreement. In December 2021, the casino management agreement for Hoiana was terminated upon mutual agreement between the Group and HASD.

### Travel related products and services

The Group commenced the provision of hotel accommodation products, transportation tickets and travel related products in Macau since 2016.

In 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 2021. According to the information published by the Statistics and Census Service of the Macau SAR Government, the number of visitor arrivals was approximately 7.7 million in 2021, up by 30.7% compared to the corresponding period of 2020. The average occupancy rate of hotels and guesthouses for 2021 increased by 21.5% year-on-year to 50.1% compared to the corresponding period of 2020. The average length of stay of guests for 2021 held steady at 1.6 nights. The Company was informed on 1 December 2021 that Sun City Gaming Promotion Company Limited, a key supplier of hotel accommodation products to the Group under its travel and related business segment, would not be able to supply hotel accommodation products to the Group in the near term. In view of this and also taking into account the rapid outbreak of COVID-19 variant (or omicron), the Group has suspended the operations of its travel and related business segment since 1 December 2021. Further details were disclosed in the announcements of the Company dated 29 November 2021 and 1 December 2021 respectively.

In January 2020, the Group completed the acquisition of an aircraft. The Group commenced the provision of charter flights in 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. Since 1 December 2021, the travel related businesses were suspended and the aircraft was disposed on 30 December 2021. However, in light of the COVID-19 pandemic, outbound travel has been difficult and less frequent and the timing of tourism rebound is uncertain. In view of the fact that the disposal of the aircraft allows the Group to (i) reduce its operating, maintenance and management cost of the aircraft; and (ii) realise its investment in the aircraft thereby generating immediate cash for the Group which will enhance the liquidity position of the Group, the aircraft was disposed on 30 December 2021. Further details were disclosed in the announcements of the Company dated 15 December 2021 and 20 December 2021 respectively.

# Management Discussion and Analysis

## BUSINESS REVIEW (Cont'd)

### Property development

As at 31 December 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 project 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 areas in the PRC, the Chaohu Government intends 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*

As at 31 December 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 of more than 100 rooms on the land.

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.

## REVIEW AND OUTLOOK

### Market Overview

In 2021, the global travel industry was still seriously impacted by the pandemic as most of the jurisdictions the Group has exposure to did not have bilateral quarantine-free travel arrangements yet.

#### *Russia*

Russia's GDP rose 4.7% year-on-year in 2021 to RUB130.8 trillion (approximately US\$1.2 trillion), the fastest since 2008, according to Federal Statistics Service<sup>1</sup>. The growth is primarily attributed to government stimulus, global economic recovery and rising oil prices. However, the tourism industry continued to be impacted by the resurgence of the pandemic in 2021. In 2021, total foreign arrivals in Primorye decreased 15% year-on-year to approximate 115,000<sup>2</sup>, of which the largest group of tourists came from China, the Philippines and Uzbekistan. All categories of visas have resumed for certain foreign nationals in 2021. Towards the end of the year, quarantine was no longer required if the traveller could present a negative PCR testing result. Russia has been continuing its mass vaccination program against COVID since December 2020. Following the recommendation of the local government, staff in Tigre de Cristal has already been receiving free vaccination since February 2021.

<sup>1</sup> Federal State Statistics Service

<sup>2</sup> The Border Service of Federal Security Service of the Russian Federation

# Management Discussion and Analysis

## REVIEW AND OUTLOOK (Cont'd)

### Market Overview (Cont'd)

#### *Russia (Cont'd)*

##### *Subsequent Event on the Russia-Ukraine Conflict*

In response to the Russia-Ukraine conflict since late February 2022, the United States, the European Union and their allies are aggressively escalating economic sanctions against the Russian Federation including, but not limited to, removal of seven Russian banks from the SWIFT messaging system operated by the Society for Worldwide Interbank Financial Telecommunication, blocking companies from sending a wide array of goods to the Russian Federation, and banning Russian flights from their airspace. A lot of large global corporations have also voluntarily suspended their operations in the Russian Federation. On the other hand, the Russian Federation has imposed countersanctions, including export bans on a string of products to “unfriendly” countries and approved legislation that took the first step towards nationalising assets of foreign firms that leave the country.

These unprecedented sanctions and the rapidly changing landscape are having a massive impact on the Russian economy. Among others, the value of RUB has plummeted to a record low. As the RUB depreciation threatens to stoke inflation, the Bank of Russia more than doubled its key interest rate to 20% from 28 February 2022.

The Group's integrated resort Tigre de Cristal is operating in the Russian Far East and has been self-sustaining without any bank borrowings. However, we shall have to adjust our operations to the reality of a volatile business environment and try to find ways to do business within the new constraints we may face. The Board has been closely monitoring the market conditions, and assessing the short-term and long-term implications of the geopolitical tensions, the Group's working capital requirements as well as funding requirements for its projects under development. The Board will base on the development of the situation to perform further assessment of its impact on the Group's financial performance and take relevant measures.

#### *The Philippines*

In the Philippines, GDP grew 5.6% year-on-year in 2021<sup>3</sup>, versus a 9.6% decline year-on-year in 2020. However, tourist arrivals in the Philippines from top markets Japan, South Korea and China slumped 63% dropping to 1.4 million in 2021<sup>4</sup> due to restrictions in travel during the pandemic. During the pandemic, integrated resorts in Manila were mandated to operate at a limited capacity in 2021 due to lockdown. Subsequently, the Philippines government has reopened its borders for fully vaccinated international tourists from February 2022 and allowed Manila integrated resorts to operate at 100% capacity since March 2022. In the Philippines, total GGR in 2021 increased by 15% year-on-year PHP113.1 billion<sup>5</sup> (approximately US\$2.2 billion), of which Entertainment City integrated resorts contributed PHP79.0 billion (approximately US\$1.5 billion), an increase of 20% compared to 2020. The Philippines government started its COVID-19 vaccination programme in March 2021<sup>6</sup> and the programme is still ongoing.

<sup>3</sup> Philippine Statistics Authority

<sup>4</sup> Reuters

<sup>5</sup> Philippines Amusement and Gaming Corporation, PAGCOR

<sup>6</sup> Nikkei Asia

# Management Discussion and Analysis

## REVIEW AND OUTLOOK (Cont'd)

### Market Overview (Cont'd)

#### *Vietnam*

Vietnam's GDP grew 2.6% in 2021, declining from a growth of 2.9% in 2020<sup>7</sup>. This was primarily due to prolonged social distancing in various Vietnamese localities in 2021. In 2021, Vietnam closed its border and grounded all international flights from March due to the pandemic. From mid-November onwards, Vietnam welcomed the first wave of quarantine-free international travellers under a pilot tourism programme by the Ministry of Culture, Sports and Tourism<sup>8</sup>. In total, Vietnam welcomed 157,300 international arrivals in 2021, down 96% year-on-year<sup>9</sup>. Vietnam started the official vaccination programme since March 2021. Currently, in Hoiana, the vaccination booster shot rate for staff was at 98% as of February 2022.

### Development Update

#### *Tigre de Cristal, Russia*

Given recent geopolitical tensions in Russia, the Group now turns prudent towards the future phases of Tigre de Cristal as the foreign direct investment environment is shifting. Taking into account the continual negative impact of the COVID-19 pandemic, particularly restrictions on international travel and the economic certainties, the Company decided to postpone the Phase II development of Tigre de Cristal (the TdC Phase II) which currently aiming for an opening no earlier than 2025. Sub-phases will be rolled out gradually in response to changing market dynamics.

#### *Westside City Project, Philippines*

Construction works have been going on at full steam in Westside City Project. The foundation works have been completed, cranes have been erected and the focus is to construct the building upwards.

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
- 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 Suncity's partner Westside/Travellers International Hotel Group Inc. ("**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, Hoiana Phase I including Hoiana Shores Golf Club, the casino, Hoiana Hotel & Suites and New World Hoiana Hotel are now operational.

Hoiana Phase II and beyond are planning in progress as land plots are now being prepared for development.

<sup>7</sup> General Statistics Office

<sup>8</sup> Vietnam National Administration of Tourism

<sup>9</sup> Xinhua

# Management Discussion and Analysis

## REVIEW AND OUTLOOK (Cont'd)

### Outlook

2021 has been a dark year in the Group's operating history – COVID continued impacting all segments of our business and quarantine-free international travel has not yet resumed. More recently, news regarding geopolitical tensions between Russia and the West topped global headlines. While it may be too early to fully assess the impacts of the recent sanctions on Russia, the Group closely monitors the situation and will comply with all government policies in accordance with the law. Despite all these challenges, the Group lived on to focus on the development of licensed Asian integrated resort businesses.

First and foremost, the demand for gaming and entertainment is universal and has never diminished in history. Asia is a continent of over 4.5 billion people whereby some of the most advanced Asian economies are located in the East of Asia. While Macau used to be the gaming mecca in Asia with VIP gaming as a major source of GGR in the past, more recently, the reliance on VIP business has already gone. The rise of the mega-rich and middle-class customers in South Korea, Japan, Singapore, Thailand, Malaysia, the Philippines etc are the fundamentals of demand for high-quality integrated resorts with a localised theme in Asia. There is fairly limited supply of VIP gaming facilities to cater to high-end demand since Macau has now virtually left the VIP junket business. As the Group continues to transform into a pan-Asian integrated resort operator, the Group will be targeting all traditional gaming business segments, including VIP, premium mass, mass, slots and non-gaming businesses in the Group's integrated resorts.

Secondly, the Group consolidates all resources on survival. Intense cash preservation across segments tops the Group's highest priority. Across the board, the Group executed the most uncompromising cost-cutting programme ever. Survival means chopping everything non-core. Underperforming non-core businesses have been sold and will continue to be sold, such as the disposal of the mainland Chinese property business and the aircraft in 2021. Management has also turned Hoiana into a temporary quarantine hotel; assertively cutting operating expenses while we tried our best to avoid disruption to guests' experience in Hoiana as a world-class integrated resort. In Japan, the land parcels in Niseko and Miyako Islands are non-core hotel developments and the Group may consider offloading them. In Russia, local mass & slots businesses have already enabled Tigre de Cristal to be self-sustaining while generating a positive EBITDA. Cash preservation and self-sustainability will continue to keep the Group afloat and carry on.

Thirdly, the Group retains the flexibility to focus resources to the jurisdiction with the soundest returns and lowest risks to balance our exposure to geopolitical tensions. Taking into account the recent geopolitical uncertainties between Russia and the West, the Group continues to evaluate the impact of these events on the business. While it may be too early to thoroughly evaluate all possible impacts of recent sanctions by the West towards Russia, Tigre de Cristal has been self-sufficient on an all-local contribution. While we acknowledged that in the short term, the Group may be exposed to volatility in exchange rates, revenue earned in RUB is offset by operating costs dominated in RUB. The Group now turns prudent towards the future expansion of Tigre de Cristal as the foreign direct investment environment is shifting. Tigre de Cristal Phase II is currently aiming for an opening no earlier than 2025 and sub-phases will be rolled out gradually in response to changing market dynamics. Thus, there is no imminent need for the Group to transfer funds into the Russian Federation. In Vietnam, the unlucky timing that Hoiana opened right in the middle of the pandemic, diminished the return profile of a highly-anticipated world-class integrated resort in South East Asia. On a Group-wide basis, management continuously monitors global business and political developments and will not rule out reallocating resources to the jurisdiction where it could generate the best return with the lowest risk in the interest of all shareholders.

# Management Discussion and Analysis

## REVIEW AND OUTLOOK (Cont'd)

### Outlook (Cont'd)

Finally, the bright spot for the Group will be the Philippines' investment. The Philippines gaming sector is underpinned by a strong domestic market and a track record of double-digit GGR growth in Entertainment City prior to the pandemic. The gradual lifting of international travel bans in certain Asian countries, and their willingness to embrace living with COVID, offers the first glimpse of hope of normalisation in international travels. Westside City Project construction continues to go on despite COVID. Once Westside City Project is ready, it will become the newest attraction in Manila's Entertainment City for Filipinos, Koreans, Japanese, Singaporeans, Malaysians, Thais and other South East Asian tourists alike.

With a total bank balance and cash of HK\$1.6 billion and a net asset position of HK\$4.8 billion, management carefully navigates the Asian gaming sector. Overall, the Group remains cautious in the years to come.

# Properties Portfolio Overview

## PROPERTY DEVELOPMENT BUSINESS

### Properties under development/to be developed

Project name	Place	Site Area (m <sup>2</sup> )	GFA (m <sup>2</sup> )			Total	Saleable Area (m <sup>2</sup> )	Commencement/ completion date	Interest attributable to the Group
			Residential	Shop	Others <sup>(1)</sup>				
The Landale	Chaochu	122,363	78,120	4,854	2,782	85,756	82,974	note (1)	100%

### Freehold land

Location	Site Area (m <sup>2</sup> )	GFA (m <sup>2</sup> )	Commencement/ completion date	Interest attributable to the Group
Parcels of land located at Miyako Island, Okinawa, Japan	108,799	note (2)	note (2)	51% <sup>note 3</sup>
Parcels of land located at Niseko, Hokkaido, Japan	220,194	note (4)	note (4)	100%

Notes:

- (1) The Chaochu City People's Government (the "**Chaochu Government**") intended to reclaim the land use rights in respect of The Landale project, the Group's subsidiary is currently in negotiation with the Chaochu Government and the compensation to be paid to the Group's subsidiary is yet to be determined.
- (2) The parcels of land are intended to build 40 villas and a hotel tower of more than 100 rooms and are currently under preliminary planning stage.
- (3) Owned by a 51% owned subsidiary of the Group.
- (4) The parcels of land are intended to build 50 villas and 20 townhouses and a hotel with over 40 rooms and are currently under preliminary planning stage.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Lo Kai Bong (“Mr. Lo”)**, aged 42, joined the Company on 9 March 2017 as an executive Director and was appointed as director of certain subsidiaries of the Group. Mr. Lo has obtained a Bachelor of Arts degree from the University of Winnipeg in Canada. Mr. Lo has been involved in the business development of the Group’s overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of the Group and is experienced in the gaming industry. On 12 December 2018, Mr. Lo was appointed as a non-executive director of Summit Ascent Holdings Limited (Stock code: 102) (“**Summit Ascent**”), an indirect non-wholly owned subsidiary of the Company of which the shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). With effect from 26 April 2019, Mr. Lo has been re-designated from a non-executive director to an executive director and has been appointed as the deputy chairman of Summit Ascent. With effect from 4 May 2021, Mr. Lo was appointed as a director of Suntrust Home Developers, Inc., an indirect non-wholly owned subsidiary of the Company, of which the shares are listed on The Philippine Stock Exchange, Inc.. On 26 October 2021, Mr. Lo was appointed as the chairman of Suntrust Home Developers, Inc.. Mr. Lo is the brother-in-law of Mr. Chiu King Yan, the chief financial officer and company secretary of the Company.

**Mr. Au Chung On John (“Mr. Au”)**, aged 62, joined the Company on 31 March 2017 as an executive Director and was appointed as director of certain subsidiaries of the Group. Mr. Au has obtained a Bachelor of Social Science degree from The Chinese University of Hong Kong in 1983. He has more than 18 years of experience in the gaming industry. From 2004 to 2016, Mr. Au was the senior director of business development, director of operations as well as various senior management positions at one of the major gaming concessionaires in Macau. His major roles included but not were limited to establishing business strategies, driving overall performance and control of VIP business, and overseeing both gaming and non-gaming operation of newly established properties.

**Mr. Manuel Assis Da Silva**, aged 68, joined the Company on 31 March 2017 as an executive Director and was appointed as director of a subsidiary of the Group. Mr. Manuel Assis Da Silva had served at The Gaming Inspection and Coordination Bureau (“**DICJ**”), the Macau gaming regulator, for more than 43 years and was appointed as the Head of Inspection at DICJ from 2003 to 2016, during which he was responsible for overseeing the casino operation in Macau. Mr. Manuel Assis Da Silva is recognised across Asia as an expert on casino game rules, internal controls in casinos, the control of junket and VIP gaming operations and in the regulation of gaming machines.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tou Kin Chuen (“Mr. Tou”)**, aged 45, joined the Company on 26 April 2012 as an independent non-executive Director, the chairman of the audit committee and the members of the remuneration committee and the nomination committee. Mr. Tou is the principal of Roger K.C. Tou & Co. Mr. Tou graduated from the Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) with an Honours Diploma in Accounting in 2001. He is experienced in audit, taxation, company secretarial, insolvency and finance for over 23 years. Mr. Tou is a member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and an associate of the Taxation Institute of Hong Kong. Mr. Tou has been the independent non-executive director of Imperium Financial Group Limited (formerly known as Sun International Group Limited) (Stock code: 8029) since 14 March 2011 and Milan Station Holdings Limited (Stock code: 1150) since 22 July 2015, both companies are listed on the Main Board of the Stock Exchange.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

**Dr. Wu Kam Fun Roderick (“Dr. Wu”)**, aged 83, joined the Company on 26 April 2012 as an independent non-executive Director, the chairman of the nomination committee and the members of the audit committee and remuneration committee. Dr. Wu obtained his LL.B. degree and Honorary Doctorate of the University from the University of Buckingham, United Kingdom. Dr. Wu is also an Associate of Chartered Institute of Arbitrators and a Barrister of the Inner Temple, the Victorian Bar, Australia and the Singapore Bar. Dr. Wu was awarded Diploma in Chinese Law by the University of East Asia, Macau, now known as the University of Macau. Dr. Wu has been at the Hong Kong Bar for over 42 years. He is a practising member of the Hong Kong Bar Association.

**Mr. Lo Wai Tung John**, aged 53, joined the Company on 10 October 2012 as an independent non-executive Director, the chairman of the remuneration committee and the members of the audit committee and nomination committee. Mr. Lo Wai Tung John graduated from the Chinese University of Hong Kong with a bachelor's degree of Science (with honours) in Computer Science in 1991. Mr. Lo Wai Tung John is experienced in securities and finance industry for over 29 years.

## SENIOR MANAGEMENT

**Mr. Tam Soong Jim Kenneth (“Mr. Tam”)**, aged 67, joined the Company on 1 October 2017 as the Project Director. Mr. Tam obtained a Diploma in Property Development from the University of Hong Kong, and holds a Master of Business Administration from the University of East Asia Macau. He has been in the real estate industry for more than 40 years and has extensive knowledge and experience in the real estate market in Hong Kong and mainland China. Prior to joining the Company, Mr. Tam held senior position in a number of property development projects, including but not limited to, integrated property projects and sizeable resorts and casinos in Macau.

**Mr. Chiu King Yan (“Mr. Chiu”)**, aged 44, the company secretary and Chief Financial Officer of the Company, joined the Company since 1 August 2016. Mr. Chiu has over 20 years of experience in audit, accounting, private equity investment and corporate finance, obtained from his previous working experience in international accounting firms and various listed companies in Hong Kong. On 26 April 2019, Mr. Chiu was appointed as an executive director of Summit Ascent. With effect from 23 April 2020, Mr. Chiu was appointed as an independent non-executive director of ICO Group Limited (stock code: 1460), a company listed on the Stock Exchange. On 1 September 2020, Mr. Chiu was appointed as an independent non-executive director of Halliang International Holdings Limited (stock code: 2336), a company listed on the Stock Exchange. Mr. Chiu holds a master's degree in financial analysis from The Hong Kong University of Science and Technology and a bachelor's degree in business administration in Accountancy from The City University of Hong Kong. He is a member of HKICPA and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chiu is the brother-in-law of Mr. Lo, the executive Director.

# Directors' Report

The Board is pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries as at 31 December 2021 are set out in Note 48(a) to the consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position on page 105 to 110 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in Note 36 to the consolidated financial statements.

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

There were no purchases, sales or redemptions of Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2021.

## RESERVES

Details of the movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 48(c) to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise share premium, capital reserve and accumulated losses. The Company has no reserves available for distribution to the shareholders as at 31 December 2021 (31 December 2020: Nil).

# Directors' Report

## PROPERTY, OPERATING RIGHT AND EQUIPMENT

Details of the movements in property, operating right and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## INVESTMENT PROPERTIES

Details of the investment properties of the Group during the year are set out in Note 16 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, revenue from the Group's five largest customers accounted for less than 30% of the Group's total revenue.

During the year ended 31 December 2021, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for 62% and 77% respectively of the Group's total purchases for the year.

Save as disclosed in this annual report, none of the Directors, their respective associates or, so far as the Directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five customers and suppliers of the Group for the year.

## DIRECTORS

The Directors who held office during the year and up to the date of this report were:

### EXECUTIVE DIRECTORS:

Mr. Chau Cheok Wa (*Chairman*) (resigned on 1 December 2021)

Mr. Lo Kai Bong

Mr. Au Chung On John

Mr. Manuel Assis Da Silva

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Tou Kin Chuen

Dr. Wu Kam Fun Roderick

Mr. Lo Wai Tung John

# Directors' Report

## BIOGRAPHICAL DETAILS OF THE DIRECTORS

The biographical details of the current Directors are set out on pages 34 to 35 of this annual report.

## DIRECTORS' SERVICE CONTRACTS AND ROTATION

The appointment of each Director is subject to retirement by rotation and, being eligible, offer themselves for re-election in accordance with the Company's articles of association (the "**Articles**"). All of the executive Directors do not enter any service contract with the Company. All of the independent non-executive Directors have entered a service contract with the Company for a term of 3 years and subject to retirement by rotation and re-election in accordance with the Articles and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In accordance with the provisions of the Articles, Mr. Lo Kai Bong, Mr. Tou Kin Chuen and Dr. Wu Kam Fun Roderick shall retire from the Board by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Other than disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or not determinable by the employing company within one year without payment of compensation other than statutory compensation.

## DIRECTORS' EMOLUMENTS

Details of Directors' emoluments on a named basis are set out in Note 10 to the consolidated financial statements.

## ANNUAL CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received written confirmation from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and both the Board and the nomination committee considered that all independent non-executive Directors are independent.

# Directors' Report

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (i) Long position in the shares and/or underlying shares of the Company

Name of director	Capacity/ Nature of Interest	Number of shares held	Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interest shares to total number of shares in issue*
Mr. Chau Cheok Wa ("Mr. Chau") (resigned as a director on 1 December 2021)	Interest of controlled corporation	4,991,643,335 <sup>1</sup>	1,742,820,512 <sup>2</sup>	6,734,463,847	100.99%
Mr. Lo Kai Bong ("Mr. Lo")	Interest of controlled corporation	5,770,000 <sup>3</sup>	133,333,333 <sup>4</sup>	139,103,333	2.08%
Mr. Au Chung On John ("Mr. Au")	Beneficial owner	1,230,000	40,000,000 <sup>5</sup>	41,230,000	0.61%
	Beneficial owner	–	40,000,000 <sup>6</sup>	40,000,000	0.59%
	Interest of spouse	400,000	–	400,000	0.01%
Mr. Manuel Assis Da Silva	Beneficial owner	290,000	3,000,000 <sup>7</sup>	3,290,000	0.04%
	Interest of spouse	520,000	–	520,000	0.01%

# Directors' Report

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Cont'd)

### (i) Long position in the shares and/or underlying shares of the Company (Cont'd)

Notes:

1. This represents interests held by Mr. Chau through Fame Select, which holds 4,991,643,335 shares. Mr. Chau has 50% interests in Fame Select and is deemed to be interested in 4,991,643,335 shares. The 4,991,643,335 shares were charged by Fame Select in favour of a security agent as agent for a syndicate of lenders on 30 July 2021.
2. Out of 1,742,820,512 underlying shares, 1,546,153,846 underlying shares and 196,666,666 underlying shares were held by Fame Select and Star Hope respectively.

The 1,546,153,846 underlying shares held by Fame Select represents the maximum of 1,546,153,846 conversion shares issuable upon the full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK\$0.26 (subject to adjustment). Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in 1,546,153,846 underlying shares. The convertible bonds and the conversion shares issuable were charged by Fame Select in favour of a security agent as agent for a syndicate of lenders on 30 July 2021.

The 196,666,666 underlying shares held by Star Hope represents the maximum of 196,666,666 conversion shares issuable upon the full conversion of another convertible bonds issued by the Company to Star Hope at the initial conversion price of HK\$0.90 (subject to adjustment). Mr. Chau has 100% interests in Star Hope and is therefore deemed to be interested in 196,666,666 underlying shares. The convertible bonds and the conversion shares issuable were charged by Star Hope in favour of a security agent as agent for a syndicate of lenders on 30 July 2021.

3. This represents interests held by Mr. Lo through Better Linkage Limited ("**Better Linkage**") and Ever Smart Capital Limited (companies wholly and beneficially owned by Mr. Lo).
4. This represents the maximum of 133,333,333 conversion shares issuable upon the full conversion of another convertible bonds issued by the Company to Better Linkage, at the initial conversion price of HK\$0.90 (subject to adjustment). Mr. Lo has 100% interests in Better Linkage and is therefore deemed to be interested in 133,333,333 underlying shares. The convertible bonds and the conversion shares issuable were charged by Better Linkage in favour of a security agent as agent for a syndicate of lenders on 30 July 2021.
5. Mr. Lo is interested in 40,000,000 share options at an exercise price of HK\$0.455 per share to subscribe for shares.
6. Mr. Au is interested in 40,000,000 share options at an exercise price of HK\$0.90 per share to subscribe for shares.
7. Mr. Manuel Assis Da Silva is interested in 3,000,000 share options at an exercise price of HK\$0.455 per share to subscribe for shares.

- \* The percentage has been calculated based on the total number of shares of the Company in issue as at 31 December 2021 (i.e. 6,667,972,746 shares).

# Directors' Report

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Cont'd)

### (ii) Long positions in the shares and/or underlying shares of the Company's associated corporation

Name of Associated Corporation	Name of Director	Capacity/ Nature of Interest	Number of shares held	Approximate percentage of number of shares in issue*
Summit Ascent Holdings Limited ("Summit Ascent")	Mr. Chau (resigned as a director on 1 December 2021)	Interest of controlled corporation	3,141,561,811 <sup>1</sup>	69.66%
Summit Ascent	Mr. Lo	Interest of controlled corporation	4,972,000 <sup>2</sup>	0.11%

#### Notes:

1. These 3,141,561,811 shares represent 123,255,000 shares of Summit Ascent beneficially owned by the Company and 3,018,306,811 shares of Summit Ascent beneficially held by Victor Sky. As at 31 December 2021, (a) Victor Sky was wholly-owned by the Company; and (b) the Company was 74.85% owned by Fame Select, which was owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. By virtue of the SFO, Mr. Chau is deemed to be interested in the shares of Summit Ascent in which the Company is interested, including those in which Victor Sky is interested.
2. This represents interests held by Mr. Lo through Better Linkage and Ever Smart Capital Limited (companies wholly and beneficially owned by Mr. Lo).

\* The percentage has been calculated based on the total number of shares of Summit Ascent in issue as at 31 December 2021 (i.e. 4,509,444,590 shares of Summit Ascent).

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Notes 25, 33 and 44 to the consolidated financial statements headed "Amounts Due From (To)/Loans From Former Director/Directors/Related Companies/Non-controlling Shareholders of Subsidiaries", "Convertible Bonds/Derivative Financial Instruments" and "Related Party Disclosures", respectively, no other transaction, arrangement or contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Directors' Report

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Note 33 to the consolidated financial statements headed "Convertible Bonds/Derivative Financial Instruments", the share option schemes described below and in Note 38 to the consolidated financial statements headed "Share Option Schemes", at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the interests of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/ Nature of Interest	Number of shares held	Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interest shares to total number of shares in issue*
Fame Select	Beneficial owner	4,991,643,335 <sup>1</sup>	1,546,153,846 <sup>2</sup>	6,537,797,181	98.04%
Mr. Cheng Ting Kong ("Mr. Cheng")	Interest of controlled corporation	4,991,643,335 <sup>1</sup>	1,546,153,846 <sup>2</sup>	6,537,797,181	98.04%
Mr. Chau	Interest of controlled corporation	4,991,643,335 <sup>1</sup>	1,742,820,512 <sup>3</sup>	6,734,463,847	100.99%
Woooco Secretarial Services Limited ("Security Agent")	Agent	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4</sup>	102.99%
Allied Group Limited	Interest of controlled corporation	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4&amp;5</sup>	102.99%
Sun Hung Kai Structured Finance Limited ("SHKSFL")	Interest held jointly with another person	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4</sup>	102.99%
Lee Seng Hui ("SH Lee")	Interest held jointly with another person	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4</sup>	102.99%
Lee Seng Huang	Interest of controlled corporation	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4&amp;6</sup>	102.99%
Lee Su Hwei	Interest of controlled corporation	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4&amp;6</sup>	102.99%
Shipsape Investments Limited	Interest of controlled corporation	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4&amp;7</sup>	102.99%
Sun Hung Kai & Co. Limited	Interest of controlled corporation	4,991,643,335	1,876,153,845	6,867,797,180 <sup>4&amp;7</sup>	102.99%

## SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Cont'd)

Notes:

1. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng. Mr. Chau and Mr. Cheng are deemed to be interested in 4,991,643,335 shares held by Fame Select. The 4,991,643,335 shares were charged by Fame Select in favour of the Security Agent as agent for a syndicate of lenders on 30 July 2021.
2. This represents the maximum of 1,546,153,846 conversion shares issuable upon the full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK\$0.26 (subject to adjustments). Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng. Mr. Chau and Mr. Cheng are deemed to be interested in 1,546,153,846 underlying shares.
3. Out of 1,742,820,512 underlying shares, 1,546,153,846 underlying shares and 196,666,666 underlying shares were held by Fame Select and Star Hope respectively.

The 1,546,153,846 underlying shares held by Fame Select represents the maximum of 1,546,153,846 conversion shares issuable upon the full conversion of the convertible bonds previously issued by the Company to Fame Select at the initial conversion price of HK\$0.26 (subject to adjustment). Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng. The convertible bonds and the conversion shares issuable were charged by Fame Select in favour of the Security Agent as agent for a syndicate of lenders on 30 July 2021.

The 196,666,666 underlying shares held by Star Hope represents the maximum of 196,666,666 conversion shares issuable upon full conversion of another convertible bonds, issued by the Company to Star Hope at the initial conversion price of HK\$0.90 (subject to adjustment). Mr. Chau has 100% interests in Star Hope and is deemed to be interested in 196,666,666 underlying shares. The convertible bonds and the conversion shares issuable were charged by Star Hope in favour of the Security Agent as agent for a syndicate of lenders on 30 July 2021.

4. These represent security interest charged in favour of the Security Agent on 30 July 2021 as security agent for AG Capital Limited ("**AG Capital**"), SHKSFL and SH Lee as lenders, comprising (a) 4,991,643,335 shares charged by Fame Select; (b) the maximum of 1,546,153,846 underlying shares issuable upon full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK\$0.26 (subject to adjustment) charged by Fame Select; (c) the maximum of 196,666,666 underlying shares issuable upon full conversion of the convertible bonds issued by the Company to Star Hope at the initial conversion price of HK\$0.90 (subject to adjustment) charged by Star Hope; and (d) the maximum of 133,333,333 underlying shares issuable upon full conversion of the convertible bonds issued by the Company to Better Linkage at the initial conversion price of HK\$0.90 (subject to adjustment) charged by Better Linkage. The entire issued share capital of each of Fame Select and Star Hope was also charged in favour of the Security Agent.
  5. AG Capital is wholly-owned by AG Capital Holding Limited which in turn is wholly-owned by Allied Group Limited.
  6. Allied Group Limited is a controlled corporation of SH Lee, Lee Seng Huang and Lee Su Hwei.
  7. SHKSFL is wholly-owned by Shipshape Investments Limited which in turn is wholly-owned by Sun Hung Kai & Co. Limited.
- \* The percentage has been calculated based on the total number of shares of the Company in issue as at 31 December 2021 (i.e. 6,667,972,746 shares).

# Directors' Report

## SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Cont'd)

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than the Directors and the chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there was sufficiency of public float of the Company's securities as required under the Listing Rules up to the date of this report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws in the Cayman Islands.

## SHARE OPTION

### (1) The Company

On 31 January 2007, in recognition of the contributions made by employees of the Group towards its growth and success, a share option scheme (the "**Share Option Scheme**") was adopted by the shareholder's written resolution of the Company. On 2 June 2016, a resolution has been passed in the 2016 annual general meeting of the Company to terminate the Share Option Scheme and adopt a new share option scheme (the "**New Share Option Scheme**"). Following the termination of the Share Option Scheme, no further options will be granted under such scheme, but in all other respects the provisions of the Share Option Scheme will remain in full force and effect and options granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

The Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options which granted and/or may be granted under the Share Option Scheme, and/or the New Share Option Scheme, subsequently.

As at 31 December 2021, a total of 207,400,187 share options were outstanding which comprised 92,400,187 share options and 115,000,000 share options granted under the Share Option Scheme and the New Share Option Scheme respectively.

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

The following is a summary of the principal terms of the Share Option Scheme and the New Share Option Scheme.

#### (A) Share Option Scheme

##### *Purpose*

Recognise and acknowledge the contributions that the grantees had made or may make to the Group.

##### *Participants*

Eligible participants include:

- (a) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**");
- (b) the trustee of any trust the beneficiary of which or a discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or
- (c) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

##### *Exercise price*

Determined by the Board and shall not be less than the higher of:

- (a) the nominal value of the share of the Company;
- (b) the closing price of the share of the Company on the Stock Exchange at the offer date, which must be a trading day; and
- (c) the average closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the offer date.

# Directors' Report

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (A) Share Option Scheme (Cont'd)

*Total number of shares available for issue upon exercise of the outstanding share options of the Company under the Share Option Scheme and the percentage of the issued shares capital that it represented as at the date of this annual report*

No further options will be granted under the scheme as the scheme had been terminated on 2 June 2016.

The total number of shares of the Company available for issue upon exercise of the outstanding share option under the Share Option Scheme was 92,400,187 shares, being approximately 1.39% of the issued shares of the Company.

*Maximum entitlement of each participant*

Not exceed 1% of the shares of the Company in issue in any 12-month period.

*Period within which the securities must be taken up under the option*

Subject to the discretion by the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of offer.

*Minimum period for which an option must be held before it can be exercised*

Subject to the discretion by the Board.

*Amount payable on acceptance*

HK\$10 payable upon acceptance of the offer.

*Period within which calls/loans must be made/repaid*

Not applicable.

*Remaining life of the scheme*

The scheme has been terminated on 2 June 2016 but the provisions of the scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to the date of termination shall continue to be exercisable in accordance with their terms of grant, notwithstanding the termination of the scheme.

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (B) New Share Option Scheme

##### *Purpose*

Recognise and acknowledge the contributions that the grantees had made or may make to the Group.

##### *Participants*

Eligible participants include:

- (a) full time or part time employees, executives, officers, or directors (whether executive or non-executive and whether independent or not) of the Group;
- (b) and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group.

##### *Exercise price*

Determined by the Board and shall not be less than the higher of:

- (a) the nominal value of the share of the Company;
- (b) the closing price of share of the Company on the Stock Exchange at the offer date, which must be a trading day; and
- (c) the average closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the offer date.

*Total number of shares available for issue upon exercise of the outstanding share options of the Company under the New Share Option Scheme and the percentage of the issued shares capital that it represented as at the date of this annual report*

The total number of shares of the Company available for issue upon exercise of the outstanding share options under the New Share Option Scheme was 115,000,000 shares, being approximately 1.72% of the issued shares of the Company.

# Directors' Report

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (B) *New Share Option Scheme (Cont'd)*

*Total number of shares available for issue upon exercise of the outstanding share options of the Company under the New Share Option Scheme and the percentage of the issued shares capital that it represented as at the date of this annual report (Cont'd)*

The total number of shares of the Company available for issue upon exercise of all outstanding share options under the Share Option Scheme and the New Share option Scheme was 207,400,187 shares, approximately 3.11% of the issued shares of the Company as at the date of this annual report.

*Maximum entitlement of each participant*

Not exceed 1% of the shares of the Company in issue in any 12-month period.

*Period within which the securities must be taken up under the option*

Subject to the discretion by the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of offer.

*Minimum period for which an option must be held before it can be exercised*

Subject to the discretion by the Board.

*Amount payable on acceptance*

HK\$1 payable upon acceptance of the offer.

*Period within which calls/loans must be made/repaid*

Not applicable.

*Remaining life of the scheme*

The scheme will be valid and effective until 2 June 2026, after which no further options will be granted but the provisions of the scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to 2 June 2026 shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the scheme.

# Directors' Report

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (C) Movements of the Share Option Scheme

Movements of the share options, which were granted under the Share Option Scheme, during the year ended 31 December 2021 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category of Participants	Date of grant	Number of share options					As at 31 December 2021	Adjusted exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period
		As at 1 January 2021	During the year			Lapsed				
		Granted	Exercised	Cancelled						
<b>Continuous Contract Employees</b>	12.12.2013	462,559	-	-	-	-	<b>462,559</b>	0.344 <sup>1</sup>	0.355 <sup>3</sup>	13.12.2013-12.12.2023
Sub-total:		462,559	-	-	-	-	<b>462,559</b>			
<b>Consultants</b>	12.12.2013	91,937,628	-	-	-	-	<b>91,937,628</b>	0.344 <sup>1</sup>	0.355 <sup>3</sup>	13.12.2013-12.12.2023
Sub-total:		91,937,628	-	-	-	-	<b>91,937,628</b>			
Total:		92,400,187	-	-	-	-	<b>92,400,187</b>			

Notes:

1. The original exercise price of the share option granted on 12 December 2013 was HK\$0.398, which was subsequently adjusted to HK\$0.344. The exercise price of the share options is subject to the adjustment in case of right or bonus issues, or other similar changes in the Company's share capital.
2. When the share options are lapsed or cancelled, the amount previously recognised in share option reserve will be transferred to accumulated losses.
3. The original closing price of the shares of the Company immediately before the date of grant on 11 December 2013 was HK\$0.410, which was subsequently adjusted to HK\$0.355 due to the right or bonus issues, or other similar changes in the Company's share capital.

# Directors' Report

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (D) Movements of the New Share Option Scheme

Movements of the share options, which were granted under the New Share Option Scheme, during the period ended 31 December 2021 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category of Participants	Date of grant	Number of share options						As at 31 December 2021	Exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period
		As at 1 January 2021	During the year								
		Granted	Exercised	Cancelled	Lapsed						
Consultants	11.01.2017	120,000,000	-	-	-	(120,000,000) <sup>3</sup>	-	0.202	0.199	11.01.2017-10.01.2027	
	19.04.2017	16,500,000	-	-	-	-	16,500,000	0.700	0.600	19.04.2017-18.04.2027	
	19.04.2017	3,600,000	-	-	-	(3,600,000) <sup>3</sup>	-	0.700	0.600	19.04.2017-18.04.2027	
	19.04.2017	5,400,000	-	-	-	(5,400,000) <sup>3</sup>	-	0.700	0.600	19.04.2018-18.04.2027	
	19.04.2017	9,000,000	-	-	-	(9,000,000) <sup>3</sup>	-	0.700	0.600	19.04.2019-18.04.2027	
	04.09.2017	1,400,000	-	-	-	(1,400,000) <sup>3</sup>	-	0.455	0.460	04.09.2017-03.09.2027	
	04.09.2017	2,100,000	-	-	-	(2,100,000) <sup>3</sup>	-	0.455	0.460	04.09.2018-03.09.2027	
	04.09.2017	3,500,000	-	-	-	(3,500,000) <sup>3</sup>	-	0.455	0.460	04.09.2019-03.09.2027	
	22.09.2020	2,880,000	-	-	-	(2,880,000) <sup>3</sup>	-	0.900	0.760	22.09.2020-21.9.2030	
	22.09.2020	2,880,000	-	-	-	(2,880,000) <sup>3</sup>	-	0.900	0.760	22.09.2021-21.09.2030	
	22.09.2020	3,840,000	-	-	-	(3,840,000) <sup>3</sup>	-	0.900	0.760	22.09.2022-21.09.2030	
	Sub-total:		171,100,000	-	-	-	(154,600,000)	16,500,000			

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (D) Movements of the New Share Option Scheme (Cont'd)

Category of Participants	Date of grant	Number of share options					As at 31 December 2021	Exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period
		As at 1 January 2021	During the year							
		Granted	Exercised	Cancelled	Lapsed					
<b>Directors</b>										
Mr. Lo	04.09.2017	8,000,000	-	-	-	-	<b>8,000,000</b>	0.455	0.460	04.09.2017-03.09.2027
	04.09.2017	12,000,000	-	-	-	-	<b>12,000,000</b>	0.455	0.460	04.09.2018-03.09.2027
	04.09.2017	20,000,000	-	-	-	-	<b>20,000,000</b>	0.455	0.460	04.09.2019-03.09.2027
Manuel Assis Da Silva	04.09.2017	600,000	-	-	-	-	<b>600,000</b>	0.455	0.460	04.09.2017-03.09.2027
	04.09.2017	900,000	-	-	-	-	<b>900,000</b>	0.455	0.460	04.09.2018-03.09.2027
	04.09.2017	1,500,000	-	-	-	-	<b>1,500,000</b>	0.455	0.460	04.09.2019-03.09.2027
Au Chung On John	22.09.2020	12,000,000	-	-	-	-	<b>12,000,000</b>	0.900	0.760	22.09.2020-21.09.2030
	22.09.2020	12,000,000	-	-	-	-	<b>12,000,000</b>	0.900	0.760	22.09.2021-21.09.2030
	22.09.2020	16,000,000	-	-	-	-	<b>16,000,000</b>	0.900	0.760	22.09.2022-21.09.2030
Sub-total:		83,000,000	-	-	-	-	<b>83,000,000</b>			

# Directors' Report

## SHARE OPTION (Cont'd)

### (1) The Company (Cont'd)

#### (D) Movements of the New Share Option Scheme (Cont'd)

Category of Participants	Date of grant	Number of share options					As at 31 December 2021	Exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period
		As at 1 January 2021	During the year							
		Granted	Exercised	Cancelled	Lapsed					
Continuous Contract Employees	04.09.2017	2,100,000	-	(200,000) <sup>4</sup>	-	-	<b>1,900,000</b>	0.455	0.460	04.09.2017-03.09.2027
	04.09.2017	3,150,000	-	(300,000) <sup>4</sup>	-	-	<b>2,850,000</b>	0.455	0.460	04.09.2018-03.09.2027
	04.09.2017	5,250,000	-	(500,000) <sup>4</sup>	-	-	<b>4,750,000</b>	0.455	0.460	04.09.2019-03.09.2027
	22.09.2020	2,340,000	-	-	-	(540,000) <sup>3</sup>	<b>1,800,000</b>	0.900	0.760	22.09.2020-21.09.2030
	22.09.2020	2,340,000	-	-	-	(540,000) <sup>3</sup>	<b>1,800,000</b>	0.900	0.760	22.09.2021-21.09.2030
	22.09.2020	3,120,000	-	-	-	(720,000) <sup>3</sup>	<b>2,400,000</b>	0.900	0.760	22.09.2022-21.09.2030
	Sub-total:	18,300,000	-	(1,000,000)	-	(1,800,000)	<b>15,500,000</b>			
Total:	272,400,000	-	(1,000,000)	-	(156,400,000)	<b>115,000,000</b>				

#### Notes:

1. The exercise price of the share options is subject to the adjustment in case of right or bonus issues, or other similar changes in the Company's share capital.
2. When the share options are lapsed or cancelled, the amount previously recognised in share option reserve will be transferred to accumulated losses.
3. 156,400,000 share options were lapsed under the New Share Option Scheme upon the resignation of employees and consultants of the Company during the year ended 31 December 2021.
4. In December 2020, the Company received a notice for exercise of 1,000,000 share options, where the 1,000,000 new shares of the Company were issued in January 2021 upon the exercise of the relevant share options.

# Directors' Report

## SHARE OPTION (Cont'd)

### (2) Summit Ascent

#### Share Option Scheme of Summit Ascent

Particulars of the Summit Ascent's share option scheme (the "Summit Ascent Scheme") are set out in Note 38(b) to the consolidated financial statements.

Movements of share options granted under the Summit Ascent Scheme during the year ended 31 December 2021 are set out below:

Category of Participants	Date of grant	Number of share options				As at 31 December 2021	Exercise price (HK\$)	Exercise period  (Notes)
		As at 1 January 2021	During the year					
			Granted	Lapsed	Cancelled			
<b>Independent non-executive directors of Summit Ascent</b>								
Mr. Lau Yau Cheung	13.12.2018	937,500	-	-	-	<b>937,500</b>	1.05	3
Mr. Li Chak Hung	13.12.2018	937,500	-	-	-	<b>937,500</b>	1.05	3
<b>Employees</b>								
	01.09.2016	1,211,250	-	(1,211,250) <sup>5</sup>	-	-	2.12	2
	13.12.2018	10,621,875	-	-	-	<b>10,621,875</b>	1.05	3
<b>Consultants</b>								
	01.09.2016	5,448,750	-	(5,448,750) <sup>5</sup>	-	-	2.12	2
	02.11.2020	1,000,000	-	-	-	<b>1,000,000</b>	0.912	4
<b>Total</b>		<b>20,156,875</b>	<b>-</b>	<b>(6,660,000)<sup>5</sup></b>	<b>-</b>	<b>13,496,875</b>		

Notes:

- Each option gives the holder the right to subscribe for one share of Summit Ascent and the vesting period of the share options is from the date of grant until the commencement of the exercise period.
- The share options granted on 1 September 2016 are divided into 2 tranches, 50% of which is exercisable from 1 September 2016 and the remaining 50% is exercisable from 1 September 2017 respectively to 31 August 2021. The closing price of Summit Ascent's shares on the Stock Exchange immediately preceding the date of grant was HK\$1.99.
- The share options granted on 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023. The closing price of Summit Ascent's shares on the Stock Exchange immediately preceding the date of grant was HK\$0.98. The exercise price was adjusted from HK\$0.98 to HK\$1.05 as a result of the Summit Ascent Right Issue.
- The share options granted on 2 November 2020 are divided into 3 tranches, 30% of which is exercisable from 2 November 2020, 30% of which is exercisable from 2 November 2021 and the remaining 40% is exercisable from 2 November 2022 respectively to 1 November 2025. The closing price of the Summit Ascent's shares on the Stock Exchange immediately preceding the date of grant was HK\$0.89.
- During year ended 31 December 2021, 6,660,000 share options were lapsed under the Summit Ascent Scheme.

# Directors' Report

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

### (A) Connected Transactions

- (a) On 21 February 2020, Suntrust, a non-wholly owned subsidiary of the Group, (as lessee) and Westside and Travellers (as lessor) entered into the Lease Agreement to lease a project site for the development of the Main Hotel Casino in the Philippines. Pursuant to the Lease Agreement, the lease term will commence from the date on which the handover of the project site, on which the Main Hotel Casino is to be built and operated, is delivered to Suntrust until 19 August 2039 and the Group will pay an annual rental of US\$10,600,000, exclusive of the applicable value-added tax, commencing from the first day of commencement of operation of the casino establishment of the Main Hotel Casino in two installments payable on a semi-annual basis (or every six (6) months basis). Each of Westside and Travellers is an associate of Megaworld Corporation ("**Megaworld**"), which is a connected person of the Company at the subsidiary level for being solely a substantial shareholder of the Company's 51% owned subsidiary, Suntrust, and a connected person of the Company at the subsidiary level, and therefore the Lease Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the Lease Agreement were disclosed in the announcement of the Company dated 21 February 2020 as well as the circular of the Company dated 26 March 2020.
- (b) On 3 July 2020, the Company, Star Hope Limited and Better Linkage Limited entered into a supplemental deed to extend the maturity date of the 2018 Convertible Bond by 24 months from 28 August 2020 to 28 August 2022, subject to fulfilment of the conditions precedent which were fulfilled on 24 August 2020. Each of Star Hope Limited and Better Linkage Limited is a connected person of the Company for being an associate of a connected person of the Company, and therefore the extension of the maturity date of the 2018 Convertible Bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 3 July 2020 as well as the circular of the Company dated 31 July 2020.
- (c) On 3 July 2020, the Company, Star Hope Limited entered into a supplemental promissory note to extend the maturity date of the existing promissory note by 24 months from 28 August 2020 to 28 August 2022. Save for the extension of the maturity date, all other terms of the promissory note shall remain unchanged. Star Hope Limited is a connected person of the Company for being an associate of a connected person of the Company. The extension of the maturity date of the promissory note constituted a connected transaction for the Company but is exempted from reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 3 July 2020.
- (d) On 15 October 2020, the Company and Fame Select Limited entered into a supplemental deed to extend the maturity date of the 2016 Convertible Bond by 24 months from 7 December 2020 to 7 December 2022, subject to fulfilment of the conditions precedent which were fulfilled on 7 December 2020. Fame Select Limited is a connected person of the Company for being the controlling shareholder of the Company, and therefore the extension of the maturity date of the 2016 Convertible Bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 15 October 2020 as well as the circular of the Company dated 13 November 2020.

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### (A) Connected Transactions (Cont'd)

- (e) On 25 March 2021, a sale and purchase agreement was entered into whereby the Group, through Suntrust as vendor, agreed to sell the 48,062,500 shares of FOPM, representing the Group's remaining 24.27% interest in FOPM, to Asian E-Commerce, Inc. ("**Asian E-Commerce**") for consideration of PHP153,728,294 (equivalent to approximately HK\$24,768,000). Immediately following completion of the disposal in accordance with the sale and purchase agreement, Suntrust ceased to have any interest in FOPM and the other member of the FOPM Group.

Asian E-Commerce is a connected person of the Company at the subsidiary level by virtue of being a 50% owned company of Megaworld, which is a connected person of the Company at the subsidiary level for being solely a substantial shareholder of the Company's 51% owned subsidiary, Suntrust, currently holding 34% interest in Suntrust. Asian E-Commerce is therefore an associate of Megaworld and a connected person of the Company at the subsidiary level. The disposal constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the disposal of FOPM were disclosed in the announcement of the Company dated 25 March 2021.

- (f) On 1 August 2021, Suntrust entered into a service and consultancy agreement (the "**Services and Consultancy Agreement**") with Brightleisure Management Inc. ("**Brightleisure**", a company incorporated in the Philippines and a wholly-owned subsidiary of Travellers), pursuant to which Suntrust engaged Brightleisure for the provision of services in relation to the initial phase of construction of the Main Hotel Casino, including but not limited to securing a loan from a reputable banking institution and consultation services for the foundation construction works. The total consultancy service fee under the Services and Consultancy Agreement is approximately US\$561,000 (equivalent to approximately HK\$4,020,000).

Brightleisure is a wholly-owned subsidiary of Travellers, which is an associate of Megaworld. Megaworld holds approximately 34% interest in Suntrust and is therefore a connected person of the Company at the subsidiary level for being solely a substantial shareholder of Suntrust. Brightleisure, being an associate of Megaworld, is therefore also a connected person of the Company at the subsidiary level. Accordingly, the transaction contemplated under the Services and Consultancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Given the applicable percentage ratios are all less than 1% and the transaction contemplated under the Services and Consultancy Agreement was on normal commercial terms and is a connected transaction only because it involved connected person of the Company at the subsidiary level, the transaction contemplated under the Services and Consultancy Agreement is exempted from the requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b).

# Directors' Report

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### B) Continuing Connected Transactions

- (a) On 5 November 2019, Sun Travel and Sun City Gaming Promotion Company Limited ("**Sun City Gaming Promotion**") entered into (i) an agreement in relation to the supply of hotel accommodation and related services by Sun City Gaming Promotion to Sun Travel (the "**2019 Hotel Accommodation Procurement Agreement**"), and (ii) an agreement in relation to the supply of travel related products and services including ferry tickets between Hong Kong and Macau, entertainment tickets/vouchers, travel packages and other transportation tickets by Sun Travel to Sun City Gaming Promotion (the "**2019 Travel Products Supply Agreement**"), both agreements are with terms of three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive).

Sun City Gaming Promotion is wholly-owned by Mr. Chau, who is the former Chairman of the Company and a former executive Director. Fame Select Limited, which is owned as to 50% by Mr. Chau, is the controlling shareholder of the Company interested in approximately 74.87% of the issued share capital of the Company. Accordingly, Sun City Gaming Promotion is regarded as a connected person of the Company under the Listing Rules, and therefore the transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement and 2019 Travel Products Supply Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual caps under the 2019 Hotel Accommodation Procurement Agreement are HK\$620,000,000, HK\$650,000,000 and HK\$680,000,000 for the three years ending 31 December 2020, 31 December 2021 and 31 December 2022, respectively. The annual caps under the 2019 Travel Products Supply Agreement are HK\$19,500,000, HK\$20,000,000 and HK\$21,000,000 for the three years ending 31 December 2020, 31 December 2021 and 31 December 2022, respectively. Further details of the 2019 Hotel Accommodation Procurement Agreement and 2019 Travel Products Supply Agreement were disclosed in the announcement of the Company dated 5 November 2019.

The 2019 Hotel Accommodation Procurement Agreement and the 2019 Travel Products Supply Agreement were terminated on 10 December 2021.

- (b) On 4 May 2020, Suntrust as appointee and Westside as appointor entered into an operation and management agreement (the "**O&M Agreement**"), pursuant to which Suntrust was appointed by Westside as the sole and exclusive operator and manager of the Main Hotel Casino to manage the development of the Main Hotel Casino and operate and manage the operation of the Main Hotel Casino. The O&M Agreement is with terms of more than three years, where an independent financial advisor was appointed and confirmed that it is normal business practice for agreements of this type to be of such duration.

Westside is a connected person of the Company at the subsidiary level, and therefore the transactions contemplated under O&M Agreement are on a recurring basis and constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual caps under the O&M Agreement for each of the years ending 31 December 2020, 2021 and 2022 are zero as the Main Hotel Casino is expected to commence operation only in, the earliest, 2024. Further details of the O&M Agreement were disclosed in the announcement of the Company dated 4 May 2020.

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### B) Continuing Connected Transactions (Cont'd)

- (c) On 30 December 2020, Sun Travel and Suncity Group Management and Consultancy Limited (“**SGMC**”), both are wholly-owned subsidiaries of the Company, entered into administrative and management service agreements (the “**SCGPCL Management Agreements**”) with Sun City Gaming Promotion respectively, for the provision of human resources, administrative and accounting and finance services to Sun Travel and SGMC for the period from 1 January 2021 to 31 December 2021. The total consultancy service fees under the SCGPCL Management Agreements are approximately HK\$2,751,000.

Sun City Gaming Promotion is wholly-owned by Mr. Chau, who is the former Chairman of the Company and a former executive Director. Fame Select Limited, which is owned as 50% by Mr. Chau, is the controlling shareholder of the Company interested in approximately 74.87% of the issued share capital of the Company. Accordingly, Sun City Gaming Promotion is regarded as a connected person of the Company under the Listing Rules, and therefore the transactions contemplated under the SCGPCL Management Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given the applicable percentage ratios are all less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the SCGPCL Management Agreements were entered on normal commercial terms, the transactions contemplated under the SCGPCL Management Agreements are exempted from the requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(c).

The SCGPCL Management Agreements were terminated on 10 December 2021.

- (d) On 8 January 2021, (1) Sun Travel and Mr. Chau entered into a master charter services agreement (the “**Master Charter Services Agreement**”) pursuant to which Sun Travel shall provide the aircraft charter services to Mr. Chau and his associates; and (2) Sun Travel and Mr. Chau entered into the travel related services master agreement (the “**Travel Related Services Master Agreement**”) pursuant to which Sun Travel shall provide the travel related services to Mr. Chau and his associates on the principal terms as set out in the Travel Related Services Master Agreement. Mr. Chau is a connected person of the Company by virtue of him being an executive Director and the chairman of the Company on the date of agreement who is also a controlling shareholder of the Company. As the counterparties to each of the Master Charter Services Agreement and the Travel Related Services Master Agreement are Mr. Chau and his associates, the transactions contemplated under the Master Charter Services Agreement and the Travel Related Services Master Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and have to be aggregated under Rules 14A.81 and 14A.83 of the Listing Rules.

The annual caps under the Master Charter Services Agreement are HK\$8,000,000 and HK\$8,000,000 for the two years ending 31 December 2021 and 31 December 2022, respectively. The annual caps under the Travel Related Services Master Agreement are HK\$2,400,000 and HK\$2,400,000 for the two years ending 31 December 2021 and 31 December 2022, respectively. Further details of Master Charter Services Agreement and the Travel Related Services Master Agreement were disclosed in the announcement of the Company dated 8 January 2021.

The Master Charter Services Agreement and the Travel Related Services Master Agreement were terminated on 1 December 2021.

# Directors' Report

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### Parties to the transactions

Service provider	Service recipient	Nature of transactions	Annual cap for the year ended 31 December 2021	Total amount for the year ended 31 December 2021
Sun City Gaming Promotion	Sun Travel	Provision of hotel accommodation and related services	HK\$650,000,000	HK\$39,978,481
Sun Travel	Sun City Gaming Promotion	Provision of ferry tickets and other complementary services	HK\$20,000,000	HK\$170,240
Sun Travel	Mr. Chau and his associates	Charter service	HK\$8,000,000	Nil
Sun Travel	Mr. Chau and his associates	Travel related services	HK\$2,400,000	HK\$253,610

During the year, the above continuing connected transactions were carried out within their respective annual caps, while the transactions contemplated under the O&M Agreement were not carried out during the year ended 31 December 2021. The independent non-executive Directors have reviewed and confirmed that during the year, the above continuing connected transactions were conducted and entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a qualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules, in relation to the continuing connected transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement, the 2019 Travel Products Supply Agreement and the Travel Related Services Master Agreement for October and November 2021 in respect of which the Company's auditor was unable to perform alternative work as the Group was unable to retrieve accounting records for the transactions contemplated thereunder for October and November 2021 due to inaccessibility of these records as a result of the seizure of the office and the computer system of Sun City Gaming Promotion, which provided, among others, accounting services to Sun Travel under the SCGPCL Management Agreements, following the arrest and detainment of Mr. Chau in November 2021. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

# Directors' Report

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### Parties to the transactions (Cont'd)

Full details of the above connected transactions are set out in the announcements and circulars as aforesaid and are available in the Stock Exchange's website and the Company's website at [www.suncitygroupholdings.com](http://www.suncitygroupholdings.com).

Details of other related party transactions that either do not constitute connected transaction and/or continuing connected transaction or constitute connected transaction and/or continuing connected transaction that are exempted from connected transaction requirements under Chapter 14A of the Listing Rules are set out in Note 44 to the consolidated financial statements.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year.

## CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of the information of the Directors is as follows:

On 26 October 2021, Mr. Lo was appointed as the chairman of the board of directors of Suntrust Home Developers, Inc..

On 1 December 2021, Mr. Chau resigned as the chairman of the Board and executive Director of the Company and the chairman of the board of directors and non-executive director of Summit Ascent. Mr. Chau also resigned as the director of all members of the Group.

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2021 and up to the date of this report.

## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2021, Star Admiral, an indirect wholly-owned subsidiary of the Company has made advances to Gold Yield Enterprises Limited ("**GYE**"), a 50% owned joint venture of the Group, in the aggregate amount of approximately US\$64,955,799 (equivalent to approximately HK\$507,086,000) (the "**Advances A**"). Such Advances A have been provided by the Group to GYE to support the development of Hoiana. The Advances A have been provided on a pro-rata basis by reference to the percentage of shareholdings held by the Group in GYE. The Advances A are provided in the form of shareholder's loans by Star Admiral which are interest-free, unsecured and no fixed repayment term.

In addition, Star Admiral as lender entered into the two loan agreements with GYE on 7 January 2020 and 6 March 2020 respectively, pursuant to which Star Admiral has advanced loans in the aggregate principal amount of US\$34,045,000 (equivalent to approximately HK\$263,849,000 at the drawdown date) to GYE (the "**Advances B**"). The Advances B are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities.

# Directors' Report

## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES (Cont'd)

On 6 July 2020, Star Admiral as lender entered into a loan agreement with GYE, pursuant to which Star Admiral has advanced loans in the aggregate principal amount of US\$30,000,000 (equivalent to approximately HK\$232,500,000 at the drawdown date) to GYE (the “**Advance C**”). The Advance C is interest bearing at 14% per annum, unsecured and repayable after 12 months from the first drawdown date of the facility and the maturity date may be extended up to 28 February 2022. GYE has not repaid the Advance C together with interest accrued thereon in the aggregate amount of approximately US\$34.9 million (equivalent to approximately HK\$272.6 million) by the due date (i.e. 28 February 2022) and such amount became immediately payable. In the meantime, GYE also owed Alpha Era Investments Limited the same amount as of the date of this report and such amount remains outstanding. The Advance C has not yet been repaid by 28 February 2022 and is interest bearing at 25% per annum with effect from 1 March 2022.

Such Advances A, Advances B and Advance C to GYE in aggregate exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Pursuant to Rule 13.22 of the Listing Rules, a statement of financial position of the Company's affiliated company (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interest in the affiliated company as at 31 December 2021 are presented as follows:

	Statement of financial position HK\$'000	The Group's attributable interest HK\$'000
Non-current assets	8,781,096	3,178,488
Current assets	679,811	231,442
Current liabilities	(5,564,897)	(2,137,327)
Non-current liabilities	(4,875,169)	(1,688,488)
Non-controlling interests	147,389	–
Net liabilities	(831,770)	(415,885)

## BUSINESS REVIEW

“Group Financial Summary” on pages 3 to 4 and “Management Discussion and Analysis” on pages 7 to 32 form part of this Directors' report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed “Environmental, Social and Governance Report” on pages 77 to 101.

# Directors' Report

## BUSINESS REVIEW (Cont'd)

### Principal risks and uncertainties facing the Company

The Group's business performance in the year under review was affected by the volatility and uncertainty of macro-economic conditions in the PRC, Hong Kong, Macau, Japan, Russia and the Philippines.

The Group's business is also exposed to credit, liquidity, interest rate, foreign currency and equity price risks. An analysis of the Group's financial risk management is provided in Note 46 to the consolidated financial statements.

### Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to our operational activities in order to minimise these impacts if possible.

### Compliance with the relevant laws and regulations

During the year ended 31 December 2021 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

### Future development

"Review and Outlook" on pages 28 to 32 forms part of this Directors' report.

### Key relationships with employees, customers and suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2021, there was no material and significant dispute between the Group and its employees, customers and suppliers.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 June 2022 to Monday, 27 June 2022 (both days inclusive) for determining the identity of the shareholders who are entitled to attend and vote at the annual general meeting ("**AGM**"). No transfer of shares will be registered during this period. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 21 June 2022.

# Directors' Report

## PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or an associate.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no event after the reporting period that had significant impact on the Group after financial year of 2021 and up to the date of this report.

## AUDITORS

Deloitte Touche Tohmatsu ("**Deloitte**") was appointed as auditor of the Company on 16 January 2018. For details, please refer to the announcement of the Company dated 20 July 2017. Deloitte had retired as auditor of the Company upon expiration of its term of office at the annual general meeting of the Company on 31 July 2020. Crowe (HK) CPA Limited ("**Crowe**") was appointed as auditor of the Company to fill the vacancy arising from the retirement of Deloitte on 9 November 2020. For details, please refer to the announcements of the Company dated 19 June 2020 and 9 November 2020 and the circular of the Company dated 13 November 2020. Save as disclosed above, there was no change in auditor during the past three years.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Crowe. A resolution will be submitted to the forthcoming AGM meeting of the Company to re-appoint Crowe as auditor of the Company.

On behalf of the Board

Lo Kai Bong  
*Director*

29 March 2022

# Corporate Governance Report

The Company is committed to maintaining a 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 (“**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the year ended 31 December 2021 except the following deviations:

Under code provision C.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 (i) Mr. Chau Cheuk Wa (“**Mr. Chau**”) as an executive Director and the chairman of the Company on 1 December 2021 and (ii) 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 Chairman and Chief Executive Officer, and the roles and functions of the Chairman and Chief Executive Officer have been performed by all the executive Directors collectively.

Under code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. Such meeting was scheduled to be held in December 2021 and due to the current vacancy of the chairman of the Company after the resignation of Mr. Chau, the meeting was not held.

Under code provision C.2, of the CG Code, there are certain roles and responsibilities to be carried out by the chairman of the Company. Due to the vacancy of the chairman of the Company, such roles are delegated to the executive Directors except the roles and responsibilities as stated in code provision C.2.7 of the CG Code.

Under code provision C.3.3 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, the former executive Director resigned on 1 December 2021, and Mr. Lo, Mr. Au and Mr. Manuel Assis Da Silva, as executive Directors of the Company. However, Mr. Chau were, and 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.

Under code provision F.2.2 of the CG 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 former chairman of the Board, did not attend the annual general meeting held on 3 June 2021.

# Corporate Governance Report

## 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 year ended 31 December 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.

## BOARD OF DIRECTORS

Prior to the resignation of Mr. Chau as executive Director on 1 December 2021, the Board comprises seven Directors, of whom four are executive Directors, and three are independent non-executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of independent non-executive Directors in the Board brings independent judgement on issues relating to the Group’s strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Details of the biographies of the Directors are given under the section “Biographical Details of Directors and Senior Management” of this annual report.

Details of term of appointment of non-executive Directors are given under the section “Directors’ Service Contracts and Rotation” in the Directors’ Report.

The Board is responsible for the approval and monitoring of the Group’s overall strategies and policies; approval of business plans; effectiveness of internal control and risk management systems and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company’s affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

# Corporate Governance Report

## BOARD OF DIRECTORS (Cont'd)

The Board delegates day-to-day operations of the Group to executive Directors and senior management of every business segment, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

Directors	Board meeting Attended/Held	General meeting Attend/Held	Participation in continuous professional development
<b>Executive Directors:</b>			
Mr. Chau Cheok Wa (resigned on 1 December 2021)	4/11	0/2	✓
Mr. Lo Kai Bong	10/11	1/2	✓
Mr. Au Chung On John	10/11	2/2	✓
Mr. Manuel Assis Da Silva	10/11	0/2	✓
<b>Independent Non-Executive Directors:</b>			
Mr. Tou Kin Chuen	10/11	2/2	✓
Dr. Wu Kam Fun Roderick	10/11	2/2	✓
Mr. Lo Wai Tung John	11/11	2/2	✓

Regular Board meetings are attended to by a majority of the Directors in person or through other electronic means of communication. Besides the regular Board meetings, special Board meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention. As some of the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attend. During the year ended 31 December 2021, apart from holding Board meetings, the Board also passed resolutions in writing to approve certain matters.

All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conferences, forums, courses and seminars and self-reading which are relevant to the business or directors duties.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

The Directors were responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 December 2021. The Directors' responsibilities in the preparation of the consolidated financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report. Saved as disclosed in the Independent Auditor's Report under the heading "Basis for Disclaimer of Opinion – Multiple Uncertainties Relating to Going Concern", the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern as at 31 December 2021.

The auditor of the Company has issued a disclaimer of opinion ("**Disclaimer of Opinion**") on the going concern assumptions of the Company in the independent auditor's report on the 2021 Audited Financial Statements. Please refer to "Independent Auditor's Report – Basis for Disclaimer of Opinion" for further details.

### Multiple Uncertainties Relating to Going Concern

As set out in Note 2 to the consolidated financial statements, the Group incurred a net loss for the year of approximately HK\$469,397,000 and net operating cash outflow of approximately HK\$219,471,000 for the year ended 31 December 2021. The Group had committed capital expenditure of approximately HK\$3,600,183,000 as at 31 December 2021.

In addition, the Group had amounts due to a related company in the principal amount of approximately HK\$303,000,000 due on 28 August 2022, other borrowings of approximately HK\$823,101,000 due within one year, including HK\$366,928,000 due on 31 March 2022 and approximately HK\$220,157,000 due on 30 April 2022 respectively, convertible bonds in the principal amount of HK\$297,000,000 due on 28 August 2022 and HK\$402,000,000 due on 7 December 2022, respectively.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The directors have been undertaking measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its borrowings, details of which are set out in Note 2 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including i) agree with the Group's existing lenders for the renewal of or extension for repayments of all borrowings; ii) agree with the convertible bonds holders for the extension of repayment dates; iii) able to obtain new sources of financing or successful negotiation with debtors for prompt settlements; iv) realizing the Group's non-current assets, including the parcels of land in Japan, to obtain new sources of financing; and v) successfully taking active measures to control operating expenses.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT (Cont'd)

### Details of the Disclaimer of Opinion and Management's View on the Disclaimer of Opinion

In prior years, the Company has been relying on the financial support from Mr. Chau, the former Chairman and a former executive director of the Company. Mr. Chau had provided financial support to the Company by way of: (i) extension of maturity dates of the promissory note and convertible bonds issued by the Company to Mr. Chau or his controlled entities; and (ii) subscription of perpetual securities of the Company by a company wholly-owned by Mr. Chau. With reference to the announcement of the Company, an associate of Mr. Chau is in default of a loan (the “**Loan**”) and such loan was secured by certain assets of the Mr. Chau's controlled entities, including but not limited to the convertible bonds, promissory note and perpetual securities issued by the Company, and therefore, Mr. Chau is no longer able to provide financial support to the Company.

In response to the above, the Directors have been actively implementing cost controls measures and commencing negotiation of the sale of certain assets of the Group, including but not limited to the parcels of land in Japan. The removal of the audit modification will be dependent on whether the Company can successfully sell its assets or obtain equity or debt financing in the future, which in turn will be affected by external factors not relating to the Group, including development of the Loan and impact of COVID-19 on market conditions, among other factors.

### Measures to Address the Disclaimer of Opinion

As at the date of this report, the Company has taken the following measures to address the Disclaimer of Opinion:

- (i) The Company has been in active negotiation with the creditors of the Group so that they would not demand immediate repayment of the loans or take further actions against the Company when there is an event of default.

The Company has secured an extension of the maturity date of a loan in the principal amount of RMB300,000,000 from February 2022 to 31 March 2022.

- (ii) The Company has been in active negotiation with the debtors, in particular, the loan receivable of approximately HK\$599,209,000 as at 31 December 2021, in which an amount of approximately HK\$485,550,000 is due on 31 March 2022.

The loan receivable represents part of the consideration payable to the Group by the purchaser of certain of the Group's operations in the People's Republic of China completed on 30 June 2021, which is retained by the purchaser. The amount should be released to the Group on 31 March 2022 upon satisfaction of the condition to release.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT (Cont'd)

### Measures to Address the Disclaimer of Opinion (Cont'd)

- (iii) The Company is in negotiation for the disposal of certain of its non-core assets, in particular, the land parcels in Japan.

Since December 2021, the Group has been exploring opportunities to dispose of its land parcels in Japan.

Regarding the land parcels located at the Miyako Island in Okinawa, Japan, which is held by MSRDC Corporation Limited (“**MSRD**”) in which the Group has 51% interest, a non-disclosure agreement and an agency agreement were entered into with an independent third party agent in December 2021 to explore the possibility of selling the piece of land. Site inspection of the land was carried out by potential buyers in March 2022 but no purchase offer has yet been received by the Group thus far. Another non-exclusive brokerage service agreement with another independent third party broker was entered into in March 2022 to explore the possibility of selling the land but no purchase offer has yet been received by the Group thus far.

Regarding the land parcels located at Niseko in Hokkaido, Japan, in which the Group has 100% interest, a non-disclosure agreement was entered into with a potential buyer in February 2022 to commence the due diligence process and a non-legally binding term sheet was provided to the potential buyer in March 2022, to which the Group is awaiting feedback from the potential buyer. Two non-exclusive agency agreements were also entered into with two independent third party agents in March 2022 with a view to sell the land.

The Group will continue to explore viable ways and opportunities to dispose of the Group’s land in Japan, and enlist the help of other agents and professional advisers with a view of securing the sale prior to the end of 2022 subject to the terms of the disposal are satisfactory to the Group.

- (iv) The Group will continue to take active measures to control operating costs through various channels.

Since the third quarter in 2021, the Group has been taking active measures to save operating costs, including:

- disposing of the Group’s aircraft in December 2021 which requires substantial maintenance and operating costs and has been a loss making business of the Group in 2021;
- cutting down manpower;
- relocating an office of the Group in the People’s Republic of China to premises of lower rentals;
- ceasing the operation of other loss making businesses of the Group including the travel related business and the provision of hotel and integrated resort general consultancy services business with effect from 1 April 2022.

The Group will continue to take other measures to secure control of the operating costs of the Group if and when appropriate.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT (Cont'd)

### Measures to Address the Disclaimer of Opinion (Cont'd)

- (v) The Group will continue to explore equity or debt financing by exploring opportunities of increasing investors' awareness to the Group through financial roadshow, media, professional agents and other means with a view of exploring possibilities of investors, banks and financial institutions alike making an investment in or financing the Group through equity or debt financing.

The management and the audit committee of the Company (the "**Audit Committee**") believe that if the above measures are indeed implemented properly and effectively in the year 2022 and if the Company could provide sufficient audit evidence to the auditor to support that there will be sufficient working capital for the Group in the next twelve months from 31 December 2022, the Disclaimer of Opinion may be removed, given that there is no adverse change of the financial position and operations of the Group.

### Board's View of the Effectiveness of the Above Measures

The Directors would like to emphasize that the above measures have been implemented since the last quarter of 2021 and it may take time to see the results. The Directors are also cautiously optimistic that: (i) certain assets of the Group can be disposed and provide liquidity to the Group; and (ii) certain debts of the Group may be extended, the Disclaimer of Opinion will be able to be resolved upon publication of the financial results of the Group for the year ending 31 December 2022.

### Audit Committee's View on the Disclaimer of Opinion

The members of the Audit Committee had critically reviewed the Disclaimer of Opinion, the management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion. There is no disagreement between the view of the management of the Company and the auditor of the Company on the Disclaimer of Opinion. After careful deliberation, the Audit Committee agreed with the management's position and the auditor's basis. Moreover, the Audit Committee requested the management to take all necessary actions to address the effect on the Disclaimer of Opinion so that no such Disclaimer of Opinion will be issued in the forthcoming audited financial statements.

## GOVERNANCE FUNCTIONS

The Board has undertaken the responsibility for performing the corporate governance duties of the Company including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- (iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the effectiveness of the Group's risk management and internal control systems. The systems are implemented to minimise the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against material misstatement or loss. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

The Group has engaged external professional consultants to conduct an internal audit of the Group. It performs risk-based audits to review the effectiveness of the Group's internal control systems and reports to the Board with its findings and makes recommendations annually. The Group promotes amongst its employees' cautious handling and dissemination of inside information. The Group will also review its internal control mechanism including information flow and reporting processes, confidentiality arrangements, disclosure procedures and staff training arrangements, etc.. During the year, the Group has conducted a review of the effectiveness of the implemented system and procedures, including areas covering financial, operational, compliance and risk management functions and a review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budgets of the accounting, internal audit and financial reporting functions. The Company considers the risk management and internal control systems effective and adequate.

In addition, the Group established a risk management committee (the "**Risk Management Committee**") to develop and review risk management system and practice of the Group, and monitor the anti-money laundering (the "**AML**") compliance and business affairs on casino operations and other gambling related business units of the Company, its subsidiaries and affiliates. The Risk Management Committee acts as an oversight committee on AML compliance matters and overall risk management of the Group.

Two Risk Management Committee meetings were held during the year ended 31 December 2021. The summary of work of the Risk Management Committee during the financial year: reviewed the AML compliance reports in relation to the casino operations of a joint venture of the Company; reviewed and made recommendations with respect to the appointment of the internal control adviser; and reviewed the internal control review report on the design, implementation and operating effectiveness of AML internal control policies and operation procedures in relation to casino operations of the Company and its joint venture.

The member of the Risk Management Committee currently consists of Mr. Lo Kai Bong, Mr. Au Chung On John, Mr. Manuel Assis Da Silva, Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John. Mr. Manuel Assis Da Silva acts as the chairman of the Risk Management Committee.

During the year, the Group engaged an independent advisory firm as the Group's internal control adviser to perform a review and assessment on the design, implementation and operating effectiveness of the AML internal control policies and operation procedures in relation to casino operations and AML corporate governance of the Company's joint venture.

# Corporate Governance Report

## CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Chau is the former chairman of the Company who resigned on 1 December 2021. The chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group. Following the resignation of Mr. Chau as an executive Director and the chairman of the Company on 1 December 2021, the Company has not appointed an individual to take up the vacancy of the Chairman. The Chief Executive Officer's responsibility is to monitor the daily operation and management of the Company. The Company has not appointed any person to replace Ms. Yeung So Lai as the Chief Executive Officer following her resignation with effect from 31 March 2017.

The Company is in the process of identifying a suitable candidate to assume the role as Chairman and Chief Executive Officer and further announcement in this regard will be made as and when appropriate. In the meantime, the former roles and responsibilities of the Chairman and the Chief Executive Officer of the Company have been performed by all the executive Directors collectively.

## PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enrol in professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong. All directors are requested to provide the Company with their respective training records pursuant to the CG Code.

## COMPANY SECRETARY

The company secretary of the Company is Mr. Chiu King Yan ("**Mr. Chiu**"), a member of HKICPA and a fellow member of the Association of Chartered Certified Accountant in the United Kingdom. The company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Mr. Chiu has taken not less than 15 hours of relevant professional training during the year ended 31 December 2021.

# Corporate Governance Report

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. The committee’s authorities and duties are set out in written terms of reference.

Three Remuneration Committee meetings were held during the year ended 31 December 2021 for reviewing the remuneration of Directors. Members of the Remuneration Committee and the attendance of each member are set out below:

<b>Remuneration Committee members</b>	<b>Attend/Held</b>
Mr. Lo Wai Tung John ( <i>Chairman</i> )	3/3
Mr. Tou Kin Chuen	3/3
Dr. Wu Kam Fun Roderick	3/3

The terms of reference of the Remuneration Committee are posted on the Company’s website. The principal functions include:

- (i) to make recommendations on the Company’s policies and structure for all the remuneration of Directors;
- (ii) to propose the specific remuneration packages of the executive Directors, and to make recommendations on the remuneration of the non-executive Directors for the Board’s approval; and
- (iii) to review and propose remuneration for executive Directors by reference to corporate goals and objectives resolved by the Board from time to time.

The summary of work of the Remuneration Committee during the financial year: reviewed the Company’s policy and structure for all the remuneration of Directors with reference to the Company’s corporate goals, prevailing market rate and duties and responsibilities with the Company.

# Corporate Governance Report

## NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) is responsible to make recommendation to the Board on the appointment of Directors and the management of the Board’s succession. The Nomination Committee’s authorities and duties are set out in written terms of reference.

One Nomination Committee meeting was held during the year ended 31 December 2021 for assessing the independence of the independent non-executive Directors; considering the re-election of Directors; reviewing the composition of the Board. Members of the Nomination Committee and the attendance of each member are set out below:

<b>Nomination Committee members</b>	<b>Attend/Held</b>
Dr. Wu Kam Fun Roderick ( <i>Chairman</i> )	1/1
Mr. Tou Kin Chuen	1/1
Mr. Lo Wai Tung John	1/1

The terms of reference of the Nomination Committee are posted on the Company’s website. The principal functions include:

- (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (iii) to assess the independence of independent non-executive Directors;
- (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer; and
- (v) to review and monitor the training and continuous professional development of Directors and senior management.

The summary of work of the Nomination Committee during the financial year: reviewed and evaluated the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company’s corporate strategy, assessed independence of the independent non-executive Directors and reviewed and recommended the re-appointment of the retiring Directors at the general meetings of the Company.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy (“**Board Diversity Policy**”) which sets out the approach to achieving diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company’s strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board believes that gender diversity is a representing manifestation of board diversity, among all other measurable objectives. Under the Board Diversity Policy, the Company sets the target of appointing at least one director of different gender at any given time, in order to achieve a female representation in the Board.

The Nomination Committee will discuss and review the necessity to set the measurable objectives for implementing the Board Diversity Policy from time to time. The Nomination Committee will also review the Board Diversity Policy, as appropriate, to ensure its effectiveness from time to time.

## AUDIT COMMITTEE

The Audit Committee is mainly responsible for considering all relationships between the Company and the external auditor (including the provision of non-audit services), monitoring the integrity of the Company’s financial statements and issues arising from the audit, and reviewing the Group’s risk management and internal control systems.

Three Audit Committee meetings were held during the year ended 31 December 2021. Each Audit Committee meeting has been supplied with necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted. Attendance of each member is set out below:

<b>Audit Committee members</b>	<b>Attend/Held</b>
Mr. Tou Kin Chuen ( <i>Chairman</i> )	3/3
Dr. Wu Kam Fun Roderick	3/3
Mr. Lo Wai Tung John	3/3

The terms of reference of the Audit Committee are posted on the Company’s website. The principal functions include:

- (i) to make recommendations with respect to the appointment, reappointment and removal of the Company’s external auditor, and to evaluate their independence, objectivity and effectiveness of the audit process;
- (ii) to review and monitor the interim and annual financial statements, reports and accounts of the Company, and to review significant and judgemental financial reporting issues contained therein;
- (iii) to review the Company’s financial controls, risk management and internal control systems; and
- (iv) to discuss with the management the risk management and internal control systems, and to ensure that the management has discharged its duties and responsibilities in implementing an effective internal control system.

# Corporate Governance Report

## AUDIT COMMITTEE (Cont'd)

The summary of work of the Audit Committee during the financial year: reviewed the financial statements for the year ended 31 December 2020 and for the period from 1 January 2021 to 30 June 2021, reviewed and discussed the Company's financial controls, risk management and internal control systems, and made recommendations with respect to the appointment and reappointment of the Company's external auditor, and evaluated the independence and objectivity of the Company's external auditor.

The Group's 2021 interim and annual reports have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2021 annual report, the Audit Committee met with the external auditor to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The Audit Committee also monitored the Company's progress in implementing the code provisions on the CG Code as required under the Listing Rules.

## AUDITORS' REMUNERATION

During the year ended 31 December 2021, the fees paid/payable to auditors in respect of audit services and non-audit services provided by the auditors to the Group were as follows:

<b>Nature of services</b>	<b>2021 HK\$'000</b>	<b>2020 HK\$'000</b>
Audit services		
– Current year	<b>9,569</b>	5,139
Non-Audit services (mainly for advisory and other reporting review services)	<b>3,554</b>	9,019
	<b>13,123</b>	14,158

## DIVIDEND POLICY

Pursuant to code provision F.1.1 of the CG Code, the Company has adopted a dividend policy (“**Dividend Policy**”). This Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed, as dividends to the shareholders of the Company.

In deciding whether to propose or declare a dividend and in determining the dividend amount and means of payments, the Board shall take into account, among others: (i) general business conditions and other internal or external factors that may have an impact on the business of the Company; (ii) the financial performance and position of the Group; (iii) the liquidity position of the Group; (iv) the capital and debt level of the Group; (v) the expected capital requirements and future expansion plans of the Group; (vi) statutory and regulatory restrictions; (vii) contractual restrictions on the payment of dividends by the Group to the shareholders or by the subsidiaries of the Company to the Company; and (viii) other factors the Board may deem relevant.

# Corporate Governance Report

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make a properly informed investment decision.

The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

To promote effective communication, the Company maintains a website at [www.suncitygroup Holdings.com](http://www.suncitygroup Holdings.com), where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Board confirmed that, during the year, there were no significant changes made to the Articles affecting its operations and reporting practices.

## SHAREHOLDER RIGHTS

Pursuant to article 58 of the Articles of the Company, extraordinary general meetings (the "EGM") of the Company shall be convened on the requisition of any one or more shareholder(s) (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company.

The Requisitionist(s) shall have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and the EGM shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Requisitionist(s) may do so in the same manner, and shall be entitled to reimbursement of all reasonable expenses incurred by the Requisitionist(s).

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong.

In addition, the Company maintains contact with its shareholders through AGMs or EGMs, and encourages shareholders to attend those meetings.

Notice of general meeting is sent by mail to the registered shareholders of the Company. Agenda and resolutions are set out in the notice of general meeting. A proxy form for use at a general meeting is enclosed with the notice. Shareholders who do not intend or are unable to be present at the meeting should fill out the form and return the same to the Hong Kong branch share registrar and transfer office of the Company, so as to appoint a representative, another shareholder or the chairman of the meeting as their proxy.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

This report highlights Suncity Group Holdings Limited (the “**Company**”) and its key operations’ (collectively referred to as “**Suncity**”) Environmental, Social, and Governance (“**ESG**”) performance, for the purpose of assisting all stakeholders in understanding Suncity’s ESG concepts and practices in achieving sustainable development for the future. The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## Reporting Boundary

The ESG Report covers Suncity’s overall performance in two subject areas, namely, environmental and social, of its key business operations (“**Key Operations**”) as listed below, for the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”), unless otherwise stated.

The Key Operations that this report covers include:

- i. property development in Guangdong, and Anhui Provinces in the People’s Republic of China (the “**PRC**”);
- ii. provision of property leasing management service in the PRC (“**Dongyang Xinguang**”);
- iii. development and operation of an integrated resort in the Philippines;
- iv. an integrated resort in Vietnam (“**HOIANA**”) (Note 1);
- v. an integrated resort Tigre de Cristal in the Russian Federation (Note 2);
- vi. potential property development in Japan;
- vii. provision of travel related products and services in Macau;
- viii. provision of hotel and integrated resort general consultancy service in Vietnam; and
- ix. the headquarters in Hong Kong.

Note 1 Suncity indirectly owns approximately 34% equity interest in through a joint venture of Suncity, the revenue of which was not booked in the account of the Company.

Note 2 Suncity holds approximately 69.66% equity interest in Summit Ascent Holdings Limited, which holds 77.5% controlling interest of Tigre de Cristal.

# Environmental, Social and Governance Report

## Reporting Principles

The preparation of the ESG Report has applied the following principles:

*Materiality* – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, process, and results of the engagement of which are presented in the section “Stakeholder Communication” in the Report.

*Quantitative* – key performance indicators (“KPIs”) have been established and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

*Consistency* – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

*Balance* – all available information has been reported impartially with concrete figures and supporting documentation; no selections, omission, or presentation formats that may inappropriately influence a decision or judgement by the report reader have been made throughout the whole reporting process.

## ESG COMMITMENT

Being part of the property-related and tourism-related industries implies that Suncity’s operations could impose effects on a wide variety of people, the environment in adjacent areas, and their habitats. With due consideration, Suncity is committed to putting emphasis especially on employees’ benefits and their health and safety, the use of natural resources, attention to people living in nearby communities, as well as supply chain management on such aspects.

Such commitment is enacted by closely following and strictly complying with all relevant laws, regulations, and policies across different jurisdictions. It is also expected that a series of more detailed policies and target sets regarding such issues will be developed for better monitoring and measurement of Suncity’s ESG performance. The board of directors of Suncity (the “**Board**”) will continue to explore ways to further strengthen the ESG governance of Suncity.

## Statement from the Board

As a leading conglomerate that operates across various sectors, the Board is fully aware of the sustainability and ESG issues associated with Suncity. It is of paramount importance that Suncity strikes a balance between protecting the environment and creating social values while achieving commercial returns and maintaining profitability. When such issues are properly addressed, Suncity’s social responsibility can be demonstrated bringing greater value to its shareholders. The Board is committed to taking overall responsibility for Suncity’s ESG strategy and reporting. For this purpose, ESG risk has been incorporated in part of Suncity’s risk management agenda, and relevant internal control systems have been put in place.

# Environmental, Social and Governance Report

## Governance Structure

The Board takes an overall lead in managing Suncity's ESG policies and initiatives, providing directions and supervising their implementation and performance. Together with the risk management committee of the Company, they oversee any risk exposures that have not been identified and addressed.

The Board has delegated management of Suncity to be responsible for coordinating the implementation of Suncity's environment, employment and labour practices, operating practices, service quality assurance, and community investment policies.

Management regularly monitors and reviews communications with internal and external stakeholders to continuously improve its ESG management approach and strategy. Professionals and legal advisors are also consulted for any relevant and challenging issues, to ensure that all topics are covered and understood. When material issues are found, they are evaluated and assessed. The Board would also be informed of such assessments such that they have an overview of what the significant topics are. Topics that are considered high-risk take priority when measures are being developed.

A transparent approach is taken when developing policies and undertaking evaluations to ensure that all decisions made are sustainable, effective, and practical. Communication with stakeholders is also maintained to keep constructive advice and stakeholder-oriented measures present.

## Key Highlights of Our ESG Policies

Suncity adheres to the following principles when carrying out its daily operations:

- Strictly follow all applicable laws and regulations under the legal framework of the corresponding jurisdiction
- Firmly withdraw from taking any actions or using any products which may harm the environment
- Actively communicate with employees and care for their basic rights, health and safety, and personal developmental needs
- Demonstrate as a corporate with high moral standards that are kind to the natural environment
- Promote environmental protection awareness throughout all levels of its operations and to its clients
- Cooperate and support measures aimed at community improvement as required by relevant regulatory bodies or authorities

## Memberships and Awards

Suncity's property development and leasing operations are members of certain bodies that function to establish communications within local communities, share safety and hazard-related information, and update industrial knowledge.

They have also received several certifications and awards honouring them for improving the safety of neighbourhoods, as well as of their workplace, and being a sponsor of supporting events for the disadvantaged.

# Environmental, Social and Governance Report

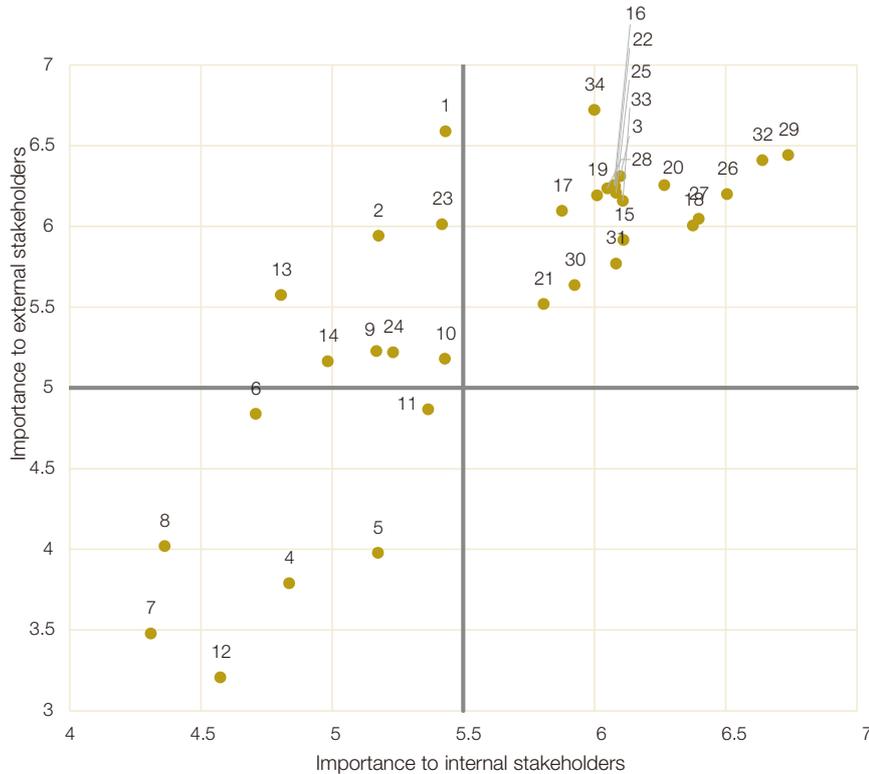
HOIANA has been accredited with LEED (Leadership in Energy and Environmental Design) and GEO (Green Energy Office) for its sustainable building design. In the upcoming year, it aims to obtain more certifications as a recognition for its efforts in promoting quality management system, food and beverage management, as well as to push forward and operate to the Global Sustainable Tourism Council in Vietnam.

## Stakeholder Communication

Considering the wide range of businesses that Suncity engages in, Suncity closely communicates with its stakeholders through various channels to understand their concerns and expectations and identify significant issues which may pose risks to the business operations. To achieve so, the Company has set out the full spectrum of stakeholders by consulting various departments within Suncity and leveraged on the on-going communication channels and day-to-day interactions to engage these stakeholders.

During the Reporting Period, Suncity has specifically engaged with members of the Board, senior management, employees, shareholders, clients, customers, tenants, and external consultants to gain further insights on material aspects and challenges via annual general meeting, company’s website, press release, staff meetings, satisfaction surveys, daily contacts, and questionnaires. From the questionnaire, a materiality assessment was undergone for Suncity to better identify, prioritise, and address issues that stakeholders felt important. The materiality assessment is as follows:

Suncity Materiality Matrix 2021



# Environmental, Social and Governance Report

Number	The most important topics identified (top right quadrant)
<b>Operating practices</b>	
29	Data protection and privacy
32	Anti-corruption, bribery, extortion, fraud and money laundering mechanism
26	Customer service quality
27	Quality assurance of products and services
28	Consumer welfare
25	Customer security and food safety
31	Advertising and labelling
30	Intellectual property rights
<b>Employment and labour practices</b>	
18	Communication with employees
20	Employee training and career development
16	Employee remuneration and welfare
22	The Group's response to COVID-19 to protect employees
15	Recruitment and dismissal
19	Occupational health and safety
17	Diversity, equal opportunities and anti-discrimination
21	Labour standards
<b>Community</b>	
33	Support for local community development
34	Community communication
<b>Environmental</b>	
3	Environmental compliance

According to the matrix, the most material topics to stakeholders are:

1. Data Protection and privacy
2. Anti-corruption, bribery, extortion, fraud, and money laundering mechanism
3. Customer service quality
4. Quality assurance of products and services
5. Consumer welfare

While Suncity has always been attentive to such topics, it is determined that it will place more resources in addressing any flaws in the system to fulfil its stakeholders' expectations.

# Environmental, Social and Governance Report

## Stakeholders' Feedback

Suncity welcomes stakeholders' feedback on its ESG approach and performance. Any stakeholder is welcome to give suggestions or share views with Suncity via email at [ir@suncitygroupholdings.com](mailto:ir@suncitygroupholdings.com).

## OUR ENVIRONMENT

Suncity attaches great importance to the environment when carrying out its business activities and understands its role in fighting climate change. It complies with all applicable laws and regulations concerning the environment. Suncity hopes to see an improving trend in its environmental performance in the future. To facilitate that, employees of all levels and departments are encouraged to keep environmental protection a key consideration when making business decisions. Different programmes and trainings would be put in place such that the overall environmental protection awareness of Suncity would increase to realise the targets.

### Climate Change

Suncity acknowledges that it has a role in limiting climate change, and that climate change may impose an impact in limiting Suncity's operations. To better identify and address the risks involved, Suncity is committed to looking at climate change issues together with other ESG issues. This means the Board will take lead to investigate on climate-change related matters, which will be supported by management. When material aspects are identified, policies shall be formulated to address them.

With climate change issues considered, Suncity may be threatened by both physical risks and transition risks. For all Suncity's operations, event-driven extreme weather may disrupt supply chains which would interrupt business activities and affect revenues; and to meet with newly enforced laws and regulations and market driven changes as a response to climate change, a cost may be incurred to Suncity. For Suncity's properties and integrated resorts especially, extreme climatic events, whether sea level rise, snowstorms or super hurricanes, may also cause direct damage to Suncity's assets. It is therefore of paramount importance that Suncity takes such risks into consideration to prevent any loss.

That being said, Suncity remains hopeful knowing that it can bring positive impacts to the environment. Understanding its more significant environmental effects as the emissions of air pollutants and greenhouse gases from the consumption of purchased electricity and fuel, and the generation of certain waste from daily operations, guiding policies have been established to improve Suncity's environmental performance.

During the Reporting Period, Suncity did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste.

# Environmental, Social and Governance Report

## Emissions

Air pollutants and greenhouse gas (“GHG”) emissions are significant factors to address in combating climate change. To reduce emissions, only high-quality fuel is used within Suncity’s fleet. Where appropriate, Suncity uses electric buggies to reduce emissions. Suncity also tends to choose suppliers that are closely located to its operations, so that emissions caused by transport between the suppliers and the operation can be minimised. For other reduction measures and policies related to Suncity’s energy consumption of purchased electricity and fuel, please refer to the corresponding section.

During the Reporting Period, the Key Operations of Suncity generated 18.60 kg of sulphur oxides (SOx), 8,377.20 kg of nitrogen oxides (NOx), and 455.48 kg of particulate matter (PM). 71,421.38 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), which include carbon dioxide, methane, nitrous oxide, and hydrofluorocarbons, was also emitted. The intensity was 0.0072 tCO<sub>2</sub>e/m<sup>2</sup> of total area, or 32.79 tCO<sub>2</sub>e/employee.

Scope of GHG emissions	Emission sources	GHG emission (tCO <sub>2</sub> e)	Sub-total (tCO <sub>2</sub> e)	Total GHG emission (%)	
Scope 1 Direct emission	Combustion of fuels in stationary sources	Natural gas	17.53	35,717.54	50.0%
		LPG	33,712.73		
		Diesel	505.23		
	Combustion of fuels in mobiles sources	Petrol	370.90		
		Diesel	1,039.93		
Release of refrigerants from the operation of equipment and systems	71.22				
Scope 2 Energy indirect emission	Purchased electricity	35,770.40	35,774.47	50.1%	
	Purchased Towngas	4.07			
Assimilation	Assimilation of carbon dioxide through tree planting	-70.63	-70.63	-0.1%	
<b>Total</b>			<b>71,421.38</b>	<b>100%</b>	

Note 1: Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

Note 2: Combined margin emission factor of purchased electricity of 0.6101 tCO<sub>2</sub>e/MWh was used for the National Grid of PRC, 0.8200 tCO<sub>2</sub>e/MWh was used for Macau, 0.9130 tCO<sub>2</sub>e/MWh was used for Vietnam, and 0.3102 tCO<sub>2</sub>e/MWh was used for the Russian Federation.

Note 3: Scope 1 Combustion of Towngas includes GHG emitted during combustion of Towngas within the organisational boundaries; Scope 2 purchased Towngas includes GHG emitted within Towngas Ltd when Towngas was produced.

# Environmental, Social and Governance Report

## Waste

Suncity has a range of policies in place to reduce its operations' waste generation. For example, electronic administration and documentation is encouraged and cloud-based working environment are developed to reduce the need for printing; when printing is inevitable, duplex printing and reuse of single-sided printed paper is preferred, the usage of which could be traceable such that sources of heavy printing can be identified and controlled. In washrooms where the operations have control over, hand dryers are provided as an alternative to tissue paper.

To properly handle and treat waste, recycling bins are placed with simple instructions when appropriate for recycling, printer toner cartridges, ink boxes, and batteries are gathered to be sent to qualified collectors, who would treat them without causing harm to the environment. Where appropriate, Suncity also wishes that it can compost food waste and organic waste at operating sites, such that it can turn them into useful nutrients for landscaping, lessening stress on the landfills.

At larger operations, such as HOIANA and Tigre de Cristal, a long-term goal of halving the amount of waste sent to landfills in 2021 has been set. It is expected to be achieved by moving towards a more circular model, cooperating with suppliers to reduce waste generation at source, and making use of its waste segregation facilities to extract reusable waste and stream them to recyclers and relevant processors. It plans on involving the local community in managing and operating the segregation centre, such that waste reduction efforts can become more large-scale while providing job opportunities. Waste awareness programmes for employees and integration of such elements into standard operational procedures are expected to be introduced to facilitate such plans.

During the Reporting Period, the Key Operations generated 28.47 tonnes of hazardous waste and 957.92 tonnes of non-hazardous waste. HOIANA and Tigre de Cristal have undergone a very tough period during outbreak of COVID-19 in 2021. Stringent precaution was introduced in our operation to prevent the spread of the pandemic. 85% of the hazardous waste was generated by quarantine medical waste.

Waste generated		Amount (tonnes)	Treatment method
Hazardous waste	Printing cartridges & lighting, accumulators etc	4.33	Collected and treated by qualified handler
	Quarantine medical waste	24.14	Collected by qualified handler and was eventually incinerated
Non-hazardous waste	Domestic waste	733.54	Landfilled
	Organic waste	186.67	Collected and treated by qualified handler (will be used for gardening in the future)
	Waste cooking oil	17.70	Collected and treated by qualified handler
	Others	20.01	

# Environmental, Social and Governance Report

## Energy

Energy conservation and reduction of energy waste is always instrumental to members of Suncity. To minimise emissions from electricity consumption, Suncity has a range of energy conservation measures to ensure efficient energy use. Practices such as arranging regular maintenance for electrical appliances, installing LED lights when a replacement is necessary, switching off idle appliances, and setting timers for heating and cooling systems, have been adopted to maximise electricity efficiency. When applicable, motion sensor elevators are used so that less power is consumed when no one is using the facility; energy saving control systems, where air conditioning or lighting supply are adjusted under different situations, are also in place. To reduce fuel consumption, only environmentally friendly vehicles are purchased, and route plans that cover more destinations are developed to reduce vehicles use. Suncity has installed solar panels at HOIANA to make use of renewable solar energy and reduce its reliance on purchased electricity. As of the end of the Reporting Period, the rooftops of various buildings in the resort village contain some 2,000 solar PV modules, supplying a portion of the power necessary for the operation.

Suncity will continue to explore possibilities of reducing purchased energy use, including installing and powering solar panels and adopting more efficient heat recovery systems, where possible.

During the Reporting Period, a total of 211,224,402 kWh of energy was consumed by the Key Operations. The intensity was 21.24 kWh/m<sup>2</sup> of total area, or 96,980.90 kWh/employee.

<b>Energy used</b>	<b>Consumption</b>	<b>Unit</b>	<b>Consumption in kWh</b>
LPG	11,174.05	Tonne	155,443,428
Towngas	8,640.00	m <sup>3</sup>	85,046
Diesel	582,166.61	litre	6,231,066
Petrol	139,607.09	litre	1,352,982
Electricity	48,111,880.37	kwh	48,111,880
Total energy consumption			211,224,402

# Environmental, Social and Governance Report

## Water

Aside from consuming water for daily use, Suncity consumes water also for its swimming pool facilities, kitchen, and amenities, in its property development and integrated resort operations. While water supply was stable and there was no issue in sourcing water that is fit for purpose, Suncity acknowledges it as an important and scarce resource of the planet that shall be reserved. Hence, water consumption is strictly monitored. Employees are reminded to efficiently use fresh water. When any unnecessary usage is identified, measures would be implemented for improvement. Most water used by Suncity is sent to centralised sewage treatment centres managed either by the government or other third parties, whereas the rest treats its own water before discharging. The integrated resort in Vietnam reuses grey water for flushing and uses water from a dedicated custom-built reservoir for landscape irrigation to reduce fresh water consumption. The grey water plant within the resort has a capacity of treating 434 m<sup>3</sup> of grey water per day. There shall not be any environmental pollution caused by Suncity's water consumption that cause serious concern.

During the Reporting Period, the property leasing operation in PRC, HOIANA, and Tigre de Cristal in Russia consumed 337,479 m<sup>3</sup> of fresh water, with an intensity of 0.03 m<sup>3</sup>/m<sup>2</sup> of total area, or 154.95 m<sup>3</sup>/employee. The rest are excluded either because there was no information on such consumption or there was no consumption during the Reporting Period.

## Environment and Natural Resources

Efficient management of environmental and natural resources reduces operational costs and benefits society as a whole. Even though Suncity's operations do not generate significant impact to the environment, nor involve direct use of natural resources, it acknowledges the indirect environmental impact caused by its businesses.

To minimise its impact on the environment, it prioritises the use of cleaning agents that are biodegradable and phosphate free when possible. It also sources supplies from local areas, and adopts a circular economy if possible, for sustainability. All of these initiatives are addressed through a unified sustainability charter.

Suncity continues to review the environmental impact of its operations and makes use of best practices across its business operations. It is also developing monitoring systems over resource consumption, to identify and implement better performance strategies to enhance environmental sustainability through good environmental practices. Suncity actively seeks opportunities to contribute to sustainability wherever possible and is determined to achieve realistic targets by adopting the abovementioned practices.

## OUR EMPLOYEES

Suncity regards employees as highly intrinsic assets to its development. It strives to provide employees all fundamentals, such as work satisfaction, health, and all-rounded support, for their professional growth and competency enhancement. Suncity hopes by focusing on employees' inclusion and engagement, well-being, and skills building, their fullest potential can be unleashed. To achieve so, on top of complying with all relevant ethical and regulatory standards, fair and comprehensive employment policies and practices have been established.

# Environmental, Social and Governance Report

## **Employment and Labour Practices**

Suncity stringently follows all relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. All such terms and policies are clearly stated on the Employment Agreement and the Employees' Handbook. During the Reporting Period, there was not any noted case of non-compliance.

## *Compensation and Benefits Package*

Employees of Suncity are entitled to a basic salary with a discretionary bonus as per their job positions, responsibility, capability, contribution, performance, experience, and other attributes. Suncity reviews employees' salaries annually in accordance with its business growth and market price.

Apart from monetary form of remuneration, non-monetary form of basic benefits, including annual leave, Mandatory Provident Fund Scheme (MPF), medical insurance, sickness allowance, marriage leave, bereavement leave, maternity or paternity leave, and pension.

## *Equal Opportunity*

Suncity commits to the principle of equal opportunities during recruitment, selection, training, development, and promotion. No employee shall be discriminated against or deprived of opportunities on the basis of race, colour, nationality, ethnic or national origin, religion or belief, disability, trade union membership or non-membership, sex, sexual orientation, pregnancy and maternity, gender reassignment, marriage/civil partnership, age, or based on being a part-time or fixed term worker. Individuals shall be selected, promoted, and otherwise treated solely on the basis of their relevant aptitudes, skills, and abilities. Management is responsible for protecting employees or job applicants from discrimination of any kind, and any unlawful discriminatory action brought to their attention is to be treated with great care.

## *Harmonious Working Environment*

Not only is diversity embraced within Suncity, but also the maintenance of a working environment free from harassment and bullying where every employee feels safe is treated with respect and dignity is also a top priority. Suncity takes a zero-tolerance policy against any intimidating, hostile, degrading, humiliating, or offensive actions and behaviours, no matter physical or verbal, with or without the abuse of power or position. Any of such harassment or bullying is strictly prohibited and is treated as misconduct which may result in warranting dismissal. Anyone filing a complaint or assisting in an investigation shall be protected from intimidation, victimisation, or discrimination. Retaliating against an employee for complaining about harassment or bullying is a disciplinary offence.

## *Employee Communication*

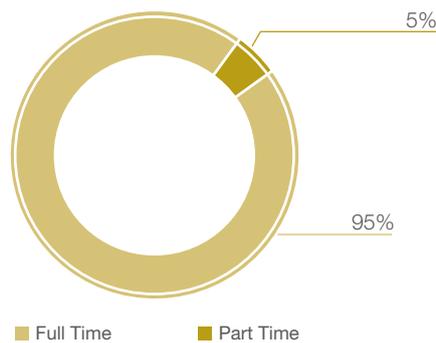
Suncity regards communication and engagement with employees as important elements for them to feel valued, empowered, and motivated. Such efforts are also viewed as essential for the improvement of team cohesion and enhanced work performance. During the Reporting Period, aside from providing channels for employees to voice their views, staff activities were also organised online for employees to bond and exchange opinions outside of work under COVID-19 pandemic limitations while protecting employees' health and safety.

# Environmental, Social and Governance Report

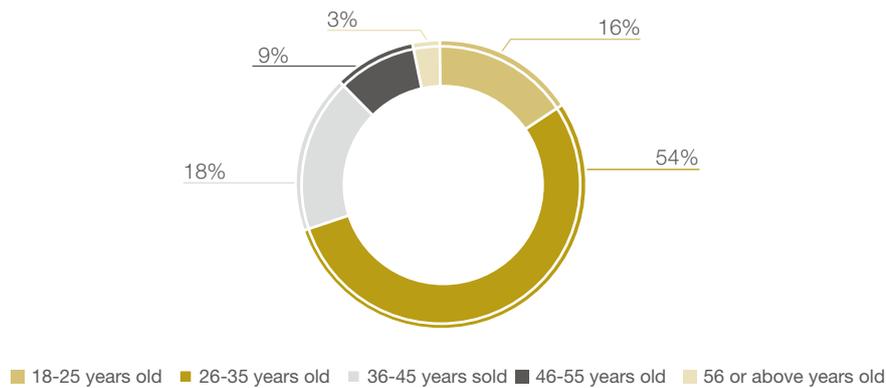
## Employment Figures

During the Reporting Period, Suncity complied with all applicable laws and regulations in all jurisdictions, and did not note of any material non-compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, discriminations and other benefits and welfare. As of 31 December 2021, the Key Operations, employed 2,178 employees, 95% of whom worked full time. 49% of all employees were engaged in HOIANA, and 45% of were engaged in Tigre de Cristal. The gender ratio between males and females was about 1.16:1. The graphs below show the workforce distribution by employment type, age group, nationality, gender and employee category:

**Total Workforce by Employee Type**

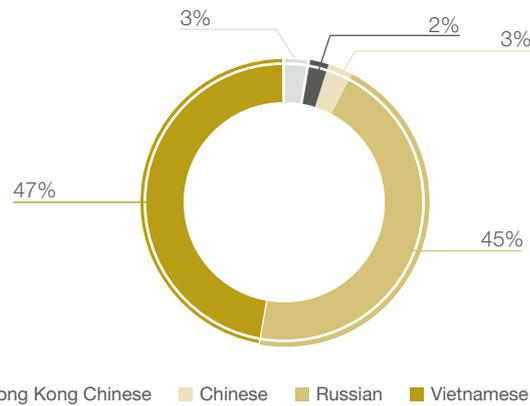


**Total Workforce by Age Group**



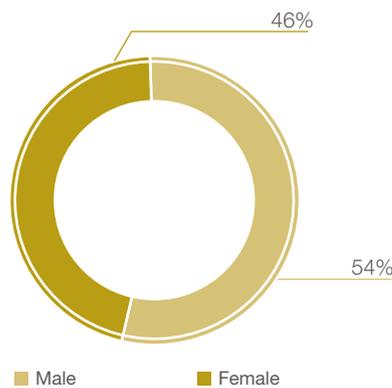
# Environmental, Social and Governance Report

**Total Workforce by Nationality**

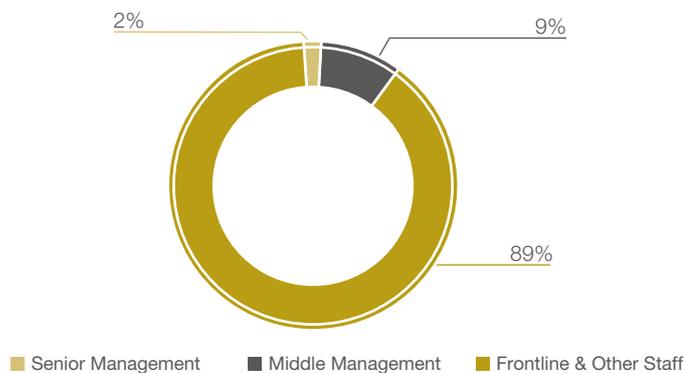


Note: "Others" include, Filipino, Australian, Singaporean, Korean, Macanese, British, American, French, Canadian, South African, Bulgarian and Malaysian. They each contribute to less than 3% of the workforce.

**Total Workforce by Gender**



**Total Workforce by Employee Category**



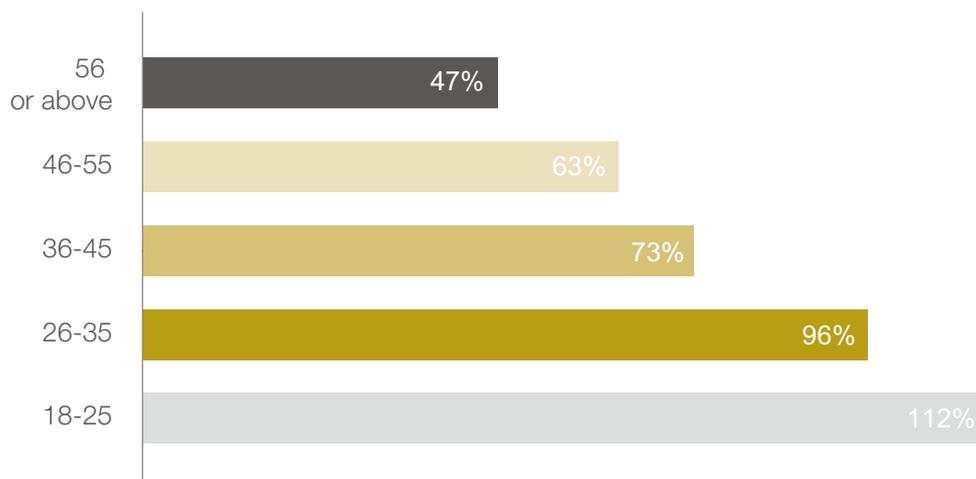
Note: Senior Management refers to Directors and CFO, Middle Management refers to manager grade or above employees, and Frontline & Other Staff are all other general staff.

# Environmental, Social and Governance Report

## Employee Turnover Rate

Suncity strives to maintain the employee turnover rate at an acceptable level to facilitate the accumulation of professional skills and experience. During the Reporting Period, the overall employee turnover rate of the Key Operations was about 90%.

### Turnover Rate by Age Group

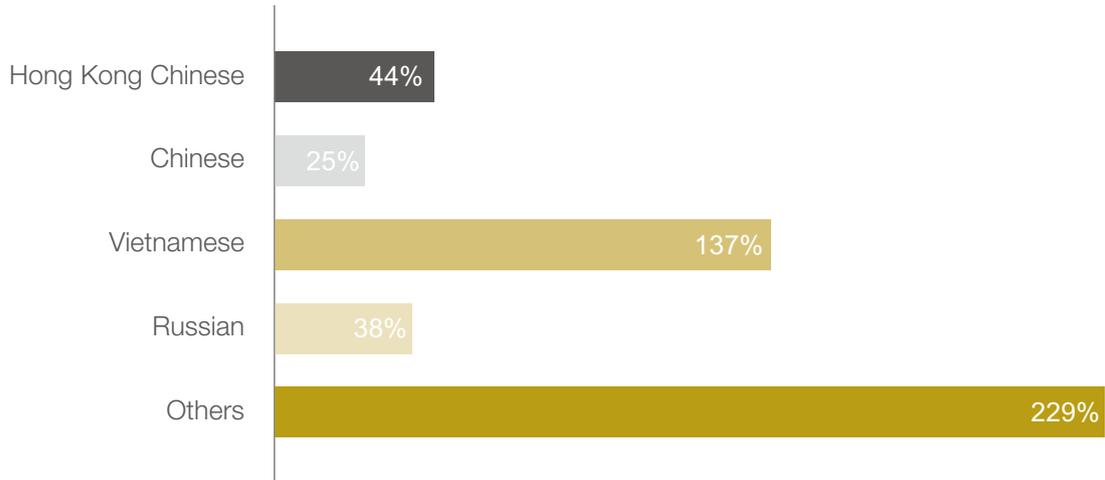


### Turnover Rate by Gender

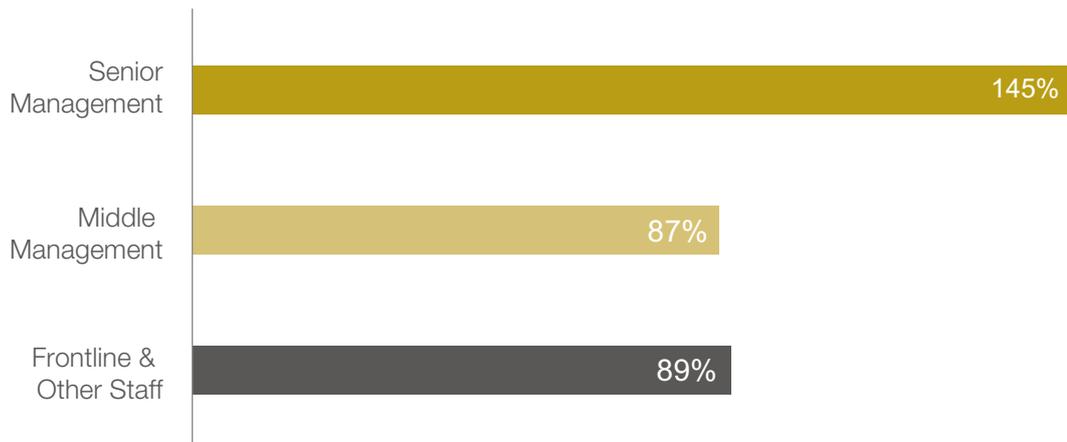


# Environmental, Social and Governance Report

## Turnover Rate by Nationality



## Turnover Rate by Category



Note: Turnover rate = (number of employees who left the operations during the Reporting Period / number of employees working at the operations as of 31 December 2021) x 100%.

# Environmental, Social and Governance Report

## Employee Well-Being

Suncity follows all relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. No noted non-compliance that has a significant impact on Suncity has been noted. On top of providing basic medical benefits, Suncity has a series of preventive measures to prevent putting employees' health and safety in jeopardy.

## Occupational Health and Safety

Suncity strives to provide and maintain a safe and healthy workplace for all employees. To protect the health of all employees, all workplaces, including vehicles, are smoke-free. Safety rules and general procedures are established and placed in notable locations for easy reference. Fire extinguishing tools, escape routes, and relevant procedures are familiarised by employees in case of any emergency events, and the functionality and safety of such tools are regularly inspected by professionals. Ventilation, humidity, and greening are controlled in working environments to make workplaces more pleasant. Suncity also encourages employees to raise any potential hazard or working conditions if there is a concern. To reinforce and cultivate the safety awareness of employees, regular safety training is arranged.

If outdoor work or those that require physical labour is required, e.g., work at construction sites, work in facility management, laundry, firefighting prevention, all necessary equipment and protective gear would be provided to protect employees' occupational safety.

## COVID-19 Reactions

2021 was a difficult year for Suncity due to the ongoing global outbreak of COVID-19. Suncity strived to strike a balance between ensuring safety while keeping the operations running to secure income for employees.

Suncity kept on high alert and released up-to-date information promptly whenever any cases worthy of concern were identified. Levels of susceptibility would also be informed such that employees did not worry overly while still staying vigilant. The major measures that Suncity has taken to protect employees' health and safety during the pandemic include:

- Establishing a taskforce to keep track of COVID-19 developments
- Adopting flexible home-officing plans, if possible
- Strengthening health surveillance and hygienic measures, such as, measuring body temperatures, wearing a surgical mask, disinfecting shared items and areas, etc.
- Requesting employees to disclose situations which may have exposed them to the virus
- Covering COVID-19 testing expenses at private clinics and all relevant eligible outpatient services
- Granting any statutory sick leave in accordance with the Employment Ordinance, if an employee is required or ordered to be put under medical surveillance or quarantine

# Environmental, Social and Governance Report

- Reducing contacts with other parties and logging records of visitors if meeting at Suncity's premises is inevitable
- Encouraging social distancing and the purchase of take-away meals

During the course of the COVID-19 pandemic, staff who were infected were placed in quarantine according to local protocols and allowed to resume work upon discharge.

## *Occupational Safety Figures*

The efforts in safety and health have been paid off and Suncity aims to minimise any work-related injury, loss or fatality in upcoming years.

During the year ended 31 December 2021, Suncity was not aware of any non-compliance with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. There was a total of 102 days lost due to minor work-related injuries at Tigre de Cristal. No work-related fatal accident was reported in the past three years.

## **Development and Training**

Suncity places a strong emphasis on employees' professional development as it is believed that learning is a shared responsibility.

There are various in-house as well as external learning opportunities that Suncity offers its employees. In terms of formal training, there are induction programmes for Suncity's new recruits to get to know Suncity's background, culture, structure and systems, workflows, etc., as well as regular training on updated industry knowledge or revision of best practices, such as occupational and fire safety, code of conduct, professional skills, supervisory skills, customer services, etc.

Other settings where learning opportunities are provided include office seminars and workshops:

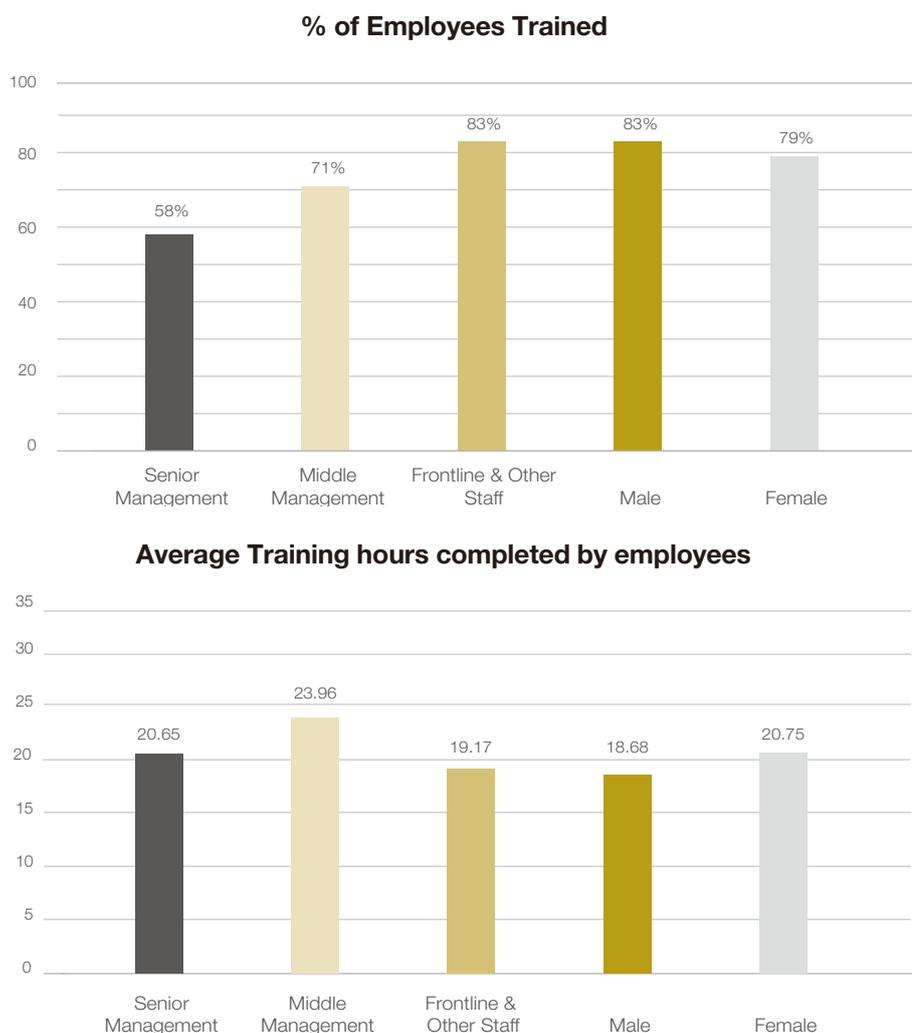
- where employees gather to discuss, practice, and exchange experiences to learn from one another; community or civic events
- where employees are encouraged to affiliate with communities and organisations for professional writing and public speaking experiences; and to attend professional organisations and conferences
- for which employees are reimbursed if they join and attend to gain industry insights

Suncity also encourages employees to identify their own objectives and take an active role in their development according to their own needs and pace for a more effective outcome. Identification of training needs and evaluation of their effectiveness is carried out by regularly reviewing employees' performance and competence and referring to requirements of relevant laws and regulations across all jurisdictions.

# Environmental, Social and Governance Report

## Training Figures<sup>1</sup>

During the Reporting Period, 81% of the employees from the operations in Hong Kong, Macau, Russia and Vietnam were trained. The average hours of training completed by each employee in these operations was 29.9 hours.



<sup>1</sup> Only the operations in Hong Kong, China, Russia and Vietnam are included in the calculation of training statistics.

## Labour standards

Suncity complies with all relevant laws and regulations to safeguard the rights of its employees. Labour exploitation, such as child labour or forced labour, is strictly prohibited and not tolerated. To avoid such practices, background checks are conducted for every new employee to verify their age and legal eligibility of working for Suncity. Mutual agreement must also be obtained before the commencement of any employment relationships. If any violation is discovered, the contract would be terminated with immediate effect. This practice is also required for workers hired by Suncity sub-contractors, where applicable. During the Reporting Period, no material non-compliance with laws and regulations relating to preventing child and forced labour was noted.

# Environmental, Social and Governance Report

## OPERATING PRACTICES

### Supply Chain Management

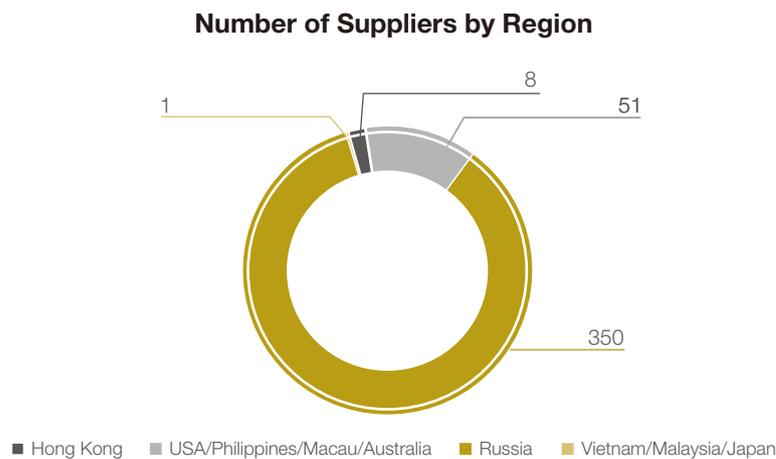
Suncity tends to maintain long term relationships with its suppliers to ensure a stable supply of services provision by Suncity. When selecting suppliers and contractors, Suncity's top priority is to minimise the potential risks brought by cooperating suppliers to Suncity. Apart from compliance with relevant legal requirements, supply stability, quality and reputation, the ESG performance of potential suppliers are also considered to ensure that they can add value to Suncity's pursuit of sustainability excellence.

As Suncity's businesses are dispersed across multiple regions, identification of environmental and social risks and the promotion of environmentally preferable products and services vary. Nevertheless, all operations acknowledge the need to address ESG risks along the supply chain. Depending on the jurisdiction the business operates in, some have policies that focuses on the environmental performance of suppliers, some reviews the occupational health and safety protection and policies of contract employees offered by contractors, while others put an emphasis on evaluating and preventing corruption, bribery, extortion, fraud, and money laundering risks.

In general, at least two to three suppliers are involved in the tendering process where possible to ensure a fair and transparent quotation. If the suppliers all meet the sustainability prerequisites, priority is given to local suppliers to promote local economic development and reduce carbon footprint.

### Suppliers Figures

During the Reporting Period, the operations in Hong Kong, Macau, Mainland China, and Russia engaged 410 major suppliers who provided legal and professional services, equipment, and travel related services. Most of them were near the operating location.



# Environmental, Social and Governance Report

## **Product Responsibility**

Suncity pays high attention to the quality of products and services provided. It recognises its responsibility in meeting the expectations of customers, business partners, and all other stakeholders while operating. During the Reporting Period, Suncity complied with all relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. There was not any material noted non-compliance.

## *Customer Health and Safety*

An immense level of concern is put on assuring that all services provided and products sold fulfil statutory requirements and beyond, especially for Suncity's servicing businesses. The Standard Operating Procedures (SOPs) are also available to spell out the processes and actions to be taken under different security related scenarios. This is enacted by conducting strict inspections to maintain a high standard of products used for the performance of Suncity's services. During the Reporting Period, the prevalence of COVID-19 posed a huge threat to Suncity's servicing businesses and increased their risks of impacting customers' health. When the premises re-opened, measures such as flow control, temperature checks, and provision of basic sanitising products were adopted. The health conditions of all premises are also closely monitored to avoid the spread of the virus by Suncity's employees.

At operations where food is served, Suncity takes a strict screening and selection procedure to ensure food safety and eliminate any risks.

During the Reporting Period, no attention was raised regarding the health and safety of the products sold.

## *Customer Service*

Customer feedback and satisfaction is regarded as a key channel for evaluating the performance of Suncity's product and service provision. To enable communication and feedback, there are hotlines, feedback forms, and regular consultation and meetings, available for customers to provide their opinions. Any negative opinion deemed constructive would be reviewed and discussed by management in a professional manner. The complainant may be further contacted to obtain more details and opinions for improvement and rectification work. It is Suncity's aim to have only customers who are content. No complaint related our products and services was received during the Reporting Period.

## *Intellectual Property*

Suncity strictly observes the intellectual property rights of all parties, including those of Suncity's, its suppliers, competitors, clients, and other organisations. Suncity is aware of the procedures of obtaining, perfecting, and protecting its intellectual properties and gives instructions to employees on how they shall be executed.

# Environmental, Social and Governance Report

## *Data Protection and Privacy*

Due to the wide range of data that Suncity processes and handles for its operations, data protection is regarded as the most material topic among stakeholders. Suncity recognises its responsibility in protecting private information of its customers, business partners, and clients. It also strives to protect any confidential dealings, trade secrets, intellectual properties, or any other knowledge that is not publicly available.

Employees shall respect privacy and keep personal data obtained, held, and processed during the business process confidential in accordance with relevant confidential requirements as set out in internal policies to protect the privacy of customers. At no given time shall such information be disclosed or used beyond the purpose of the collection purpose as instructed by Suncity. Any breach of such policies may face termination of employment without prior notice. Non-disclosure agreements are also made with external parties to ensure no sensitive information is leaked before any of them are made public.

During the Reporting Period, Suncity was not aware of any non-compliance with relevant laws and regulations related to customer data protection.

## *Responsible Gaming*

Suncity has a Responsible Gaming Commitment for its gaming premises, which strives to provide guests an enjoyable gambling experience while minimising any harmful consequences. Suncity is committed to complying with all applicable laws and regulations and collaborating with the government to help guests make responsible gaming decisions. Under the Responsible Gaming Awareness Program, all employees working at the Key Operations' gaming premises are trained and assessed annually on responsible and problem gambling, and signs worth attention for assistance providence. Some of the safeguards within the programme include:

- Casino Self-Exclusion – Interested patrons may apply for self-exclusion from entering casinos
- Casino Entry Checks – Entry made available to patrons above 18 years old
- Responsible Service of Alcohol
- Gambling Product Information – Game Rules made available to patrons to educate them on chances of winnings and house advantage information
- Assistance and Support – Responsible Gambling email group available to patrons and displayed via pamphlets or information displays in the casino

## **Anti-Corruption**

Suncity places great importance on the ethicality and integrity of its employees. Suncity complies with all relevant laws and regulations relating to anti-competition, bribery, extortion, fraud, and money laundering. To prohibit bribery and corruption, strict and clear internal-control policies and well-structured business processes are designed for employees and suppliers to follow when carrying out business activities. During the Reporting Period, no noted cases of non-compliance nor illegal practices regarding corrupt practices had been identified in any of Suncity's operations.

# Environmental, Social and Governance Report

Suncity strictly prohibits the receipt and offering of bribes to affect the placing of an agreement with suppliers or the securing of business. Any occurrence of such misconduct or dishonesty may result in the termination of the employment.

To prevent such behaviours, clearly written terms and code of conduct are stated and agreed upon in the employment contract. Anti-corruption training is also provided upon employees' entrance into the company as well as regularly at the course of employment. Senior management and the Board, who have a huge responsibility in governing Suncity's anti-corruption performance, are encouraged to attend specifically designed courses organised by authorities, such as the Stock Exchange and ICAC to strengthen their understanding.

External professionals are also especially engaged to assess and review the adequacy and effectiveness of the Suncity Group's internal controls for anti-money laundering of Suncity's casino operations. Assessment of internal controls is regularly reviewed and updated to strengthen the control over such practices.

A whistleblowing policy has been established to govern the receipt, retention, and treatment of complaints regarding malpractice, impropriety or fraud relating to Group's accounting, internal accounting controls, auditing matters and suspected breaches of the Group Policies. All complaints will be reviewed in accordance with the policy review procedure. The person assigned to investigate a complaint will conduct an investigation and report the findings or recommendations to the Audit Committee, including recommended disciplinary or corrective action. The violation shall be immediately reported to the proper governmental authority if legally required.

The Group will make every effort to keep all whistleblowing reports and identities of employees who have made reports confidential. In no event will there be any retaliation against someone for reporting an activity that he or she in good faith believes to be a violation of any law, rule or regulation.

## OUR COMMUNITY

Suncity regards promoting the well-being and prosperity of the region as its responsibility. It proactively makes contributions to various community activities and explores community investment opportunities which can meet the needs of society.

### Well-Being

With a view to combating the COVID-19 pandemic, the health and safety of its staff and customers was Suncity's top priority during the Reporting Period. Suncity has implemented intensified precautionary measures in its Hong Kong office as well as properties overseas to achieve the highest degree of health and safety vigilance, in accordance with advisories and protocols issued by local and international authorities. Some of the measures included: mandatory mask-wearing, body temperature checking, and social distancing; frequent deep cleaning and disinfection of public areas and common touch points; provision of face masks and hand sanitiser to guests upon request; request for health declaration from all contractors and other third parties who visit Suncity's properties; regular cleaning of air filters and air conditioning systems; and briefing all staff on enhanced personal hygiene.

# Environmental, Social and Governance Report

## Community Participation

Suncity regards promoting well-being and prosperity for the region as its responsibility. To this end, it has proactively engaged in diversified community activities and developed community investment strategies to cope with the development needs of the local community, while actively contributing to society.

Suncity also encourages employees to seek opportunities, participate more in charity work in the future and get involved in various community programs, such as community health initiatives, sports, cultural activities, volunteer work and education. Below are some of the highlights of events in the reporting period:

- On 22 April 2021, our volunteer team in Tigre de Cristal went to the boarding school of I type (deaf children) for carrying out a charity event “Let’s clean up!”. Together with the children, we freshened up the school’s surrounding area – whitewashed the trees and curbs, painted pull-up bars and just had a lot of fun on that sunny day!
- On 27 April 2021, our volunteer team in Tigre de Cristal went to Artem special (correctional) boarding school for carrying out a charity event “Cleaning day”. Together with the children our team helped to clean the territory, whitewashed the trees and curbs. We were inspired by high spirits, positive energy and a very special atmosphere.
- On 29 September 2021, the team of volunteers was at Artem special (correctional) boarding school for carrying out a charity event “01!”. We introduced the rules of fire safety.
- On 23 December 2021, our volunteer team together with children from Artem special (correctional) boarding school went to the Art Park. We made various art workshops, enjoyed good weather and great mood.
- In January 2021, our volunteer team of HOIANA donated US\$4,300 in cash and US\$3,700 in engineering services to VinaCapital Foundation for carrying out a charity event “Our hearts to central Vietnam” campaign in Nam Tra My district.
- In May 2021, HOIANA donated a COVID-19 testing machine to Quang Nam People Committee
- In June 2021, our volunteer team of HOIANA participated in the “Study Steps Tutoring” program organised by the Children of Vietnam in Duy Xuyen/Thang Binh district. A total of US\$11,550 was donated for the coming 3 years program expenses.
- In August 2021, HOIANA donated US\$25,000 to the VinaCapital Foundation for carrying out the “Help Vietnam Breathe” project.

# Environmental, Social and Governance Report

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# Environmental, Social and Governance Report

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# Independent Auditor's Report



國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUNCITY GROUP HOLDINGS LIMITED**

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

### **DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of Suncity Group Holdings Limited (the “**Company**”) and its subsidiaries (together “**the Group**”) set out on pages 105 to 296, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Multiple uncertainties relating to going concern**

As set out in Note 2 to the consolidated financial statements, the Group incurred a net loss for the year of approximately HK\$469,397,000 and net operating cash outflow of approximately HK\$219,471,000 for the year ended 31 December 2021. The Group had committed capital expenditure of approximately HK\$3,600,183,000 as at 31 December 2021.

In addition, the Group had amounts due to a related company in the principal amount of approximately HK\$303,000,000 due on 28 August 2022, other borrowings of approximately HK\$823,101,000 due within one year, including HK\$366,928,000 due on 31 March 2022 and approximately HK\$220,157,000 due on 30 April 2022 respectively, convertible bonds in the principal amount of HK\$297,000,000 due on 28 August 2022 and HK\$402,000,000 due on 7 December 2022, respectively.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

# Independent Auditor's Report

## **BASIS FOR DISCLAIMER OF OPINION (Cont'd)**

### **Multiple uncertainties relating to going concern (Cont'd)**

The directors have been undertaking measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its borrowings, details of which are set out in Note 2 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including i) agree with the Group's existing lenders for the renewal of or extension for repayments of all borrowings; ii) agree with the convertible bonds holders for the extension of repayment dates; iii) able to obtain new sources of financing or successful negotiation with debtors for prompt settlements; iv) realizing the Group's non-current assets, including the parcels of land in Japan, to obtain new sources of financing; and v) successfully taking active measures to control operating expenses.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to form an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Poon Cheuk Ngai.

### **Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 March 2022

### **Poon Cheuk Ngai**

Practising Certificate Number P06711

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Continuing operations</b>			
<b>Revenue</b>	6	<b>340,437</b>	181,858
Cost of sales		<b>(250,327)</b>	(154,684)
<b>Gross profit</b>		<b>90,110</b>	27,174
Other income, gains and losses	7	<b>114,221</b>	151,429
Selling and distribution expenses		<b>(21,726)</b>	(8,079)
Administrative expenses		<b>(269,674)</b>	(189,211)
Other operating expenses		<b>(16,121)</b>	(16,491)
Change in fair value of convertible bonds	33(a)	–	240,183
Change in fair value of derivative financial instruments	33	<b>825,835</b>	1,530,268
Loss on remeasurement of existing interest in an associate upon business combination	39(b)	–	(122,404)
Gain on bargain purchase on acquisition of subsidiaries	39(b)	–	348,283
Gain on disposal of an associate		<b>594</b>	–
Impairment loss on interest in an associate		–	(53,295)
Impairment loss on equity loans to a joint venture	20	<b>(119,717)</b>	–
Impairment loss on loans to a joint venture	20	<b>(194,212)</b>	–
Impairment loss on amounts due from a joint venture	20	<b>(22,906)</b>	–
Impairment loss on property, operating right and equipment		<b>(287,119)</b>	–
Share of losses of associates		<b>(520)</b>	(24,092)
Share of loss of a joint venture		<b>(437,952)</b>	(277,483)
Finance costs	8	<b>(283,876)</b>	(329,053)
<b>(Loss) profit before taxation</b>		<b>(623,063)</b>	1,277,229
Income tax expense	11	<b>(23,149)</b>	(3,596)
<b>(Loss) profit for the year from continuing operations</b>	9	<b>(646,212)</b>	1,273,633
<b>Discontinued operations</b>			
Profit (loss) for the year from discontinued operations	40(b)	<b>176,815</b>	(402,067)
<b>(Loss) profit for the year</b>		<b>(469,397)</b>	871,566

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Other comprehensive (expense) income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation from functional currency to presentation currency		62,910	270,142
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(286,536)	(271,652)
Share of other comprehensive expense of a joint venture and an associate, net of related income tax		(900)	(3,745)
Release of reserve upon remeasurement of existing interest in an associate upon business combination		–	(27,132)
Release of reserve upon disposal of an associate		(76)	–
		(287,512)	(302,529)
<b>Other comprehensive expense for the year</b>		<b>(224,602)</b>	<b>(32,387)</b>
<b>Total comprehensive (expense) income for the year</b>		<b>(693,999)</b>	<b>839,179</b>
<b>(Loss) profit for the year attributable to:</b>			
– Equity holders of the Company:			
– Shareholders of the Company		(527,492)	795,745
– Holder of perpetual securities	37	269,227	89,036
		(258,265)	884,781
– Non-controlling interests		(211,132)	(13,215)
		(469,397)	871,566

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Total comprehensive (expense) income for the year attributable to:</b>			
– Equity holders of the Company:			
– Shareholders of the Company		<b>(711,186)</b>	761,471
– Holder of perpetual securities	37	<b>269,227</b>	89,036
		<b>(441,959)</b>	850,507
– Non-controlling interests		<b>(252,040)</b>	(11,328)
		<b>(693,999)</b>	839,179
<b>Total comprehensive (expense) income for the year attributable to equity holders of the Company arose from:</b>			
– Continuing operations			
		<b>(608,777)</b>	1,309,735
– Discontinued operations	40(b)	<b>166,818</b>	(459,228)
		<b>(441,959)</b>	850,507
<b>(Loss) earnings per share attributable to shareholders of the Company:</b>			
Basic (HK cents)			
	13		
– For (loss) profit for the year		<b>(7.91)</b>	11.94
– For (loss) profit from continuing operations		<b>(10.56)</b>	17.97
Diluted (HK cents)			
	13		
– For loss for the year		<b>(15.52)</b>	(12.09)
– For loss from continuing operations		<b>(17.68)</b>	(7.39)

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2021

		As at 31 December		As at 1 January
	Notes	2021	2020	2020
		HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)
<b>Non-current assets</b>				
Property, operating right and equipment	14	<b>2,837,734</b>	2,285,625	334,870
Right-of-use assets	15	<b>2,161,410</b>	2,409,064	2,965
Investment properties	16	–	1,408,745	1,787,676
Intangible assets	17	<b>14,449</b>	14,126	–
Prepayments and deposits for non-current assets	18	<b>226,132</b>	67,976	9,958
Pledged bank deposits	26	–	6,534	13,139
Interests in associates	19	–	24,770	574,368
Interest in a joint venture	20	<b>175,659</b>	731,302	812,436
Loans to a joint venture	20	<b>77,126</b>	101,695	–
Amounts due from a joint venture	20	<b>4,433</b>	3,298	–
Loan receivable	21	<b>113,659</b>	–	–
Deferred tax assets	22	–	78	73
Derivative financial instrument	33(c)	<b>4,570</b>	3,209	2,924
		<b>5,615,172</b>	7,056,422	3,538,409
<b>Current assets</b>				
Inventories	23	<b>307,236</b>	696,258	664,254
Trade and other receivables and prepayments	24	<b>248,773</b>	109,545	81,717
Loan receivable	21	<b>485,550</b>	–	–
Amounts due from directors	25(b)	–	68	36
Amount due from a non-controlling shareholder of a subsidiary	25(f)	–	4,412	4,206
Loan to a joint venture	20	<b>89,600</b>	218,611	–
Amount due from a joint venture	20	<b>12,458</b>	7,598	–
Pledged bank deposits	26	<b>1,534</b>	363	340
Restricted bank deposits	26	<b>1</b>	3,569	26,281
Bank balances and cash	27	<b>1,571,507</b>	2,634,018	282,873
		<b>2,716,659</b>	3,674,442	1,059,707

# Consolidated Statement of Financial Position

As at 31 December 2021

		As at 31 December		As at 1 January
	Notes	2021	2020	2020
		HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)
<b>Current liabilities</b>				
Trade and other payables	28	<b>287,375</b>	323,421	233,253
Amounts due to related companies	25(c)	<b>262,905</b>	229,169	344,573
Amount due to a former director/director of a subsidiary	25(a)	<b>484</b>	–	5,584
Loans from non-controlling shareholders of a subsidiary	25(d)	–	99,351	94,669
Amounts due to non-controlling shareholders of a subsidiary	25(d)	–	3,168	747
Contract liabilities	31	<b>8,189</b>	152,717	141,993
Receipt in advance		–	1,053	1,165
Rent and other deposits		<b>6,003</b>	12,734	6,856
Provisions for potential claims	29	–	26,811	25,189
Provision for litigation	30	–	33,032	31,034
Bank and other borrowings	32	<b>823,101</b>	326,160	416,881
Lease liabilities	34	<b>9,840</b>	10,887	2,539
Convertible bonds	33(a)	<b>589,203</b>	–	649,398
Derivative financial instruments	33(a) and (b)	<b>13,301</b>	837,595	2,395,864
Current tax liabilities		<b>17,003</b>	12,784	374,090
		<b>2,017,404</b>	2,068,882	4,723,835
<b>Net current assets (liabilities)</b>		<b>699,255</b>	1,605,560	(3,664,128)
<b>Total assets less current liabilities</b>		<b>6,314,427</b>	8,661,982	(125,719)
<b>Non-current liabilities</b>				
Bank and other borrowings	32	<b>149,217</b>	1,233,546	542,532
Other payables	28	<b>69,216</b>	68,651	10,106
Lease liabilities	34	<b>1,009,184</b>	978,994	737
Amount due to a director	25(a)	–	5,584	–
Amount due to a related company	25(c)	–	–	35,865
Loans from non-controlling shareholders of subsidiaries	25(d)	<b>237,262</b>	138,517	–
Amount due to non-controlling shareholders of a subsidiary	25(d)	<b>5,013</b>	–	–
Loans from a related company	25(e)	–	–	814,456
Convertible bonds	33(a) and (b)	<b>17,767</b>	490,412	–
Deferred tax liabilities	22	–	279,779	374,331
		<b>1,487,659</b>	3,195,483	1,778,027
<b>Net assets (liabilities)</b>		<b>4,826,768</b>	5,466,499	(1,903,746)

# Consolidated Statement of Financial Position

As at 31 December 2021

		<b>As at 31 December 2021</b>	2020	As at 1 January 2020
	Notes	<b>HK\$'000</b>	HK\$'000	HK\$'000
			(Restated)	(Restated)
<b>Capital and reserves</b>				
Share capital	36	<b>666,797</b>	666,697	666,697
Perpetual securities	37	<b>5,766,263</b>	5,461,036	–
Reserves		<b>(2,993,926)</b>	(2,313,220)	(2,845,231)
<b>Equity (deficit) attributable to equity holders of the Company</b>				
		<b>3,439,134</b>	3,814,513	(2,178,534)
<b>Non-controlling interests</b>				
		<b>1,387,634</b>	1,651,986	274,788
<b>Total equity (deficit)</b>				
		<b>4,826,768</b>	5,466,499	(1,903,746)

Approved and authorised for issue by the board of directors of the Company on 29 March 2022 and are signed on its behalf by:

**Lo Kai Bong**  
*Director*

**Au Chung On John**  
*Director*

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company												
	Notes	Share	Share	Perpetual	Merger	Statutory	Share	Capital	Exchange	Accumulated	Total	Non-	Total
		capital	premium	securities	reserve	reserve	option	reserve	reserve	losses		controlling	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2020 (Restated)</b>		666,697	2,103,796	-	27,490	67,955	67,758	677,466	626,431	(6,416,127)	(2,178,534)	274,788	(1,903,746)
Profit (loss) for the year		-	-	89,036	-	-	-	-	-	795,745	884,781	(13,215)	871,566
Exchange differences on translating foreign operations		-	-	-	-	-	-	-	(206,938)	-	(206,938)	(64,714)	(271,652)
Exchange differences on translation from functional currency to presentation currency		-	-	-	-	-	-	-	203,541	-	203,541	66,601	270,142
Release of reserve upon remeasurement of existing interest in an associate upon business combination		-	-	-	-	-	-	-	(27,132)	-	(27,132)	-	(27,132)
Share of other comprehensive expense of a joint venture and an associate, net of related income tax		-	-	-	-	-	-	-	-	(3,745)	(3,745)	-	(3,745)
Total comprehensive (expense) income for the year		-	-	89,036	-	-	-	-	(30,529)	792,000	850,507	(11,328)	839,179
Acquisition of subsidiaries	39(b)	-	-	-	-	-	-	-	-	-	-	1,472,820	1,472,820
Transactions with non-controlling interests of a subsidiary	48(a)	-	-	-	-	-	-	-	-	139,397	139,397	(84,417)	54,980
Recognition of equity-settled share-based compensation benefits	38	-	-	-	-	-	20,929	-	-	-	20,929	123	21,052
Lapse of share options	38	-	-	-	-	-	(1,278)	-	-	1,278	-	-	-
Issuances of perpetual securities	37	-	-	5,372,000	-	-	-	(1,882,467)	-	-	3,489,533	-	3,489,533
Deemed capital contribution		-	-	-	-	-	-	1,492,681	-	-	1,492,681	-	1,492,681

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company												
	Notes	Share capital HK\$'000	Share premium HK\$'000	Perpetual securities HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 31 December 2020 and 1 January 2021 (Restated)</b>		666,697	2,103,796	5,461,036	27,490	67,955	87,409	287,680	595,902	(5,483,452)	3,814,513	1,651,986	5,466,499
Profit (loss) for the year		-	-	269,227	-	-	-	-	-	(527,492)	(258,265)	(211,132)	(469,397)
Exchange differences on translating foreign operations		-	-	-	-	-	-	-	(226,829)	-	(226,829)	(59,707)	(286,536)
Exchange differences on translation from functional currency to presentation currency		-	-	-	-	-	-	44,111	-	-	44,111	18,799	62,910
Share of other comprehensive expense of a joint venture, net of related income tax		-	-	-	-	-	-	-	-	(900)	(900)	-	(900)
Release of reserve upon disposal of an associate		-	-	-	-	-	-	-	(76)	-	(76)	-	(76)
Total comprehensive income (expense) for the year		-	-	269,227	-	-	-	-	(182,794)	(528,392)	(441,959)	(252,040)	(693,999)
Shares issued upon exercise of share options	38	100	576	-	-	-	(221)	-	-	-	455	-	455
Recognition of equity-settled share-based compensation benefits	38	-	-	-	-	-	8,199	-	-	-	8,199	162	8,361
Lapse of share options	38	-	-	-	-	-	(28,883)	-	-	41,357	12,474	(12,474)	-
Disposal of subsidiaries	40	-	-	-	(27,490)	(67,955)	-	-	4,665	90,780	-	-	-
Issuance of perpetual securities	37	-	-	36,000	-	-	-	-	-	-	36,000	-	36,000
Deemed capital contribution		-	-	-	-	-	-	9,452	-	-	9,452	-	9,452
<b>At 31 December 2021</b>		666,797	2,104,372	5,766,263	-	-	66,504	297,132	417,773	(5,879,707)	3,439,134	1,387,634	4,826,768

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>OPERATING ACTIVITIES</b>			
(Loss) profit before taxation – Continuing operations		<b>(623,063)</b>	1,277,229
Profit (loss) before taxation – Discontinued operations		<b>176,348</b>	(517,481)
(Loss) profit before taxation		<b>(446,715)</b>	759,748
Adjustments for:			
Bank interest income		<b>(10,095)</b>	(7,527)
Interest income on loans to a joint venture	7	<b>(37,077)</b>	(22,719)
Imputed interest income on loans to a joint venture	7	<b>(38,650)</b>	(27,326)
Imputed interest income on loan receivable	7	<b>(14,668)</b>	–
Imputed interest on value-added tax (“VAT”) arrangements	7	<b>(472)</b>	–
Unrealised exchange loss (gain), net		<b>8,421</b>	(140,709)
Loss (gain) on disposal/write-off of property, operating right and equipment		<b>1,966</b>	(926)
Loss on disposal of intangible assets	7	<b>60</b>	–
Finance costs		<b>316,652</b>	388,875
Depreciation of property, operating right and equipment		<b>97,559</b>	22,726
Depreciation of right-of-use assets		<b>13,668</b>	5,390
Amortisation of intangible assets	17	<b>21</b>	3
Share-based compensation benefits	38	<b>8,361</b>	21,052
COVID-19-related rent concessions		<b>(307)</b>	(826)
Loss on modification of leases		<b>(6)</b>	–
Reversal of provision for litigation		<b>(21,361)</b>	–
Change in fair value of convertible bonds	33(a)	–	(240,183)
Change in fair value of derivative financial instruments	33	<b>(825,835)</b>	(1,530,268)
Change in fair value of investment properties	16	<b>11,988</b>	467,874
Impairment loss recognised in respect of other receivables, prepayments and deposits		<b>1,840</b>	2,818
Impairment on interest in an associate	19	–	53,295
Impairment loss on property, operating right and equipment	14	<b>287,119</b>	–
Impairment loss on intangible assets	9	–	60
Impairment loss on equity loans to a joint venture		<b>119,717</b>	–
Impairment loss on loans to a joint venture		<b>194,212</b>	–
Impairment loss on amounts due from a joint venture		<b>22,906</b>	–
Impairment loss on amount due from a related company	9	<b>5,819</b>	–
Loss on remeasurement of existing interest in an associate upon business combination	39(b)	–	122,404
Gain on bargain purchase on acquisition of subsidiaries	39(b)	–	(348,283)
Gain on disposal of an associate		<b>(594)</b>	–
Gain on disposal of subsidiaries	40	<b>(201,736)</b>	–
Share of losses of associates		<b>520</b>	24,092
Share of loss of a joint venture		<b>437,952</b>	277,483

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Operating loss before working capital changes</b>		<b>(68,735)</b>	(172,947)
(Increase) decrease in inventories		<b>(12,676)</b>	12,087
(Increase) decrease in trade and other receivables and prepayments		<b>(80,465)</b>	28,054
Decrease (increase) in amounts due from directors		<b>68</b>	(32)
Decrease in pledged bank deposits		<b>5,000</b>	7,055
Decrease in trade and other payables		<b>(41,037)</b>	(33,064)
Decrease in amounts due to related companies		<b>(26,648)</b>	(43,227)
Decrease in amount due to a former director		<b>(5,100)</b>	–
Decrease in amount due from a non-controlling shareholder of a subsidiary		<b>4,412</b>	–
Increase (decrease) in contract liabilities		<b>7,133</b>	(429)
Decrease in receipt in advance		<b>–</b>	(177)
Increase (decrease) in rental and other deposits		<b>425</b>	(55)
<b>Cash used in operations</b>		<b>(217,623)</b>	(202,735)
Income tax paid		<b>(1,848)</b>	(366,844)
Income tax refund		<b>–</b>	3,044
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(219,471)</b>	(566,535)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, operating right and equipment		<b>(768,726)</b>	(412,318)
Placement of deposits and prepayments for non-current assets		<b>(202,933)</b>	(5,078)
Payments for right-of-use assets		<b>–</b>	(1,385,706)
Proceeds from disposal of property, operating right and equipment		<b>435</b>	1,742
Net cash inflow from disposal of subsidiaries	40	<b>186,527</b>	–
Net cash inflow arising from Summit Ascent Acquisition	39(b)	<b>–</b>	812,088
Net cash outflow arising from Dongyang Xinguang Acquisition	39(c)	<b>–</b>	(20,744)
Proceeds from disposal of an associate		<b>24,768</b>	–
Repayment from loan receivable		<b>21,102</b>	–
Loans to a joint venture		<b>–</b>	(496,349)
Return of VAT refunded under VAT arrangements		<b>(9,281)</b>	–
Interest received		<b>18,440</b>	19,928
Placement of restricted bank deposits		<b>(1,506)</b>	(2,736)
Placement of pledged bank deposits		<b>(50,000)</b>	–
Withdrawal of restricted bank deposits		<b>2,067</b>	25,846
Withdrawal of pledged bank deposits		<b>50,000</b>	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(729,107)</b>	(1,463,327)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>FINANCING ACTIVITIES</b>			
Loans from a related company	25(e)	164,000	2,365,428
Repayment of loan to a related company	25(e)	(164,000)	–
New bank borrowing raised		49,706	68,520
New other borrowings raised		986,850	538,087
Repayment of bank borrowings		(141,849)	(51,562)
Repayment of other borrowings		(892,359)	(41,071)
Proceeds from shares issued upon exercise of share options	38	455	–
Issuances of perpetual securities	37	36,000	1,485,000
Capital contribution from a non-controlling shareholder of a subsidiary	48(a)	–	88,363
Interest paid		(100,136)	(72,373)
Repayment of lease liabilities		(13,682)	(3,842)
Transactions with non-controlling shareholders of a subsidiary	48(a)	–	(41,716)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>		<b>(75,015)</b>	4,334,834
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,023,593)</b>	2,304,972
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>2,634,018</b>	282,873
<b>Effect of foreign exchange rate changes</b>		<b>(38,918)</b>	43,173
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>			
<b>Represented by bank balances and cash</b>		<b>1,571,507</b>	2,634,018

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL

Suncity Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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 Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 48(a).

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency 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 referred to as “**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 referred to as “**Summit Ascent Group**”), the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (the “**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.

Prior to 1 July 2021, Renminbi (“**RMB**”) was regarded as the functional and presentation currencies of the Company. Having considered that the majority of the transactions of the Group have been denominated and settled in HK\$ after the completion of disposal of the operations in the PRC carried out by Access Achievement Limited (“**Access Achievement**”, together with its subsidiaries, the “**Disposal Group**”) on 30 June 2021, the directors of the Company (the “**Directors**”) consider that it is more appropriate to use HK\$ as the functional currency of the Company. The presentation currency of the Company is also changed to HK\$ to be in line with the change in functional currency. The change in functional and presentation currencies in presenting the operating results and financial positions of the Group became effective from 1 July 2021 and is accounted for the change in functional and presentation currencies in accordance with Hong Kong Accounting Standard (“**HKAS**”) 21 *The Effects of Changes in Foreign Exchange Rates*. Comparative figures have been restated to reflect the change in the Group’s presentation currency. For the purpose of re-presentation of the consolidated financial statements of the Group from RMB to HK\$, the assets and liabilities as at 31 December 2020 are translated into HK\$ at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective years. Share capital, share premium and reserves are translated at the exchange rate at the date when the amounts were determined (i.e., historical exchange rates).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL (Cont'd)

In addition to the comparative information in respect of the previous period as provided in these consolidated financial statements, the Group presented an additional consolidated statement of financial position as at 1 January 2020 without related notes in accordance with HKAS 1 *Presentation of Financial Statements*.

### Significant events in the current reporting 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, a directly wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (equivalent to approximately HK\$186,624,000) (the “**Disposal**”). The Disposal was completed on 30 June 2021 with a gain of approximately RMB167,864,000 (equivalent to approximately HK\$201,736,000) recognised by the Group. Details of the Disposal are set out in Note 40. 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 our 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 the Russian Federation continued to be adversely impacted by the ongoing and evolving nature of the COVID-19 pandemic. Together with the loss of a key supplier of hotel accommodation products, the Group’s travel related businesses were suspended since 1 December 2021 and the aircraft was disposed on 30 December 2021.

### Restatements due to discontinued operations

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 has been restated in order to disclose the discontinued operations separately from continuing operations pursuant to the disposal of the Disposal Group on 30 June 2021. As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2020.

## 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred a net loss for the year of approximately HK\$469,397,000 and net operating cash outflow of approximately HK\$219,471,000 for the year ended 31 December 2021. The Group had committed capital expenditure of approximately HK\$3,600,183,000 as at 31 December 2021.

As at 31 December 2021, the Group had amount due to a related company in the principal amount of HK\$303,000,000 due on 28 August 2022, other borrowings of approximately HK\$823,101,000 due within one year, including approximately HK\$366,928,000 repayable on 31 March 2022 and approximately HK\$220,157,000 repayable on 30 April 2022, convertible bonds in the principal amount of HK\$297,000,000 due on 28 August 2022 and HK\$402,000,000 due on 7 December 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the Directors prepared a cash flow forecast covering a period of not less than 12 months from 31 December 2021. In preparing the cash flow forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position and performance which include, but not limited to the following:

- (i) the Group has commenced the negotiation for the disposal of certain of its non-core assets, including but not limited to the parcels of land in Japan;
- (ii) the Group has been in active negotiation with the creditors of the Group so that they would not demand immediate repayment of the loans or take further actions against the Group when there is an event of default;
- (iii) the Group has been in active negotiation with the debtors, in particular the loan receivable of approximately HK\$599,209,000 as at 31 December 2021, in which an amount of approximately HK\$485,550,000 is due on 31 March 2022;
- (iv) the Group will continue to take active measures to control operating expenses; and
- (v) the Group will continue to explore debt or equity financing.

Given the above, the Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group can achieve the plans and measures described in (i) to (v) above. The sufficiency of the Group's working capital to satisfy its present obligations for at least the next twelve months from 31 December 2021 is dependent on the Group's ability to generate adequate financing and operating cash flows or through successful extension or renewal of its amount due to a related company, other borrowings and convertible bonds upon expiry. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. APPLICATION OF AMENDMENTS TO HKFRSs

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the 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 nature and impact of the revised HKFRSs are described below:

- (a) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

### New and amendments to HKFRS in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. APPLICATION OF AMENDMENTS TO HKFRSs (Cont'd)

### New and amendments to HKFRS in issue but not yet effective (Cont'd)

The Directors anticipate that the application of some of these new amendments to HKFRSs may have effect on the Group's financial positions and performance and/or on the disclosures set out in the consolidated financial statements.

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have significant impact on the Group's financial statements.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1st January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. APPLICATION OF AMENDMENTS TO HKFRSs (Cont'd)

### **New and amendments to HKFRS in issue but not yet effective (Cont'd)**

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1st January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1st January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1st January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. APPLICATION OF AMENDMENTS TO HKFRSs (Cont'd)

### New and amendments to HKFRS in issue but not yet effective (Cont'd)

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- Amendments to HKFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1st January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- Amendments to HKFRS 16 remove the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (b) Basis of preparation of the consolidated financial statements (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* (“**HKFRS 16**”) (since 1 January 2020) or HKAS 17 *Leases* (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* (“**HKAS 36**”).

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (c) Basis of consolidation (Cont'd)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### (d) Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (d) Changes in the Group's interests in existing subsidiaries (Cont'd)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### (e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (e) Business combinations (Cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (e) Business combinations (Cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### (f) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### (g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU(s)") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (g) Goodwill (Cont'd)

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of associates and a joint venture is described below.

### (h) Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint venture. Changes in net assets of the associates/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of the associates or joint venture exceeds the Group's interests in those associates or joint venture (which includes any other long-term interests that, in substance, form part of the Group's net investment in the associates or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint venture.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (h) Interests in associates and a joint venture (Cont'd)

Interests in associates or a joint venture are accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investments in associates or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interests in associates or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with associates or a joint venture of the Group, profits and losses resulting from the transactions with the associates or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associates or joint venture that are not related to the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/a joint venture.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e., HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Foreign currencies (Cont'd)

Exchange differences relating to the retranslation of the Group's net assets in United States dollars ("US\$"), Japanese Yen ("JPY"), RMB, Philippines Peso ("PHP") and Russian Ruble ("RUB") to the Group's presentation currency in HK\$ are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss subsequently.

### (j) Property, operating right and equipment

Property, operating right and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings and improvements in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, operating right and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, operating right and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### (l) Impairment on property, operating right and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, operating right and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, operating right and equipment, right-of-use assets and tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Impairment on property, operating right and equipment, right-of-use assets and intangible assets other than goodwill (Cont'd)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (m) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Revenue from contracts with customers (Cont'd)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue from the following major sources:

Income from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. It is generally satisfied at a point in time when the control is transferred to the buyer.

Property management services income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Such services are recognised over the term of the lease contract.

For revenue from concessionaire sales, the Group recognises commission income over time which it is entitled and is based on certain percentage of sales made by the concessionaires in accordance with the terms of contracts.

For revenue from provision of retail management and related services, it represents space areas offering, management and promotional fee from customers and the revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation when the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

Income from sales of travel related products is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Such income is recognised on a daily basis over the contract period. Transaction price is allocated between sale of hotel accommodation products and event tickets and provision of limousine services on a relative standalone selling price basis.

Travel agency services income is recognised at a net amount after deducting related cost of sales upon performance of the services. It is generally satisfied at a point in time when the booking service is confirmed with the customer.

Hotel and integrated resort general consultancy services income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Such service is recognised based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of services.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Revenue from contracts with customers (Cont'd)

#### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations (typically include settling a customer's wager, providing rooms and food and beverage services to the customers on a discounted or complimentary basis and points earned under the Group's customer loyalty program), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue from gaming operations represents the aggregate net difference between gaming wins and losses and is recognised at a point in time. The commissions rebated to customers related to their play are recorded as a reduction to revenue from gaming operations.

For revenue contracts that include discounted or complimentary products and services provided by the Group to customers, the Group allocates the relative stand-alone selling price of each product and service to the respective revenue type. Cost of the respective products or services provided by the Group are recorded as an expense.

For revenue transactions that entitles a customer to earn points under the Group's customer loyalty programs, the Group allocates the estimated stand-alone selling price of the points earned to the loyalty program liability. Such amount is deferred as loyalty program liability in other payables until redemption occurs. Upon redemption of the loyalty program points for products and services provided by the Group, the amount deferred of each product or service provided by the Group is allocated to the respective revenue type.

For the rooms and food and beverage services provided for which the control of services is transferred over time and at a point in time, respectively, revenue is recognised when the customer obtains the control of the completed services and the Group has present right to payment and the collection of the consideration is probable.

For the provision of aircraft chartering services, the Group recognises service income over time when the relevant services have been rendered and is based on total estimated flight hours charged at an agreed hourly rate in accordance with terms of contracts.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The contract liabilities represent deposits received from buyers of the properties held for sale and advance payments from the customers in relation to provision of hotel and integrated resort general consultancy services prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Revenue from contracts with customers (Cont'd)

#### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by another party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

In relation to the Group's travel related businesses, the Group has acted as principal for transactions of hotel accommodation products and other travel package products and acted as agent for the rest. In assessing whether the Group acted as principal or agent, the Group has considered whether it controls the hotel accommodation products, other travel package products and travel agency services before such products and/or services are provided to customers, indicators including but not limited to whether the Group has primary responsibility in providing the goods and services to the customers, inventory risk before the customers' order and whether it has discretion in establishing price.

In relation to the Group's concessionaire sales, the Group has acted as an agent for concessionaire sales as the Group does not control the specific goods provided by concessionaires before goods are transferred to a customer.

#### *Gaming tax*

The Group is required to make certain variable and fixed payments to the tax authority in the Russian Federation based on the number of tables and slot machines in its possession. These expenses are reported as "gaming tax" in the consolidated statement of profit or loss and other comprehensive income and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Leases

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies the practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Leases (Cont'd)

#### *The Group as a lessee (Cont'd)*

##### *Right-of-use assets (Cont'd)*

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "Investment Properties".

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted for under HKFRS 9 and are initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognised and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Leases (Cont'd)

#### *The Group as a lessee (Cont'd)*

#### *Lease liabilities (Cont'd)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

#### *Lease modifications*

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Leases (Cont'd)

#### *The Group as a lessee (Cont'd)*

##### *Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

#### *The Group as lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Leases (Cont'd)

#### *The Group as a lessor (Cont'd)*

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

### (o) Inventories

Inventories includes properties under development and properties held for sale, travel related products and retail products, food and beverages which are stated at the lower of cost and net realisable value.

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at the cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties held for sale upon completion.

Costs of travel related products and retail products, food and beverages are determined on a weighted average method. Net realisable value represents the estimated selling price for travel related products and retail products, food and beverages less all estimated costs necessary to make the sale.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### (q) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial instruments at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets*

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost of Financial instruments at fair value through other comprehensive income (“**FVTOCI**”) if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Classification and subsequent measurement of financial assets (Cont'd)*

#### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is presented as the “change in fair value of financial assets at fair value through profit or loss” in the consolidated statement of profit or loss and other comprehensive income.

#### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss (“**ECL**”) model on financial assets (including trade receivables, trade related amounts due from directors, amounts due from a non-controlling shareholder, pledged bank deposits, restricted bank deposits, bank balances, other receivables, other deposits, equity loans to a joint venture, loans to a joint venture, amounts due from a joint venture and loan receivable) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade related amounts due from directors and amounts due from a non-controlling shareholder of a subsidiary. The ECL on these assets are assessed individually for debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Impairment of financial assets (Cont'd)*

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Financial assets at amortised cost is subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Impairment of financial assets (Cont'd)*

#### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Impairment of financial assets (Cont'd)*

##### (i) Significant increase in credit risk (Cont'd)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Impairment of financial assets (Cont'd)*

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

#### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Impairment of financial assets (Cont'd)*

#### (v) Measurement and recognition of ECL (Cont'd)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case, interest income is calculated based on amortised cost of the financial asset.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial liabilities and equity*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

##### *Financial liabilities at FVTPL*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial liabilities and equity (Cont'd)*

##### *Financial liabilities at FVTPL (Cont'd)*

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as derivative financial instruments, the changes in fair value of derivative financial instruments are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

##### *Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, amounts due to related companies, a director and non-controlling shareholders, loans from a related company and non-controlling shareholders, rent and other deposits, bank and other borrowings, debt component of convertible bonds and interest payables) are subsequently measured at amortised cost, using the effective interest method.

##### *Convertible bond*

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

An early redemption option provides the Group the right to redeem its convertible bond before the maturity date at principal amount is an early redemption option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments (Cont'd)

#### *Financial liabilities and equity (Cont'd)*

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

##### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (r) Retirement benefit costs and termination benefits

The Group operates defined contribution benefits schemes in Hong Kong, Macau, the PRC, the Russian Federation and other jurisdictions. Payments to defined contribution benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### (s) Share-based payment

#### *Equity-settled share-based payment transactions*

##### *Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expenses immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (s) Share-based payment (Cont'd)

#### *Equity-settled share-based payment transactions (Cont'd)*

##### *Share options granted to employees (Cont'd)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

##### *Share options granted to non-employees*

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

### (t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Such grants are presented under “other income, gains and losses”.

### (v) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (v) Taxation (Cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes requirements* to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (w) Discontinued operation

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss and other comprehensive income comprising the total of: (i) the post-tax profit or loss of discontinued operation and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### (i) Revenue recognition as principal or agent

The Group engages in the travel related businesses, which include the provision of arrangement of hotel accommodation, transportation and entertainment. The Group has acted as principal for transactions of travel related products and acted as agent for the rest. In assessing whether the Group acted as principal or agent, the Group has considered, among others, indicators including but not limited to whether the Group has primary responsibility in providing the goods and services to the customers, inventory risk before the customers' order and whether it has discretion in establishing price.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### (a) Critical judgements in applying accounting policies (Cont'd)

#### (ii) *Determination on lease term of contracts with renewal options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The factors that are normally the most relevant are (a) if there are significant penalties should the Group per-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

During the year ended 31 December 2021, the management assessed that the automatic renewal period included in a lease of the Group should not be included in the lease term as the head lease agreement of the lessor does not have such similar arrangement and hence the automatic renewal period is not enforceable.

#### (iii) *Going concern*

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the uncertainties that may cast significant doubt on the going concern assumption are set out in Note 2.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### (b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) *Impairment loss recognised in respect of inventories*

Properties under development and properties held for sale are stated at the lower of the cost and net realisable value. Based on the experience of Directors and the nature of the subject properties, Directors determine the net realisable value of properties under development and properties held for sale by reference to the estimated market prices of the properties under development and properties held for sale, which takes into account a number of factors including the recent prices of similar property type in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. Directors estimate the future costs to complete the properties under development by reference to the actual development cost of other similar completed projects of the Group, adjusted by certain current market data. During the year ended 31 December 2021, no impairment loss has been recognised in the consolidated statement of profit or loss (2020: Nil).

As at 31 December 2021, the aggregate carrying amount of properties under development and properties held for sale amounted to approximately HK\$304,464,000 (31 December 2020: HK\$692,945,000) in the PRC.

#### (ii) *Fair values of derivative financial instruments*

The Directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, the estimation of fair value of derivatives includes some assumptions not supported by observable market prices or rates. The carrying amounts of the derivative financial instruments in relation to convertible bonds and put option as at 31 December 2021 were approximately HK\$13,301,000 and HK\$4,570,000, respectively (31 December 2020: HK\$837,595,000 and HK\$3,209,000, respectively). Details of the assumptions used are disclosed in Note 33. Directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair values of derivative financial instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### (b) Key sources of estimation uncertainty (Cont'd)

#### (iii) *Impairment of interests in a joint venture/associates*

The carrying amount of interests in a joint venture and associates amounting to HK\$175,659,000 and Nil, respectively (31 December 2020: HK\$731,302,000 and HK\$24,770,000, respectively) is reviewed for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount which is the higher of value in use and fair value less costs of disposal. The value in use is based on the cash flows forecasts of the joint venture/associates and a suitable discount rate. The key assumptions of the discounted cash flow model include the growth rates, discount rate and the forecast performance. Where the actual future cash flows are less than or more than expected, or there are favourable or unfavourable events and changes in facts and circumstances which result in revision of cash flows forecast, a material impairment loss may arise or reverse. During the year, no impairment loss (2020: impairment loss of approximately HK\$53,295,000) has been recognised in respect of the interests in associates and no impairment loss has been recognised in respect of interest in a joint venture for the years ended 31 December 2021 (2020: Nil). Details of the recoverable amount calculation for interests in a joint venture and associates are disclosed in Notes 20 and 19, respectively.

#### (iv) *Provision of ECL for trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring ECL, using a lifetime expected loss allowance for all trade receivables. The Group determines the allowance based on specific customer information, historical experience with the customer, current industry and economic data and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. A provision of ECL for trade receivables is recorded when the Group believes it is probable the recoverable amount of the receivables will be less than their carrying amounts.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 24 and 46 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### (b) Key sources of estimation uncertainty (Cont'd)

#### (v) *Provision of ECL for loan receivable, equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture*

The Group uses various models and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors in estimating ECL. The ECL measured at amortized cost whereby the management taken into consideration of historical data, the historical loss experience and other adjustment factors. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The ECL calculations for loan receivable, equity loans to, loans to and amounts due from a joint venture are outputs of complex models and with a number of significant assumptions about future economic conditions and credit behaviour (the likelihood of debtors defaulting and the resulting losses) regarding the choice of variable inputs and their interdependencies. Further details are set out in Notes 20, 21 and 46.

At 31 December 2021, the carrying amounts of loan receivable, equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture of the Group are approximately HK\$599,209,000, HK\$387,369,000, HK\$166,726,000 and HK\$16,891,000 (2020: Nil, HK\$507,086,000, HK\$320,306,000 and HK\$10,896,000) respectively. During the year ended 31 December 2021, impairment losses on loan receivable, equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture of Nil, HK\$119,717,000, HK\$194,212,000 and HK\$22,906,000 have been recognised, respectively. No impairment loss had been recognised in respect of equity loans and loans to a joint venture and amounts due from a joint venture for the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### (b) Key sources of estimation uncertainty (Cont'd)

#### (vi) *Useful lives and depreciation and impairment of property, operating right and equipment and right-of-use assets*

The Group determines the estimated useful lives and related depreciation charges for its property, operating right and equipment. This estimate is based on the historical experience of the actual useful lives of property, operating right and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. The property of the Group mainly comprises a hotel and entertainment complex, which is situated on land plots in the Russian Federation with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be renewed upon expiry of the relevant lease or the land plots could be acquired by the Group at a minimal consideration if the land lease is not extended, to match with the estimated useful lives of the buildings of 30 years.

Property, operating right and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2021, the carrying amounts of property, operating right and equipment and right-of-use assets were approximately HK\$2,837,734,000 and HK\$2,161,410,000 respectively, Impairment loss on property, operating right and equipment of approximately HK\$287,119,000 (2020: Nil) and right-of use assets of Nil (2020: Nil) has been recognised for the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for both years is as follows:

	2021		Total HK\$'000
	Continuing operations HK\$'000	Discontinued operations HK\$'000	
Property management services income	-	3,172	3,172
Income from management and operation of mall	28,789	-	28,789
Travel agency services income	702	-	702
Sales of travel related products	41,491	-	41,491
Revenue from gaming and hotel operations	265,519	-	265,519
Hotel and integrated resort general consultancy services income	3,284	-	3,284
Revenue from aircraft chartering services	652	-	652
	<b>340,437</b>	<b>3,172</b>	<b>343,609</b>
Rental income	-	19,694	19,694
	<b>340,437</b>	<b>22,866</b>	<b>363,303</b>
		2020	
	Continuing operations HK\$'000 (Restated)	Discontinued operations HK\$'000 (Restated)	Total HK\$'000 (Restated)
Property management services income	-	6,606	6,606
Income from management and operation of mall	1,503	-	1,503
Travel agency services income	1,596	-	1,596
Sales of travel related products	122,208	-	122,208
Revenue from gaming and hotel operations	47,685	-	47,685
Hotel and integrated resort general consultancy services income	8,866	-	8,866
Revenue from aircraft chartering services	-	-	-
	181,858	6,606	188,464
Rental income	-	35,786	35,786
	181,858	42,392	224,250

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### 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 office premises, residential 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 40. The comparative figures in the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd) Disaggregation of revenue

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 development		Property leasing		Sub-total		Total						
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)				
<b>Types of goods and services</b>																											
Property management services income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,172	6,606	-	3,172	6,606	3,172	6,606			
Revenue from management and operation of malls	-	-	-	-	-	-	-	-	-	-	28,789	1,503	-	-	-	-	-	-	-	-	-	-	-	28,789	1,503		
Sales of travel related products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,880	122,146	
- Hotel accommodation products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,880	122,146
- Others	-	-	-	-	-	-	-	-	-	-	611	62	-	-	-	-	-	-	-	-	-	-	-	-	-	611	62
Travel agency services income	-	-	-	-	-	-	-	-	-	-	702	1,596	-	-	-	-	-	-	-	-	-	-	-	-	-	702	1,596
Revenue from aircraft chartering services	-	-	-	-	-	-	-	-	-	-	652	-	-	-	-	-	-	-	-	-	-	-	-	-	-	652	-
Revenue from gaming and hotel operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Gaming operations	-	-	248,355	45,692	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	248,355	45,692
- Hotel operations	-	-	17,164	1,993	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,164	1,993
Hotel and integrated resort general consultancy services income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	3,284	8,866	-	-	-	-	3,284	8,866	-	-	-	-	-	-	-	-	-	-	3,284	8,866
<b>Revenue from contracts with customers</b>	-	-	265,519	47,665	42,845	123,804	3,284	8,866	-	-	28,789	1,503	340,437	181,858	-	-	-	3,172	6,606	-	3,172	6,606	3,172	6,606	343,609	188,464	
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,694	35,786	-	19,694	35,786	19,694	35,786	-	19,694	35,786
<b>Total revenue</b>	-	-	265,519	47,665	42,845	123,804	3,284	8,866	-	28,789	1,503	340,437	181,858	-	-	-	22,866	42,392	22,866	42,392	22,866	42,392	22,866	42,392	363,303	224,250	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd) Disaggregation of revenue (Cont'd)

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 development		Property leasing		Sub-total		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
<b>Geographical markets</b>																							
The PRC	-	-	-	-	-	-	-	-	28,789	1,503	28,789	1,503	-	-	3,172	6,606	3,172	6,606	3,172	6,606	31,961	8,109	
Macau	-	-	-	42,132	117,042	-	-	-	-	42,132	117,042	-	-	-	-	-	-	-	-	-	42,132	117,042	
Cambodia	-	-	-	1	380	-	1,303	-	-	-	1	1,683	-	-	-	-	-	-	-	-	1	1,683	
Vietnam	-	-	-	24	6,382	3,284	7,563	-	-	-	3,308	13,945	-	-	-	-	-	-	-	-	3,308	13,945	
The Russian Federation	-	-	-	265,519	47,685	-	-	-	-	-	265,519	47,685	-	-	-	-	-	-	-	-	265,519	47,685	
Others	-	-	-	688	-	-	-	-	-	-	688	-	-	-	-	-	-	-	-	-	688	-	
<b>Revenue from contracts with customers</b>	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	28,789	1,503	340,437	181,858	-	3,172	6,606	3,172	6,606	3,172	6,606	343,609	188,464	
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,694	35,786	19,694	35,786	19,694	35,786	19,694	35,786	
<b>Total revenue</b>	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	28,789	1,503	340,437	181,858	-	22,866	42,392	22,866	42,392	22,866	42,392	363,303	224,250	
<b>Timing of revenue recognition</b>																							
At a point in time	-	-	-	259,041	47,094	702	1,596	-	-	-	-	259,743	48,680	-	-	-	-	-	-	-	259,743	48,680	
Over time	-	-	-	6,478	591	42,143	122,208	3,284	8,866	28,789	1,503	80,694	133,168	-	3,172	6,606	3,172	6,606	3,172	6,606	83,866	139,774	
Leases	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	28,789	1,503	340,437	181,858	-	3,172	6,606	3,172	6,606	3,172	6,606	343,609	188,464	
<b>Total revenue</b>	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	28,789	1,503	340,437	181,858	-	22,866	42,392	22,866	42,392	22,866	42,392	363,303	224,250	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Disaggregation of revenue (Cont'd)

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 contracts with customers are either fixed or variable based on certain percentage of gross gaming revenue and EBITDA of a casino under management.

### Performance obligations for contracts with customers

#### *Sales of properties*

The Group sells properties held for sale directly to buyers through its own sales office and through real estate agents respectively.

The income from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. The Group receives certain percentage of the contract value as pre-sale deposits from buyers when they sign the sale and purchase agreements. The pre-sale deposits are recognised as contract liabilities throughout the property construction period until the buyer obtains control of the completed property.

#### *Provision of property management services*

The Group provides property management services to tenants of its investment properties. The property management services fee includes fees for management services in the PRC. The tenants are required to prepay the property management services fee one month in advance. Property management services income is recognised over time when the tenants simultaneously receive and consume the benefits from the Group's performance. Such services income is recognised over the term of the lease contract.

#### *Revenue from management and operation of malls*

The Group operates and manages of malls with its leased assets, namely Phase I Shopping Mall of Xinguang Tiandi and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC. Revenue for concessionaire sales, the Group recognises commission income over time which it is entitled and is based on certain percentage of sales made by the concessionaires in accordance with the terms of contracts. Revenue from provision of retail management and related services, it represents space areas offering, management and promotional fee from customers and the revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation when the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Performance obligations for contracts with customers (Cont'd)

#### *Sales of travel related products*

The Group sells travel related products including hotel accommodation products and travel packages directly to the customers through its physical point-of-sale counters and online platform and recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance (i.e. when the customers check in at the hotel and enjoy the benefits from using such hotel room among the period reserved) and when the control of goods and services is transferred either over time or at a point in time, as appropriate. The Group either requires advanced payments from its customers or grant 30-day credit to customers from the invoice date.

Income from sales of travel packages is recognised when the performance obligations in the travel packages are satisfied. The travel packages include several performance obligations such as sales of hotel accommodation products and event tickets and provision of limousine services. Each performance obligation in the travel packages is considered to be a distinct goods or service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. Transaction price is allocated between sales of hotel accommodation products and event tickets and provision of limousine services on a relative standalone selling price basis. Revenue relating to the sale of hotel accommodation products is recognised over the period reserved for the hotel rooms. Revenue relating to the sales of event tickets is recognised at the occurrence of the events. Revenue relating to the provision of limousine services is recognised at the time of using the limousine services. The Group grants 30-day credit to customers from the invoice date.

#### *Provision of travel agency services*

The Group has acted as an agent for the provision of travel agency services including but not limited to reservation of helicopter/private jet, flight and limousine services, sales of ferry tickets and event tickets. The travel agency services income is recognised at a net amount after deducting related cost of sales upon performance of the services. It is generally satisfied at a point in time when the control is transferred to the customer, which is at the time when the booking service is confirmed with the customer. The normal credit period is 30 days upon the invoice date, which is approximate to the date of revenue recognition.

#### *Provision of aircraft chartering services*

For revenue from the provision of aircraft chartering services, the Group recognises service income over time when the relevant services have been rendered and is based on total estimated flight hours charged at an agreed hourly rate in accordance with terms of contracts.

#### *Revenue from gaming and hotel operations*

Revenue from gaming operations represents the aggregate net difference between gaming wins and losses and is recognised at a point in time. The commissions rebated to customers related to their play are recorded as a reduction to revenue from gaming operations.

For the rooms and food and beverage, revenue is recognised when the Group's performance obligations are satisfied, either over time or a point in time, as appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Performance obligations for contracts with customers (Cont'd)

#### Provision of hotel and integrated resort general consultancy services

Hotel and integrated resort general consultancy services represent the provision of general consultancy services to the customers who are developing hotel and integrated resort projects in Vietnam and Cambodia. The duration of the contract period is initially for one year, with extension subject to mutual agreement. Such income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance, which is recognised based on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of services.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	Sales of properties HK\$'000	Revenue from gaming and hotel operation HK\$'000	Income from management and operations of mail HK\$'000	Total HK\$'000
<b>As at 31 December 2021</b>				
Within one year	–	4,323	3,866	8,189
<b>As at 31 December 2020 (Restated)</b>				
Within one year	149,948	2,769	–	152,717

For the sales of properties, the amounts disclosed above represent the Group's expectation on the timing of transferring the legal ownership to its customers. For revenue from gaming and hotel operations, outstanding gaming chip liabilities are expected to be recognised as revenue or redeemed within one year of being purchased. Loyalty program liabilities are generally expected to be recognised as revenue within one year of being earned.

### Leases

	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Total revenue arising from leases</b>		
Lease payments other than variable lease payments that do not depend on an index or a rate	19,694	35,786

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### 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 development		Property leasing		Sub-total		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
Segment revenue from external customers	-	-	265,519	47,685	42,845	123,804	3,284	8,866	-	-	28,789	1,503	340,437	181,858	-	-	22,866	42,392	22,866	42,392	363,303	224,250	
Segment (loss) profit	(25,587)	(31,438)	(351,749)	(19,709)	(46,393)	(33,056)	(24,714)	(15,602)	(5,166)	(38,116)	5,792	(758)	(449,817)	(138,739)	(28,549)	(43,731)	(18,139)	(470,820)	(46,688)	(514,551)	(496,505)	(653,290)	
Change in fair value of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	240,183	-	-	-	-	-	-	-	-	240,183	
Change in fair value of derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	825,835	1,530,288	-	-	-	-	-	-	-	825,835	1,530,288
Loss on remeasurement of existing interest in an associate upon business combination	-	-	-	-	-	-	-	-	-	-	-	-	(122,404)	-	-	-	-	-	-	-	-	(122,404)	
Gain on bargain purchase on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	348,283	-	-	-	-	-	-	-	-	-	348,283
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Impairment loss on interest in an associate	-	-	594	-	-	-	-	-	-	-	-	-	594	-	-	-	-	-	-	-	-	-	594
Impairment loss on equity loans to a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	(53,295)	-	-	-	-	-	-	-	-	-	(53,295)
Impairment loss on loans to a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	(119,717)	-	-	-	-	-	-	-	-	-	(119,717)
Impairment loss on amounts due from a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	(194,212)	-	-	-	-	-	-	-	-	-	(194,212)
Share of losses of associates	-	-	(22,906)	-	-	-	-	-	-	-	-	-	(22,906)	-	-	-	-	-	-	-	-	-	(22,906)
Share of loss of a joint venture	-	-	(520)	(24,032)	-	-	-	-	-	-	-	-	(520)	(24,032)	-	-	-	-	-	-	-	-	(24,552)
Reversal of provision for litigation	-	-	(437,952)	(277,483)	-	-	-	-	-	-	-	-	(437,952)	(277,483)	-	-	-	-	-	-	-	-	(715,435)
Unallocated other income, gains and losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated finance costs	-	-	102,219	146,373	-	-	-	-	-	-	-	-	102,219	146,373	-	-	-	-	-	-	34	-	146,407
Unallocated expenses	-	-	(267,031)	(283,225)	-	-	-	-	-	-	-	-	(267,031)	(283,225)	-	-	-	-	-	-	(61)	-	(283,286)
	-	-	(69,556)	(88,640)	-	-	-	-	-	-	-	-	(69,556)	(88,640)	-	-	-	-	-	-	(61)	-	(91,604)
<b>(Loss) profit before taxation</b>	-	-	(623,063)	1,277,229	-	-	(23,149)	(3,596)	-	-	176,348	(517,481)	(446,715)	759,748	-	-	467	115,414	(22,682)	111,818	-	-	111,818
Income tax (expense) credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Loss) profit for the year</b>	-	-	(646,212)	1,273,633	-	-	(23,149)	(3,596)	-	-	176,815	(402,067)	(469,397)	871,566	-	-	176,815	(402,067)	(469,397)	871,566	-	-	871,566

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment revenue and results (Cont'd)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies set out in Note 4. 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 convertible bonds, change in fair value of derivative financial instruments, gains on disposal of subsidiaries and an associate, loss on remeasurement of existing interest in an associate upon business combination, gain on bargain purchase on acquisition of subsidiaries, impairment loss on interest in an associate, impairment losses on equity loans to, loans to and amounts due from a joint venture, share of losses of associates, share of loss of a joint venture, 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.

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

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Segment assets</b>		
Operation of integrated resort in the Philippines	<b>4,481,730</b>	3,612,277
Operation of integrated resort in the Russian Federation	<b>1,830,318</b>	3,141,124
Travel related products and services	<b>87,722</b>	149,916
Hotel and integrated resort general consultancy services	<b>3,798</b>	4,993
Property development	<b>831,823</b>	727,079
Property leasing and management and operation of malls	<b>99,093</b>	1,551,533
<b>Total segment assets</b>	<b>7,334,484</b>	9,186,922
Unallocated assets:		
Interests in associates	–	24,770
Interest in a joint venture	<b>175,659</b>	731,302
Loans to a joint venture	<b>166,726</b>	320,306
Amounts due from a joint venture	<b>16,891</b>	10,896
Property, operating right and equipment	<b>571</b>	351,332
Right-of-use assets	<b>998</b>	2,139
Derivative financial instrument	<b>4,570</b>	3,209
Loan receivable	<b>599,209</b>	–
Bank balances and cash	<b>6,659</b>	50,902
Deferred tax assets	–	78
Others	<b>26,064</b>	49,008
<b>Consolidated total assets</b>	<b>8,331,831</b>	10,730,864

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment revenue and results (Cont'd)

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Segment liabilities</b>		
Operation of integrated resort in the Philippines	1,091,176	936,293
Operation of integrated resort in the Russian Federation	224,138	223,686
Travel related products and services	8,872	71,296
Hotel and integrated resort general consultancy services	3,196	3,304
Property development	144,820	1,387,889
Property leasing and management and operation of malls	85,047	631,003
<b>Total segment liabilities</b>	<b>1,557,249</b>	3,253,471
Unallocated liabilities:		
Current tax liabilities	17,003	12,784
Deferred tax liabilities	–	279,779
Convertible bonds	606,970	490,412
Derivative financial instruments	13,301	837,595
Lease liabilities	1,000	2,097
Loans from non-controlling shareholders of a subsidiary	–	99,351
Amounts due to non-controlling shareholders of a subsidiary	–	3,168
Amounts due to related companies	262,905	229,169
Amount due to a former director/director	484	5,584
Bank and other borrowings	972,318	–
Provision for litigation	–	33,032
Others	73,833	17,923
<b>Consolidated total liabilities</b>	<b>3,505,063</b>	5,264,365

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 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 former director/director and related companies, bank and other borrowings, provision for litigation and corporate liabilities of investment holding companies.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd) Other segment information For the year ended 31 December 2021

	Continuing operations					Discontinued operations					Total		
	Operation of integrated resort in the Philippines HK\$'000	Operation of integrated resort in the Russian Federation HK\$'000	Travel related products and services HK\$'000	Hotel and integrated resort general consultancy services HK\$'000	Property development HK\$'000	Management and operation of malls HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Property development HK\$'000	Property leasing HK\$'000		Unallocated HK\$'000	Sub-total HK\$'000
Amounts included in the measure of segment profit (loss) or segment assets:													
Addition to non-current assets (Note)	881,062	16,469	-	29	199,195	863	541	1,096,199	-	12	-	12	1,098,171
Depreciation of property, operating right and equipment	(328)	(86,682)	(9,998)	(128)	(2)	(664)	(365)	(97,488)	-	(11)	(60)	(71)	(97,559)
Depreciation of right-of-use assets	(4,131)	(1,527)	(418)	(341)	-	(5,219)	(1,141)	(12,777)	-	(891)	-	(891)	(13,668)
Amortisation of intangible assets	-	(21)	-	-	-	-	-	(21)	-	-	-	-	(21)
Loss on disposal/write-off of property, operating right and equipment	-	(102)	(1,667)	(23)	-	-	(174)	(1,966)	-	-	-	-	(1,966)
Loss on disposal of intangible assets	-	(60)	-	-	-	-	-	(60)	-	-	-	-	(60)
Bank interest income	1,218	8,669	36	-	-	107	54	10,094	-	11	11	11	10,095
Finance costs	(189)	(9,979)	(1,775)	(27)	(2,239)	(2,636)	(267,031)	(283,876)	(21,104)	(11,672)	-	(32,776)	(316,652)
Change in fair value of investment properties	-	-	-	-	-	-	-	-	-	(11,988)	-	(11,988)	(11,988)
Impairment loss on property, operating right and equipment	-	(287,119)	-	-	-	-	-	(287,119)	-	-	-	-	(287,119)
Amounts regularly provided to the CODM but not included in the measure of segment profit (loss) or segment assets:													
Interest income on loans to a joint venture	-	-	-	-	-	-	37,077	37,077	-	-	-	-	37,077
Imputed interest income on loans to a joint venture	-	-	-	-	-	-	38,650	38,650	-	-	-	-	38,650
Change in fair value of derivative financial instruments	-	-	-	-	-	-	825,835	825,835	-	-	-	-	825,835
Gain on disposal of an associate	-	-	-	-	-	-	594	594	-	-	-	-	594
Impairment loss on equity loans to a joint venture	-	-	-	-	-	-	(119,717)	(119,717)	-	-	-	-	(119,717)
Impairment loss on loans to a joint venture	-	-	-	-	-	-	(194,212)	(194,212)	-	-	-	-	(194,212)
Impairment loss on amounts due from a joint venture	-	-	-	-	-	-	(22,906)	(22,906)	-	-	-	-	(22,906)
Share of losses of associates	-	-	-	-	-	-	(520)	(520)	-	-	-	-	(520)
Share of loss of a joint venture	-	-	-	-	-	-	(437,952)	(437,952)	-	-	-	-	(437,952)
Income tax (expense) credit	-	-	-	-	-	-	(23,149)	(23,149)	-	-	467	467	(22,682)
Interests in a joint venture	-	-	-	-	-	-	175,659	175,659	-	-	-	-	175,659

Note: Non-current assets excluded pledged bank deposits, certain deposits for non-current assets, loans to and amounts due from a joint venture, derivative financial instrument and deferred tax assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Other segment information (Cont'd)

For the year ended 31 December 2020

	Continuing operations				Discontinued operations				Total			
	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	Unallocated	Sub-total		Property leasing	Unallocated	Sub-total
	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
Amounts included in the measure of segment profit (loss) or segment assets:												
Addition to non-current assets (Note)	2,512,171	15,618	20,995	378	-	-	4,956	2,554,118	-	-	5,066	2,559,184
Non-current assets arising from acquisition of subsidiaries (Note)	-	1,552,906	70,148	-	-	80,920	-	1,703,974	-	-	-	1,703,974
Depreciation of property, operating right and equipment	(141)	(14,933)	(6,407)	(123)	(2)	(62)	(922)	(22,590)	(1)	(13)	(136)	(22,726)
Depreciation of right-of-use assets	-	(321)	(880)	(390)	(14)	(557)	(1,544)	(3,706)	-	-	(1,686)	(5,392)
Amortisation of intangible assets	-	3	-	-	-	-	-	3	-	-	-	3
Gain (loss) on disposal/write-off of property, operating right and equipment	-	829	(103)	-	-	-	-	726	-	-	200	926
Bank interest income	410	2,255	184	-	-	26	4,625	7,500	-	27	27	7,527
Finance costs	-	(6,135)	(2,678)	(28)	(36,691)	(296)	(283,225)	(329,053)	(36,541)	-	(69,822)	(388,875)
Change in fair value of investment properties	-	-	-	-	-	-	-	-	-	-	(467,874)	(467,874)
Amounts regularly provided to the CODM but not included in the measure of segment profit (loss) or segment assets:												
Interest income on loans to a joint venture	-	-	-	-	-	-	22,719	22,719	-	-	-	22,719
Imputed interest income on loans to a joint venture	-	-	-	-	-	-	27,326	27,326	-	-	-	27,326
Change in fair value of convertible bonds	-	-	-	-	-	-	240,183	240,183	-	-	-	240,183
Change in fair value of derivative financial instruments	-	-	-	-	-	-	1,530,288	1,530,288	-	-	-	1,530,288
Loss on remeasurement of existing interest in an associate upon business combination	-	-	-	-	-	-	(122,404)	(122,404)	-	-	-	(122,404)
Gain on bargain purchase on acquisition of subsidiaries	-	-	-	-	-	-	348,283	348,283	-	-	-	348,283
Impairment loss on interest in an associate	-	-	-	-	-	-	(53,295)	(53,295)	-	-	-	(53,295)
Reversal of provision for litigation	-	-	-	-	-	-	-	-	-	21,361	21,361	21,361
Share of losses of associates	-	-	-	-	-	-	(24,092)	(24,092)	-	-	-	(24,092)
Share of loss of a joint venture	-	-	-	-	-	-	(277,483)	(277,483)	-	-	-	(277,483)
Income tax (expense) credit	-	-	-	-	-	-	(3,596)	(3,596)	-	115,414	115,414	111,818
Interests in associates	-	-	-	-	-	-	24,770	24,770	-	-	-	24,770
Interests in a joint venture	-	-	-	-	-	-	731,302	731,302	-	-	-	731,302

Note: Non-current assets excluded pledged bank deposits, certain deposits for non-current assets, loans to and amounts due from a joint venture, derivative financial instrument and deferred tax assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Information about major customers

No customer represented over 10% of total revenue of the Group for both years ended 31 December 2021 and 2020.

### Geographical information

The Group operates in nine principal geographical areas – the Russian Federation, the PRC, Macau, Hong Kong, Japan, Cambodia, Vietnam and the Philippines. The Group's revenue from external customers by geographical location at which the goods were delivered and services were rendered and information about its non-current assets (Note) by location of assets, interests in associates and a joint venture by location of its business operations are detailed below:

	Revenue from external customers for the year ended 31 December		Non-current assets as at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)	2021 HK\$'000	2020 HK\$'000 (Restated)
The Russian Federation	<b>265,519</b>	47,685	<b>1,192,777</b>	1,552,470
The PRC	<b>51,655</b>	43,895	<b>92,311</b>	1,507,518
Macau	<b>42,132</b>	117,042	–	2,204
Hong Kong	–	–	<b>9,633</b>	88,392
Japan	–	–	<b>509,826</b>	351,374
Cambodia	<b>1</b>	1,683	–	–
Vietnam	<b>3,308</b>	13,945	<b>175,659</b>	731,302
The Philippines	–	–	<b>3,435,178</b>	2,667,822
Others	<b>688</b>	–	–	–
	<b>363,303</b>	224,250	<b>5,415,384</b>	6,901,082

Note: Non-current assets exclude pledged bank deposits, certain deposits for non-current assets, loans to and amounts due from a joint venture, loan receivable, derivative financial instrument and deferred tax assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. OTHER INCOME, GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000 (Restated)
Bank interest income	10,084	7,500
Interest income on loans to a joint venture	37,077	22,719
Imputed interest income on loans to a joint venture	38,650	27,326
Imputed interest income on loan receivable	14,668	–
Imputed interest income on VAT arrangements	472	–
<b>Total interest income</b>	<b>100,951</b>	57,545
(Loss) gain on disposal/write-off of property, operating right and equipment	(1,966)	726
Loss on disposal of intangible assets	(60)	–
Net exchange gains	10,971	90,931
Others	4,325	2,227
	<b>114,221</b>	151,429

## 8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000 (Restated)
Imputed interest expense on convertible bonds (Notes 33(a) and (b))	116,481	69,970
Imputed interest expense on promissory note (Note 25(c))	54,575	33,798
Imputed interest expense on loans from a related company (Note 25(e))	9,603	111,992
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	8,215	1,788
Imputed interest expense on VAT arrangements	–	4,066
Interest on promissory note	6,060	6,027
Interest on loans from a related company	2,284	59,125
Interest on loans from non-controlling shareholders of subsidiaries	2,239	2,313
Interest on bank borrowings	1,684	2,428
Interest on bank overdraft	403	–
Interest on other borrowings	78,694	36,691
Interest on lease liabilities	40,814	855
<b>Total finance costs</b>	<b>321,052</b>	329,053
Less: capitalised in construction in progress included in property, operating right and equipment (Note)	(37,176)	–
<b>Finance costs expensed</b>	<b>283,876</b>	329,053

Note: The borrowing costs have been capitalized at 4.0% per annum (2020: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

(Loss) profit for the year from continuing operations has been arrived at after charging (crediting) the following:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Depreciation of property, operating right and equipment	<b>97,488</b>	22,590
Depreciation of right-of-use assets	<b>134,499</b>	3,704
Amortisation of intangible assets	<b>21</b>	3
Total depreciation and amortisation	<b>232,008</b>	26,297
Less: capitalised in construction in progress included in property, operating right and equipment	<b>(121,722)</b>	–
Total depreciation and amortisation expensed	<b>110,286</b>	26,297
Total depreciation and amortisation expensed is presented in the consolidated statement of profit or loss as:		
– Cost of sales	<b>76,134</b>	13,065
– Administrative expenses	<b>34,152</b>	13,232
	<b>110,286</b>	26,297

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS (Cont'd)

	2021 HK\$'000	2020 HK\$'000 (Restated)
Auditor's remuneration	9,569	5,139
Directors' remuneration	17,194	25,862
Staff costs, excluding Directors and consultants		
– salaries and wages	161,480	63,348
– share-based compensation benefits	965	2,409
– retirements benefits scheme contributions	26,036	5,872
Staff costs, excluding Directors and consultants	188,481	71,629
Total staff costs	205,675	97,491
Less: capitalised in construction in progress included in property, operating right and equipment	(8,322)	(3,960)
Total staff costs expensed	197,353	93,531
Impairment loss recognised in respect of intangible assets	–	60
Impairment loss recognised in respect of other receivables, prepayments and deposits	1,840	–
Impairment loss recognised in respect of trade receivables	1,950	2,275
Impairment loss recognised in respect of an amount due from a related company	5,819	–
Share-term and variable lease payments (including COVID-19-related rent concessions of HK\$307,000 (2020: HK\$386,000))	1,307	1,654
Cost of sales		
– cost of travel related products sold	42,743	117,131
– cost of services rendered	10,100	305
– operating expenses of gaming and hotel operations	197,484	37,248
	250,327	154,684

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Benefit in kind HK\$'000	Share-based compensation benefits HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>						
<b>Executive directors</b>						
Chau Cheok Wa (Chairman <sup>△</sup> )	110	-	5	-	-	115
Lo Kai Bong *	3,757	-	18	-	-	3,775
Au Chung On John	90	5,443	103	-	6,288	11,924
Manuel Assis Da Silva	1,020	-	-	-	-	1,020
<b>Independent non-executive directors</b>						
Tou Kin Chuen	120	-	-	-	-	120
Wu Kam Fun Roderick	120	-	-	-	-	120
Lo Wai Tung John	120	-	-	-	-	120
<b>Total</b>	<b>5,337</b>	<b>5,443</b>	<b>126</b>	<b>-</b>	<b>6,288</b>	<b>17,194</b>

	Fees HK\$'000 (Restated)	Salaries and allowances HK\$'000 (Restated)	Retirement benefit scheme contributions HK\$'000 (Restated)	Benefit in kind HK\$'000 (Restated)	Share-based compensation benefits HK\$'000 (Restated)	Total HK\$'000 (Restated)
<b>Year ended 31 December 2020</b>						
<b>Executive directors</b>						
Chau Cheok Wa (Chairman)	120	-	6	-	-	126
Lo Kai Bong *	2,377	-	18	-	-	2,395
Au Chung On John	120	6,204	219	-	15,238	21,781
Manuel Assis Da Silva	1,200	-	-	-	-	1,200
<b>Independent non-executive directors</b>						
Tou Kin Chuen	120	-	-	-	-	120
Wu Kam Fun Roderick	120	-	-	-	-	120
Lo Wai Tung John	120	-	-	-	-	120
<b>Total</b>	<b>4,177</b>	<b>6,204</b>	<b>243</b>	<b>-</b>	<b>15,238</b>	<b>25,862</b>

Year ended 31 December 2020

### Executive directors

Chau Cheok Wa (Chairman)	120	-	6	-	-	126
Lo Kai Bong *	2,377	-	18	-	-	2,395
Au Chung On John	120	6,204	219	-	15,238	21,781
Manuel Assis Da Silva	1,200	-	-	-	-	1,200

### Independent non-executive directors

Tou Kin Chuen	120	-	-	-	-	120
Wu Kam Fun Roderick	120	-	-	-	-	120
Lo Wai Tung John	120	-	-	-	-	120

<b>Total</b>	<b>4,177</b>	<b>6,204</b>	<b>243</b>	<b>-</b>	<b>15,238</b>	<b>25,862</b>
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\* The amounts included fees and salaries paid by Suntrust and/or Summit Ascent.

△ Mr. Chau resigned as chairman of the board of Directors and an executive director of the Company on 1 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the Independent Non-executive Directors shown above were for their services as Directors.

During the year ended 31 December 2020, a director was granted share options, in respect of his services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 38.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

Of the five individuals with the highest emoluments in the Group, 2 (2020: 2) were the Directors whose emoluments are included in the disclosure above. The emoluments of the remaining 3 (2020: 3) individuals were as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Fees, salaries and allowances	<b>10,269</b>	7,295
Share-based compensation benefits	<b>431</b>	1,669
Retirement benefit scheme contributions	<b>18</b>	43
	<b>10,718</b>	9,007

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

The emoluments of the remaining 3 (2020: 3) individuals with the highest emolument are within the following bands:

	Number of individuals 2021	Number of individuals 2020
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	2	–
HK\$4,000,001 to HK\$4,500,000	–	1

During both years, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Company has not entered into a transaction, arrangement or contract in which a director of the Company or a connected entity of a director of the Company has a material interest.

## 11. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Current</b>		
– Enterprise Income Tax (“EIT”)	1,150	(331)
– Macau Complementary Income Tax (“CIT”)	11	–
– Philippines capital gains tax	3,687	–
– Philippines withholding tax	17,949	3,759
– Russian corporate tax	141	29
– Other jurisdictions tax	211	132
	<b>23,149</b>	3,589
<b>Underprovision in prior years</b>		
– Macau CIT	–	7
	<b>23,149</b>	3,596

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. INCOME TAX EXPENSE (Cont'd)

### (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 considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. 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) 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 both years.

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 both years, none of the subsidiaries of the Group is eligible as a Small Low-profit Enterprise.

### (c) PRC withholding income tax

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. 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 fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

As at 31 December 2021, no deferred taxation has been provided for in the consolidated financial statements as no accumulated profits are generated by PRC subsidiaries of the Group registered as foreign-investment enterprises (31 December 2020: Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB368,350,000 (equivalent to approximately HK\$437,678,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. INCOME TAX EXPENSE (Cont'd)

### (d) 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, are 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.

### (e) Macau CIT

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for both years.

### (f) Philippines Corporate Income Tax ("PCIT")

PCIT is calculated at 30% of the estimated profits for both years. No provision for PCIT has been made for both years as no assessable profits are earned by subsidiaries incorporated in the Philippines.

### (g) Philippines capital gains tax

Philippines 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.

### (h) 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%.

### (i) Japan corporate income tax

Corporate tax in Japan is calculated on the estimated assessable profit for both years 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 year as the Japan subsidiaries incurred losses for the year.

### (j) Russian corporate tax

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

Russian tax, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. INCOME TAX EXPENSE (Cont'd)

### (j) Russian corporate tax (Cont'd)

Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to be reviewed by the authorities in respect of taxes are three calendar years preceding the year of review. Under certain circumstances such review may cover longer periods.

### (k) LAT

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

- (l) The income tax expense for the year from continuing operations can be reconciled to the (loss) profit before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
(Loss) profit before taxation from continuing operations	<b>(623,063)</b>	1,277,229
Notional tax calculated at domestic income tax rate of 20% (2020: 25%) (Note)	<b>(124,613)</b>	319,307
Tax effect of share of loss of a joint venture	<b>87,590</b>	69,371
Tax effect of share of losses from associates	<b>104</b>	6,023
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>236</b>	(11)
Tax effect of non-taxable income	<b>(242,121)</b>	(588,489)
Tax effect of non-deductible expenses	<b>291,895</b>	188,362
Tax effect of deductible temporary difference not recognised	<b>1,175</b>	4,265
Tax effect of tax losses not recognised	<b>9,031</b>	4,761
Utilisation of tax losses previously not recognised	<b>(148)</b>	–
Underprovision in prior years	<b>–</b>	7
Income tax expense for the year from continuing operations	<b>23,149</b>	3,596

Note: The tax rate represents the statutory tax rate of the operations in the jurisdiction where the operations of the Group are substantially based. The Russian corporate tax rate is used for the year ended 31 December 2021 as the domestic income tax rate (2020: EIT rate is used).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. DIVIDENDS

The board of Directors of the Company does not recommend the payment of a final dividend for each of the years ended 31 December 2021 and 2020.

## 13. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings figures are calculated as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>(Loss) earnings</b>		
(Loss) profit for the year attributable to shareholders of the Company for the purpose of calculating basic (loss) earnings per share		
– Continuing operations	<b>(704,307)</b>	1,197,812
– Discontinued operations	<b>176,815</b>	(402,067)
	<b>(527,492)</b>	795,745
<b>Effect of dilutive potential ordinary shares:</b>		
– Adjustment to the share of loss of Suntrust based on dilution of its loss per share	<b>(18,693)</b>	–
– Adjustment to the share of profit of Summit Ascent based on dilution of its earnings per share	–	(549)
– Adjustment on change in fair value of convertible bonds in relation to extension of 2016 Convertible Bond and 2018 Convertible Bond	–	(240,183)
– Change in fair value of conversion option derivatives of 2016 Convertible Bond (2020: 2016 Convertible Bond and 2018 Convertible Bond)	<b>(778,633)</b>	(1,529,249)
– Imputed interest expense on 2016 Convertible Bond (2020: 2016 Convertible Bond and 2018 Convertible Bond)	<b>61,122</b>	69,822
– Exchange gain in relation to 2016 Convertible Bond (2020: 2016 Convertible Bond and 2018 Convertible Bond)	<b>(11,508)</b>	(128,691)
Loss for the purpose of calculating diluted loss per share	<b>(1,275,204)</b>	(1,033,105)
Attributable to:		
– Continuing operations	<b>(1,452,019)</b>	(631,038)
– Discontinued operations	<b>176,815</b>	(402,067)
	<b>(1,275,204)</b>	(1,033,105)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 13. (LOSS) EARNINGS PER SHARE (Cont'd)

	Number of shares	
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>6,667,917,951</b>	6,666,972,746
Effect of dilutive potential ordinary shares		
– 2016 Convertible Bond	<b>1,546,153,846</b>	1,546,153,846
– 2018 Convertible Bond	–	329,999,999
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>8,214,071,797</b>	8,543,126,591

For the year ended 31 December 2021, the conversion of 2018 Convertible Bond has an anti-dilutive effect on the basic loss per share from continuing operations presented.

For the years ended 31 December 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 has an anti-dilutive effect on the basic loss per share from continuing operations.

For the year ended 31 December 2021, the exercise of the outstanding share options issued by Summit Ascent and conversion of outstanding convertible bonds issued by Summit Ascent have anti-dilutive effect on the basic loss per share from continuing operations presented.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. PROPERTY, OPERATING RIGHT AND EQUIPMENT

	Freehold land HK\$'000	Buildings, operating right and leasehold improvements HK\$'000 Note (a)	Furniture and fixture HK\$'000	Motor vehicles HK\$'000	Aircraft HK\$'000	Gaming equipment HK\$'000	Construction in-progress HK\$'000	Total HK\$'000
<b>At cost</b>								
As at 1 January 2020 (Restated)	332,135	3,313	3,757	6,950	-	-	-	346,155
Additions	-	72	3,015	1,801	19,108	5,979	312,195	342,170
Acquisition of Golden Medal (Note 39(a))	-	-	-	-	70,148	-	-	70,148
Acquisition of Summit Ascent (Note 39(b))	-	1,430,587	39,665	4,915	-	30,013	28,680	1,533,860
Acquisition of Dongyang Xinguang (Note 39(c))	-	1,132	292	-	-	-	-	1,424
Disposals	-	-	(2,499)	(2,104)	-	(55)	(444)	(5,102)
Reclassification	-	20,808	-	-	-	-	(20,808)	-
Exchange difference	18,508	969	244	247	-	219	7,498	27,685
As at 31 December 2020 and 1 January 2021 (Restated)	350,643	1,456,881	44,474	11,809	89,256	36,156	327,121	2,316,340
Additions	192,598	208	9,445	2,863	-	4,806	879,509	1,089,429
Disposal of subsidiaries (Note 40)	-	-	(2,482)	(2,634)	-	-	-	(5,116)
Disposals	-	(1,746)	(3,119)	(4,271)	(89,256)	(2,101)	-	(100,493)
Reclassification	-	6,718	-	-	-	-	(6,718)	-
Exchange difference	(36,314)	56	43	48	-	-	(40,978)	(77,145)
<b>As at 31 December 2021</b>	<b>506,927</b>	<b>1,462,117</b>	<b>48,361</b>	<b>7,815</b>	<b>-</b>	<b>38,861</b>	<b>1,158,934</b>	<b>3,223,015</b>
<b>Accumulated depreciation and impairment</b>								
As at 1 January 2020 (Restated)	-	1,929	2,865	6,491	-	-	-	11,285
Charge for the year	-	11,678	3,538	599	6,049	862	-	22,726
Eliminated on disposal	-	-	(2,281)	(1,950)	-	(55)	-	(4,286)
Exchange difference	-	519	245	200	-	26	-	990
As at 31 December 2020 and 1 January 2021 (Restated)	-	14,126	4,367	5,340	6,049	833	-	30,715
Charge for the year	-	61,223	19,482	2,184	9,125	5,545	-	97,559
Disposal of subsidiaries (Note 40)	-	-	(2,319)	(2,451)	-	-	-	(4,770)
Eliminated on disposals	-	(1,716)	(2,858)	(4,054)	(15,174)	(1,658)	-	(25,460)
Impairment loss recognised	-	287,119	-	-	-	-	-	287,119
Exchange difference	-	34	39	45	-	-	-	118
<b>As at 31 December 2021</b>	<b>-</b>	<b>360,786</b>	<b>18,711</b>	<b>1,064</b>	<b>-</b>	<b>4,720</b>	<b>-</b>	<b>385,281</b>
<b>Carrying values</b>								
<b>As at 31 December 2021</b>	<b>506,927</b>	<b>1,101,331</b>	<b>29,650</b>	<b>6,751</b>	<b>-</b>	<b>34,141</b>	<b>1,158,934</b>	<b>2,837,734</b>
As at 31 December 2020 (Restated)	350,643	1,442,755	40,107	6,469	83,207	35,323	327,121	2,285,625

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. PROPERTY, OPERATING RIGHT AND EQUIPMENT (Cont'd)

Notes:

(a) Operating right represents the right to conduct business in the Integrated Entertainment Zone of the Primorye Region, one of the five integrated entertainment zones in the Russian Federation for gaming activities. Although the right was awarded by the Administration of the Primorye Region, the Russian Federation for an indefinite period, the Directors determine its estimated useful life as 30 years and accordingly, the right is amortised over 30 years. The building mainly includes the hotel and entertainment complex situated on land plots from a third party with a lease term of 14 years. Taking into account the Russian legislation and a legal opinion as advised by an external legal counsel, the management expected that the lease terms could be renewed upon expiry or the land plots could be acquired by the Group if the land lease is not extended, to reflect the estimated useful life of the buildings of 30 years.

(b) Except for the freehold land and construction in-progress, all above items of property, operating right and equipment are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, as follows:

Buildings, operating right and leasehold improvements	3 to 30 years or over the term of the lease
Leasehold improvement	Over the term of the lease
Gaming equipment	2 to 7 years
Furniture and fixture	2 to 20 years
Motor vehicles	3 to 7 years
Aircraft	5 to 10 years

(c) As at 31 December 2020, an aircraft of net book value amounting to approximately HK\$83,207,000 was pledged as security for the Group's bank borrowing and details are set out in Note 32. During the year ended 31 December 2021, the bank borrowing was fully repaid by the Group and the security was released.

(d) During the year ended 31 December 2021, the Group has capitalised borrowing costs amounting to approximately HK\$37,176,000 (2020: Nil) and depreciation of right-of-use assets amounting to approximately HK\$121,722,000 (2020: Nil) in construction in-progress 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").

(e) The recoverable amount of the CGU of operation of integrated resort in the Russian Federation was based on its value in use and was determined with the assistance of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional qualified valuer not connected to the Group. The calculation used cash flow projections based on financial budgets approved by management covering a six-year period. A six-year forecast is considered appropriate for the gaming and hotel operation to take into account this recovery period from COVID-19 and thereafter a phased opening of gaming facilities and hotel rooms associated with the Phase II of Tigre de Cristal. Cash flows beyond the six-year period are extrapolated using an estimated growth rate stated below which does not exceed the long-term average growth rate for the industry. The cash flows are discounted using a discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Key assumptions used for the value-in-use calculations are as follows:

	31 December 2021	31 December 2020
Average revenue growth rate	21.65%	100.66%
Terminal growth rate	4.00%	4.00%
Discount rate	21.16%	23.16%

The cash flow projections have taken into account the unfavourable changes for the postponement of Phase II development of Tigre de Cristal and the ongoing of COVID-19 pandemic, particular restrictions on international travel and the economic uncertainties and the decrease in volume of its rolling chip business. Therefore, the carrying amount of the relevant CGU was written down to the recoverable amount of approximately HK\$1,135 million (2020: HK\$1,492 million) and an impairment loss on property, operating right and equipment of approximately HK\$287,119,000 has been recognised for the year ended 31 December 2021 (2020: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. RIGHT-OF-USE ASSETS

	<b>Leased properties</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Carrying amount as at 1 January	<b>2,409,064</b>	2,965
Additions	<b>8,742</b>	2,336,213
Acquisition of subsidiaries (Note 39)	–	71,551
Disposal of subsidiaries (Note 40)	<b>(2,707)</b>	–
Leases modification	<b>(994)</b>	(224)
	<b>2,414,105</b>	2,410,505
Depreciation charge for the year	<b>(135,390)</b>	(5,390)
Exchange difference	<b>(117,305)</b>	3,949
Carrying amount as at 31 December	<b>2,161,410</b>	2,409,064
Expense relating to short-term leases with lease terms end within 12 months	<b>1,618</b>	2,076
Variable lease payments not included in the measurement of lease liabilities (including COVID-19-related rent concessions)	<b>(307)</b>	(826)
Total cash outflow for leases	<b>17,441</b>	4,859

For the years ended 31 December 2021 and 2020, the Group leases various offices for its operations. Lease contracts are entered into for fixed terms of 12 to 49 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. RIGHT-OF-USE ASSETS (Cont'd)

The Group regularly entered into short-term leases for various offices and advertising boards. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of several leased land and properties for 1.5 to 5 years (2020: 2 to 20 years).

On the date of lease commencement, the Group recognised right-of-use assets of approximately HK\$8,742,000 (2020: HK\$2,336,213,000) and lease liabilities approximately HK\$8,519,000 (2020: HK\$916,489,000) during the year ended 31 December 2021.

### Leases committed

As at 31 December 2021 and 2020, the Group did not enter into any new leases for offices that are not yet commenced.

Details of the lease maturity analysis of lease liabilities are set out in Notes 34 and 46(b).

### Restrictions or covenants on leases

In addition, lease liabilities of approximately HK\$1,019,024,000 (31 December 2020: HK\$989,881,000) are recognised with related right-of-use assets of approximately HK\$2,161,410,000 (31 December 2020: HK\$2,409,064,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 16. INVESTMENT PROPERTIES

The Group leases out various commercial units and retail units under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years. The leases of certain retail stores contain a condition to pay variable lease payments that are based on a percentage of sales and minimum annual lease payments that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of the group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Fair value</b>		
At 1 January	<b>1,408,745</b>	1,787,676
Change in fair value recognised in profit or loss	<b>(11,988)</b>	(467,874)
Disposal of subsidiaries (Note 40)	<b>(1,412,823)</b>	–
Exchange realignment	<b>16,066</b>	88,943
At 31 December	–	1,408,745

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. INVESTMENT PROPERTIES (Cont'd)

As at 31 December 2021, all investment properties of the Group were derecognised due to the Disposal.

All of the Group's investment properties held under operating lease to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group engaged Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, to perform the valuation for the fair value of the Group's investment properties as at 31 December 2020. The Company worked closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Company reported the external valuer's findings to the board of Directors of the Company every six months to explain the cause of fluctuations in the fair value of the investment properties.

In estimating the fair value of the properties, the highest and best use of the properties was their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

As at 31 December 2020, all investment properties of the Group had been pledged to secure the Group's bank and other borrowings and details are set out in Note 32.

Income approach operates by taking into account the rental income of the property derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy which are then capitalised into the value at an appropriate capitalisation rate.

As at 31 December 2020, all investment properties were included in Level 3 in the fair value hierarchy.

There were no changes to the valuation techniques and there were no transfers among the fair value hierarchy during the year ended 31 December 2020.

Information about Level 3 fair value measurements of investment properties:

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Sensitivity</b>
All investment properties	Income approach	The unit rates range from HK\$14,266 to HK\$39,790 per square meter with weighted average of HK\$26,909 per square meter.	A significant increase in the rental unit rate used would result in a significant increase in fair value, and vice versa.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INTANGIBLE ASSETS

	<b>Goodwill</b> HK\$'000 (Note)	<b>Other intangible assets</b> HK\$'000	<b>Total</b> HK\$'000
<b>Cost</b>			
At 1 January 2020 (Restated)	–	–	–
Arising on Summit Ascent Acquisition (as defined and detailed in Note 39(b))	–	407	407
Arising on Dongyang Xinguang Acquisition (as defined and detailed in Note 39(c))	13,052	–	13,052
Exchange difference	730	–	730
At 31 December 2020 and 1 January 2021 (Restated)	13,782	407	14,189
Disposal	–	(60)	(60)
Exchange difference	404	–	404
<b>At 31 December 2021</b>	<b>14,186</b>	<b>347</b>	<b>14,533</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2020 (Restated)	–	–	–
Amortisation charge for the year	–	3	3
Impairment loss recognised	–	60	60
At 31 December 2020 and 1 January 2021 (Restated)	–	63	63
Amortisation charge for the year	–	21	21
<b>At 31 December 2021</b>	<b>–</b>	<b>84</b>	<b>84</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>14,186</b>	<b>263</b>	<b>14,449</b>
At 31 December 2020 (Restated)	13,782	344	14,126

Note: The goodwill acquired in business combination during the year ended 31 December 2020 was arising from the Dongyang Xinguang Acquisition (as defined and detailed in Note 39(c)).

Goodwill is allocated to the Group's CGU of the business in the management and operation of malls in the PRC.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

The prepayments and deposits are for the following items:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Land use right in the PRC (Note (a))	9,951	9,667
Long-term prepayments (Note (b))	13,533	13,533
Deposits for purchase of property, operating right and equipment (Note (c))	211,628	11,517
Deposit for acquisition of land parcels (Note (d))	–	40,526
	<b>235,112</b>	75,243
Less: Allowance for impairment	<b>(8,980)</b>	(7,267)
	<b>226,132</b>	67,976

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 the Main Hotel Casino.
- (d) Deposit for acquisition of land parcels represented 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INTERESTS IN ASSOCIATES

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Cost of investments in associates		
Unlisted	-	20,867
Shares of post-acquisition results and other comprehensive income, net of dividend received	-	3,192
Exchange difference	-	711
	-	24,770

Following the Summit Ascent Acquisition (as defined and detailed in Note 39(b)) during the year ended 31 December 2020, the Group's equity interest in Summit Ascent increased to approximately 69.66% and Summit Ascent had become as a non-wholly owned subsidiary of the Group and ceased to be an associate of the Group. During the year ended 31 December 2020, the Group's shares of loss of Summit Ascent as an associate of the Company was approximately HK\$26,054,000.

The Group engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professional qualified valuer not connected to the Group, to perform the valuation of carrying amount of the Group's interest in Summit Ascent as at 30 June 2020 and 31 December 2020.

For the purpose of impairment testing, both external and internal sources of information of Summit Ascent were considered in assessing whether there was any indication that the Group's interest in Summit Ascent may be impaired as at 30 June 2020, including but not limited to business performance and market capitalisation. The Group carried out impairment assessment on the Group's interest in Summit Ascent as at 30 June 2020, for which the management of the Group determined the recoverable amount with reference to the higher of fair value less costs of disposal and value in use. Since the value in use of the interest in Summit Ascent is higher than the fair value less costs of disposal at 30 June 2020, the Group determined the recoverable amount of the interest in Summit Ascent using value in use, which is based on its share of the present value of the estimated future cash flows that the Group is expected to generate, including cash flow projections from the operations of Summit Ascent with the implementation of strategic business plan. The calculation use cash flow projections based on financial budgets prepared by the management of the Group covering a 5-year period, and discount of rate 19.72%. Summit Ascent's cash flow beyond the 5-year are extrapolated using a 4% growth rate with the cooperation with the Group for introducing a diversified portfolio of gaming options for the players around the world, the management of the Group considered the growth rate was reasonable. Other key assumptions for value in use calculations related to the estimation of cash inflows/outflows which included budgeted revenue from gaming and hotels operations and marketing and promotion expenses, such estimation was based on the past performance of Summit Ascent and the expected market developments by the management. During the year ended 31 December 2020, impairment loss on interest in Summit Ascent of approximately HK\$53,295,000 had been recognised, being the difference between the value in use and the carrying value of the Group's interest in Summit Ascent.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INTERESTS IN ASSOCIATES (Cont'd)

During the year ended 31 December 2021, the Group disposed of its remaining 24.27% equity interest in First Oceanic Property Management, Inc. at the consideration of PHP153,728,294 (equivalent to approximately HK\$24,768,000) and recognised a gain on disposal of an associate of approximately HK\$594,000.

### Aggregate financial information of associates that are not individually material

The financial information of the associates that were not individually material was summarised as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
<hr/>		
The Group's share of (loss) profit and other comprehensive (expense) income for the year	<b>(520)</b>	1,962
<hr/>		
	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
<hr/>		
Carrying amount of the Group's interests in associates	-	24,770
<hr/>		

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Cost of unlisted investment	414,998	414,998
Share of post-acquisition losses and other comprehensive expenses	(415,136)	(390,911)
Exchange difference	138	71
	–	24,158
Equity loans to a joint venture (Note (a))	507,086	507,086
Allowance for impairment (Note (d))	(119,717)	–
Deemed capital contribution (Notes (b) and (c))	208,141	208,141
Share of post-acquisition losses and other comprehensive expenses in excess of cost of investment	(414,627)	–
Exchange difference	(5,224)	(8,083)
Interest in a joint venture	175,659	731,302
Loans to a joint venture		
– Current (Note (b))	233,943	218,611
– Allowance for impairment (Note (d))	(144,343)	–
	89,600	218,611
– Non-current (Note (c))	126,995	101,695
– Allowance for impairment (Note (d))	(49,869)	–
	77,126	101,695
Loans to a joint venture	166,726	320,306
Amounts due from a joint venture		
– Current	32,498	7,598
– Allowance for impairment (Note (d))	(20,040)	–
	12,458	7,598
– Non-current	7,299	3,298
– Allowance for impairment (Note (d))	(2,866)	–
	4,433	3,298
Amounts due from a joint venture	16,891	10,896

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

Notes:

- (a) The loans in the aggregate amount of approximately HK\$507,086,000 to a joint venture are interest-free, unsecured and with no fixed repayment term. Such loans form the Group's net investment in the joint venture.
- (b) During the year ended 31 December 2020, the Group advanced a loan in principal amount of US\$30,000,000 (equivalent to approximately HK\$232,500,000 at the drawdown date) to a joint venture. The loan is interest bearing at 14% per annum, unsecured and repayable after 12 months from the first drawdown date of the facility and the maturity date may be extended up to 28 February 2022, and therefore is classified as current asset as at 31 December 2021 and 2020. The loan has not yet been repaid by 28 February 2022 and is interest bearing at 25% per annum with effect from 1 March 2022.

As the interest rate charged on the loan to a joint venture is below prevailing market interest rate, aggregated imputed interest of approximately HK\$25,957,000 of the loan upon initial recognition was calculated based on the difference between the prevailing market interest rate and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2021 and 2020. The prevailing market interest rate of the loan is 29.54% per annum.

- (c) During the year ended 31 December 2020, the Group advanced loans in aggregate principal amount of US\$34,045,000 (equivalent to approximately HK\$263,849,000 at the drawdown date) to a joint venture. The loans are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities and therefore are classified as non-current assets as at 31 December 2021 and 2020.

As the interest rates charged on the loans to a joint venture are below prevailing market interest rates, aggregated imputed interest of approximately HK\$182,184,000 of the loans upon initial recognition were calculated based on the difference between the prevailing market interest rates and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2021 and 2020. The prevailing market interest rates of the loans are ranged from 25.63% to 28.90% per annum.

- (d) After considering the quantitative and qualitative information that is reasonable and supportive forward-looking information and the financial position of the joint venture, the management of the Group considered that the credit risk on the loans to and the amounts due from the joint venture significantly increased during the year. In view of this, the management of the Group started to assess the ECL on the loans to and the amounts due from the joint venture changing from 12m ECL to lifetime ECL during the year ended 31 December 2021. In view of the probability of default of the joint venture is no longer insignificant as at 31 December 2021, allowances for impairment on the equity loans to a joint venture of approximately HK\$119,717,000 (2020: Nil), loans to a joint venture of approximately HK\$194,212,000 (2020: Nil) and amounts due from a joint venture of approximately HK\$22,906,000 (2020: Nil) are recognised for the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

The following sets out the particulars of the joint venture of the Group at 31 December 2021 and 2020 which, in the opinion of the Directors of the Company, principally affected the results or net assets of the Group.

Name of joint venture	Place of registration and operation	Legal form	Paid up share capital	Attributable equity interest held by the Group		Principal business
				2021	2020	
Gold Yield Enterprises Limited ("GYE")	Place of registration: BVI Place of operation: Vietnam	Limited Company	US\$2	50%	50%	Operation of an integrated resort project in Vietnam

Included in the cost of unlisted investment of GYE is goodwill of approximately HK\$99,622,000 as at 31 December 2021 (31 December 2020: HK\$99,045,000).

The joint venture is accounted for using the equity method in the consolidated financial statements for both years.

### Summarised financial information of the joint venture

Summarised financial information in respect of GYE is set out below. The summarised financial information below represents amounts shown in GYE's financial statements prepared in accordance with HKFRSs.

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Current assets	679,811	1,275,196
Non-current assets	8,781,096	8,336,096
Current liabilities	(5,564,897)	(3,905,211)
Non-current liabilities	(4,875,169)	(5,545,207)
Non-controlling interests	147,389	(112,558)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

### Summarised financial information of the joint venture (Cont'd)

The above amounts of assets and liabilities include the following:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Cash and cash equivalents	83,678	645,303
Development right	950,583	961,116
Current financial liabilities (excluding trade and other payables)	(4,651,895)	(3,151,999)
Non-current financial liabilities (excluding trade and other payables)	(3,625,600)	(5,243,322)

	2021		2020	
	HK\$'000		HK\$'000 (Restated)	
Revenue	93,855		37,063	
Loss for the year attributable to the owners of GYE	875,903		554,966	
Other comprehensive expense for the year attributable to the owners of GYE	1,800		7,489	
Total comprehensive expense for the year attributable to the owners of GYE	877,703		562,455	
Dividends received from joint venture during the year	–		–	

The above loss for the year includes the following:

	2021		2020	
	HK\$'000		HK\$'000 (Restated)	
Depreciation and amortisation	236,837		114,003	
Interest income	(1,408)		(18,778)	
Interest expense	119,018		116,996	
Income tax credit	(2,991)		(2,984)	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

### Summarised financial information of the joint venture (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Net (liabilities) assets of GYE	<b>(831,770)</b>	48,316
Proportion of the Group's ownership interest in GYE	<b>50%</b>	50%
	<b>(415,885)</b>	24,158
Equity loans to GYE	<b>507,086</b>	507,086
Allowance for impairment	<b>(119,717)</b>	–
Deemed capital contribution	<b>208,141</b>	208,141
Exchange difference	<b>(3,966)</b>	(8,083)
	<b>175,659</b>	731,302
Carrying amount of the Group's interest in GYE	<b>175,659</b>	731,302

## 21. LOAN RECEIVABLE

The maturity profile of the loan receivable is as follows:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Within one year (shown under current assets)	<b>485,550</b>	–
More than one year and not exceeding two years (shown under non-current assets)	<b>113,659</b>	–
	<b>599,209</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. LOAN RECEIVABLE (Cont'd)

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 (equivalent to approximately HK\$623,099,000) 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 (the “**Properties**”).

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

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

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

As at 31 December 2021, RMB17,500,000 (equivalent to approximately HK\$21,102,000) has been settled according to the above schedule.

The Group performs internal credit assessment process to assess the debtor’s credit quality. The Group has a policy for assessing the impairment on loan receivable. The assessment includes evaluation of collectability, aging analysis of account and current creditworthiness, collateral, past collection history of each debtor and current market condition.

The carrying amount of the loan receivable amounted to approximately HK\$599,209,000 (2020: Nil) at the end of the reporting period. The Directors considered the loan receivable is secured by the Properties and that is recoverable given the fair values of the collaterals are sufficient to cover the entire loan receivable. Accordingly, the ECL for the Group’s loan receivable is insignificant.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DEFERRED TAX

The components of deferred tax assets (liabilities) recognised in the consolidated statement of financial position and the movements during the current and prior years are as follows:

	<b>Revaluation of investment properties</b>	<b>Accelerated tax depreciation</b>	<b>Capitalisation of interest expenses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (Restated)	(320,784)	(53,547)	73	(374,258)
Credit (charge) to profit or loss	116,969	(4,599)	–	112,370
Exchange difference	(14,113)	(3,705)	5	(17,813)
At 31 December 2020 and 1 January 2021 (Restated)	(217,928)	(61,851)	78	(279,701)
Disposal of subsidiaries (Note 40)	217,414	65,008	(79)	282,343
Credit (charge) to profit or loss	2,997	(2,447)	–	550
Exchange difference	(2,483)	(710)	1	(3,192)
<b>At 31 December 2021</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

For the purpose of presentation in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Deferred tax assets	–	78
Deferred tax liabilities	–	(279,779)
	–	(279,701)

As at 31 December 2021, the Group had unused tax losses of approximately HK\$95,153,000 (31 December 2020: HK\$395,951,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses of approximately HK\$54,331,000 (31 December 2020: HK\$384,190,000) will be expired at various times within three to five years from the year of origination. Other losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 23. INVENTORIES

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Properties under development (Notes (a) and (b))	304,464	295,782
Properties held for sale (Note (c))	–	397,163
Travel related products	–	1,003
Retail products, food and beverages	2,772	2,310
	<b>307,236</b>	696,258

Notes:

- (a) During the years ended 31 December 2021 and 2020, no impairment loss have been recognised in respect of inventories as the net realisable value of the properties under development is higher than the carrying amount.
- (b) During the year ended 31 December 2019, the properties under development for a property project (the "Project"), received a notice dated 12 April 2019 from a local bureau that in accordance with the relevant laws and rules of scenic area in the PRC, the relevant local bureau in the PRC intends to reclaim the land use right in respect of the Project of total land area of 183.54 Chinese Mu owned by a wholly-owned subsidiary of the Company with appropriate compensation, which was yet to be determined.

During the year ended 31 December 2020, certain properties of the Project were demolished by the relevant local bureau in the PRC. The management is still negotiating the compensation with the relevant local bureau in the PRC.

The management assessed the net realisable value of the properties under development of the Project based on the compensation policy of similar situation and considered that no provision in relation to the demolished properties was necessary as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020, the carrying value of the properties under development of the Project is approximately HK\$304,464,000 and HK\$295,782,000 respectively.

As at 31 December 2021, certain portion of properties under development with carrying value of approximately HK\$57 million (31 December 2020: HK\$56 million) have been seized by the court in the PRC for a legal proceeding with an independent third party contractor of the Group's construction site. The contractor filed such legal proceeding against the Group for the construction payable of approximately HK\$57 million (31 December 2020: HK\$53 million), of which approximately HK\$23 million (31 December 2020: HK\$22 million) is recorded as trade payables on the consolidated financial statements of the Group as at 31 December 2021. Based on the view that the legal proceeding was still in progress and with reference to the legal opinion obtained from the Company's PRC lawyer, the management considered that the likelihood for outflow of resources of the Group was remote. As a result, the management considered that no provision in relation to the remaining balance of approximately HK\$34 million (31 December 2020: HK\$31 million) was necessary as at 31 December 2021.

- (c) The properties held for sale were located in the PRC. Properties held for sale which are expected to be recovered in more than twelve months after the end of each reporting period are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

As at 31 December 2020, certain portion of properties held for sale with carrying value of approximately HK\$15,063,000 was subject to court seizure commenced on 14 July 2020 and to be expired on 13 July 2023, in which under a litigation in relation to a building management service contract with a service provider.

As at 31 December 2020, certain inventories of approximately HK\$204,538,000 had been pledged to secure the Group's other borrowings and details are set out in Note 32.

As at 31 December 2021, all properties held for sale were derecognised upon the completion of the Disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Trade receivables (Note (a))		
– contracts with customers	6,033	23,602
– leases	–	8,618
	<b>6,033</b>	32,220
Allowance for impairment	<b>(4,225)</b>	(2,275)
	<b>1,808</b>	29,945
Other receivables (Note (b))	<b>41,936</b>	26,788
Consideration receivables from disposal of property, operating right and equipment (Note (c))	<b>77,981</b>	–
Indirect tax recoverable (Note (d))	<b>93,089</b>	6,704
Other deposits	<b>6,338</b>	17,324
Prepayments	<b>27,621</b>	28,784
	<b>248,773</b>	109,545

Notes:

- (a) Amount represents the trade receivables from rental income, hotel and integrated resort general consultancy services and travel agency services. For the proceeds receivables in respect of rental income from lease of investment properties, no credit periods are granted. 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 dates of the properties delivered, dates of check-in and invoice dates of both hotel and integrated resort general consultancy services and property leasing at the end of each reporting period which approximated to the revenue recognition dates.

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Within 30 days	642	20,418
31 – 90 days	161	2,923
91 – 180 days	321	3,069
Over 180 days	684	3,535
	<b>1,808</b>	29,945

- (b) Amount include allowance for impairment of approximately HK\$414,000 (31 December 2020: HK\$2,993,000).
- (c) Amount represents consideration receivables from the disposal of an aircraft.
- (d) Amount represents mainly input VAT paid by Suntrust Group for the construction of the Main Hotel Casino.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

As at 31 December 2021, approximately HK\$1,166,000 (31 December 2020: HK\$1,952,000) of trade receivables from sales of travel related products and provision of hotel and integrated resort general consultancy services are past due for which the Group has not provided for impairment loss. The Group has not held any collateral over the trade receivable in respect of hotel and integrated resort general consultancy services.

As at 31 December 2020, approximately HK\$7,575,000 of proceeds receivables from lease of properties were past due for which the Group had not provided for impairment loss. The rental deposits were held as collateral over the proceeds receivable in respect of rental income from lease of properties. As at 31 December 2021, all trade receivables from lease of properties were derecognised upon the completion of the Disposal.

For credit term reviews of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables have been assessed on individual basis and, the Directors considered that ECL for the trade receivables is not significant as at 31 December 2021 and 2020 due to the high internal credit rating of these debtors.

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

### (a) Amount due to a former director/director

The amount due to a former director/director of approximately HK\$484,000 (31 December 2020: HK\$5,584,000) as at 31 December 2021 represents a HK\$ denominated promissory note ("**2016 Promissory Note**") of principal amount which is non-interest bearing and originally repayable after two years from 31 August 2016 (date of issuance). On 8 May 2018, the Company and the director entered into an amendment letter to extend the maturity date of the 2016 Promissory Note from 31 August 2018 to 31 August 2020. On 31 August 2020, the Company and the director entered into an amendment letter to further extend the maturity of the 2016 Promissory Note from 31 August 2020 to 31 August 2022. Save for the extension of the maturity date, all other terms of the 2016 Promissory Note shall remain unchanged.

During the year ended 31 December 2021, the Company has partially repaid the 2016 Promissory Note for an amount of HK\$5,100,000 to the former director of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (a) Amount due to a former director/director (Cont'd)

Movement of the amount due to a former director/director during the years is as follows:

	HK\$'000
At 1 January 2020, 31 December 2020 and 1 January 2021 (Restated)	5,584
Repayment	(5,100)
<b>At 31 December 2021</b>	<b>484</b>

Amount analysed as follows:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Current	484	–
Non-current	–	5,584
	<b>484</b>	<b>5,584</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (b) Amounts due from directors

As at 31 December 2020, amounts due from directors of approximately HK\$68,000 were in trade nature, unsecured, interest-free and recoverable within 30 days. Such amounts had been settled during the year ended 31 December 2021.

The amounts due from directors and an aging analysis of such balances presented based on the invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates are as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Within 30 days	–	68

Amounts due from directors were within the credit period as at 31 December 2020.

The Group did not hold any collateral over these balances. The average age of the amounts due from directors was 30 days in 2020.

The Group had not provided any allowance for credit loss of amounts due from directors for the year ended 31 December 2020 as the entire amount was immaterial.

### (c) Amounts due to related companies

The amounts due to related companies as at 31 December 2021 and 2020 are as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Non-trade related:		
2018 Promissory Note (Note (i))	<b>260,813</b>	206,248
Accrued interest of 2018 Promissory Note	<b>2,092</b>	2,092
Trade related (Note (ii))	–	20,829
	<b>262,905</b>	229,169
Less: Amount due within one year	<b>(262,905)</b>	(229,169)
Amount due after one year	–	–

# Notes to the Consolidated Financial Statements

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## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (c) Amounts due to related companies (Cont'd)

Notes:

- (i) On 28 August 2018, the Company issued a HK\$ denominated promissory note (“**2018 Promissory Note**”) of principal amount of HK\$303,000,000 to a related company, controlled by Mr. Chau, as part of the consideration for the acquisition of the entire equity interest of Star Admiral Limited (“**Star Admiral**”) and shareholder’s loan owed by Star Admiral.

The 2018 Promissory Note was unsecured, interest bearing at 2% per annum and repayable after two years from the date of issuance and therefore was classified as current liabilities in 2019. The prevailing market rate of 2018 Promissory Note was 11.67% per annum.

During the year ended 31 December 2020, the Company and the related company entered into a supplemental deed to extend the maturity of the 2018 Promissory Note from 28 August 2020 to 28 August 2022. Save for the extension of the maturity date, all other terms of the 2018 Promissory Note shall remain unchanged.

Due to the extension of the maturity date, the carrying amount of the 2018 Promissory Note had been reduced from HK\$303,000,000 to approximately HK\$189,258,000 on 28 August 2020 (i.e., date of extension) based on the present value of the principal amount. The change in fair value of approximately HK\$113,742,000 was credited to capital reserve as deemed capital contribution to the Company. The prevailing market rate of the 2018 Promissory Note is 29.40% per annum after extension.

Movement of the 2018 Promissory Note during the years is as follows:

	HK\$'000
At 1 January 2020 (Restated)	285,804
Deemed contribution from a shareholder	(113,742)
Imputed interest expense (Note 8)	17,266
Exchange difference recognised in profit or loss	(2,284)
Exchange realignment	2,214
At 28 August 2020 (date of extension) (Restated)	189,258
Imputed interest expense (Note 8)	16,532
Exchange difference recognised in profit or loss	(10,519)
Exchange realignment	10,977
At 31 December 2020 and 1 January 2021 (Restated)	206,248
Imputed interest expense (Note 8)	54,575
Exchange difference recognised in profits or loss	(2,278)
Exchange realignment	2,268
<b>At 31 December 2021</b>	<b>260,813</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (c) Amounts due to related companies (Cont'd)

Notes: (Cont'd)

- (ii) Effective from 1 January 2021 and 2020, the Group had entered into a management service agreement (“**MS Agreement**”) with Sun City Gaming Promotion Company Limited (“**Sun City Gaming Promotion**”), a related company which is wholly-owned by Mr. Chau. Pursuant to the MS Agreement, Sun City Gaming Promotion provided certain management and administrative services to the Group at a fixed monthly fee.

On 6 February 2017, the Group had entered into a hotel accommodation procurement agreement (“**HAP Agreement**”) and ferry ticket supply agreement with Sun City Gaming Promotion. Revised HAP Agreement had been entered into between the Group and Sun City Gaming Promotion on 15 May 2017 in order to revise the original annual cap of hotel accommodation procurement. On 5 November 2019, the Group and Sun City Gaming Promotion entered into a renewed HAP Agreement and a renewed travel related products supply agreement in order to renew the terms and annual caps of hotel accommodation procurement and ferry tickets and travel related products supply.

Pursuant to renewed HAP Agreement, the Group procured the hotel accommodation products from Sun City Gaming Promotion for its business in relation to the travel related products and services. During the year ended 31 December 2021, the Group procured the hotel accommodation and travel related products from Sun City Gaming Promotion in aggregate of approximately HK\$39,978,000 (2020: HK\$113,800,000).

Pursuant to the renewed travel related products supply agreement, Sun City Gaming Promotion purchased the ferry tickets from the Group.

The amount is in trade nature, unsecured, interest-free and repayable within 30 days. An aging analysis of such balance is presented based on the invoice dates at the end of each reporting period as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
Within 30 days	-	20,829

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## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (d) Loans from non-controlling shareholders of subsidiaries/amounts due to non-controlling shareholders of a subsidiary

- (i) As at 31 December 2021, the loans from non-controlling shareholders of a subsidiary of approximately HK\$89,699,000 (31 December 2020: HK\$99,351,000) are secured by parcels of freehold land, interest bearing at 2.4% per annum and originally repayable on 21 July 2020. During the years ended 31 December 2020 and 2021, pursuant to supplemental agreements dated 21 July 2020 and 21 July 2021, the repayment dates were extended to 21 July 2021 and 21 July 2023, respectively, with other terms remain unchanged.

As at 31 December 2021, the amounts due to non-controlling shareholders of a subsidiary of approximately HK\$5,013,000 (31 December 2020: HK\$3,168,000) are in non-trade nature, interest-free, unsecured and originally repayable on 21 July 2020. During the years ended 31 December 2020 and 2021, pursuant to supplemental agreements dated 21 July 2020 and 21 July 2021, the repayment dates were extended to 21 July 2021 and 21 July 2023, respectively, with other terms remain unchanged.

- (ii) Upon completion of Summit Ascent Acquisition (as detailed and defined in Note 39(b)), Summit Ascent Group owed outstanding loans with carrying amount of approximately HK\$170,292,000 to the shareholders of Oriental Regent Limited ("**Oriental Regent**"), a non-wholly owned subsidiary of Summit Ascent, with a total principal amount of US\$30,276,400 (equivalent to approximately HK\$234,642,000) (the "**ORL Loans**"). The ORL Loans are non-interest bearing, unsecured and due on 15 July 2023 and shall automatically renew for another term of three years. No repayment at all time shall be made by Oriental Regent unless there are sufficient free cash flows generated from its operations to make the repayment. The ORL Loans can only be converted into new shares of Oriental Regent at the option of Oriental Regent at such conversion price(s) and ratio(s) as Oriental Regent shall agree with the shareholders of Oriental Regent at the relevant time. The conversion period is from the date on which the payment for the entire principal amount of the ORL Loans was made by the shareholders of Oriental Regent to the day immediately prior to the repayment date. The ORL loans are discounted at an effective interest rate calculated at 5.76% per annum at inception.

On 16 November 2020, Summit Ascent Group repurchased the 7.5% of ORL Loans with a total principal amount of US\$5,676,825 (equivalent to approximately HK\$43,995,000) from the non-controlling shareholders of Oriental Regent under the equity transactions with non-controlling interests as set out in Note 48(a).

As at 31 December 2021, the carrying amount of ORL Loans was approximately HK\$147,563,000 (31 December 2020: HK\$138,517,000).

# Notes to the Consolidated Financial Statements

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## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (e) Loans from a related company

#### (i) 2021 Loan

During the year ended 31 December 2021, the Group entered into a new loan agreement dated 8 January 2021 with Star Hope Limited ("**Star Hope**", a related company wholly-owned by Mr. Chau) with total loan facility of HK\$164,000,000 (the "**2021 Loan**"). The loan facility of the 2021 Loan was drawn down in full by the Group during the year ended 31 December 2021. The amount was unsecured, interest bearing at 3.5% per annum and repayable after 12 months from the first drawdown date of the facility.

As the amount represents loan from a related company which is controlled by Mr. Chau to finance the operations of the Group and the interest rate charged on 2021 Loan is below prevailing market interest rate, imputed interest of such loan upon initial recognition of approximately HK\$9,452,000 based on the difference between the prevailing market interest rate and the coupon interest rate has been charged to capital reserve as deemed contribution from a shareholder for the year ended 31 December 2021. The prevailing market interest rate of 2021 Loan is 21.53% per annum.

#### (ii) 2020 Loan 1

During the year ended 31 December 2020, the Group entered into a new loan agreement dated 6 March 2020 with Star Hope with total loan facility of HK\$320,000,000 (the "**2020 Loan 1**"). HK\$182,775,500 was drawn down by the Group as at 31 December 2020. The amount was unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility.

As the amount represented loan from a related company which is controlled by Mr. Chau to finance the operations of the Group and the interest rate charged on 2020 Loan 1 was below prevailing market interest rate, imputed interest of such loan upon initial recognition of approximately HK\$112,291,000 based on the difference between the prevailing market interest rate and the coupon interest rate had been charged to capital reserve as deemed contribution from a shareholder during the year ended 31 December 2020. The prevailing market interest rate of 2020 Loan 1 was 24.90% per annum.

#### (iii) 2020 Loan 2

During the year ended 31 December 2020, the Group entered into a new loan agreement dated 21 May 2020 with Star Hope with total loan facility of HK\$1,650,000,000 (the "**2020 Loan 2**") and the loan facility of the 2020 Loan 2 was drawn down in full by the Group. The amount was unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (e) Loans from a related company (Cont'd)

#### (iii) 2020 Loan 2 (Cont'd)

As the amount represented loan from a related company which is controlled by Mr. Chau to finance the operations of the Group and the interest rate charged on 2020 Loan 2 was below prevailing market interest rate, imputed interest of such loan upon initial recognition of approximately HK\$987,065,000 based on the difference between the prevailing market interest rate and the coupon interest rate had been charged to capital reserve as deemed contribution from a shareholder during the year ended 31 December 2020. The prevailing market interest rate of 2020 Loan 2 was 23.94% per annum.

#### (iv) 2019 Loan 1

During the year ended 31 December 2019, the Group entered into a loan agreement dated 8 April 2019 with Star Hope with total loan facility of HK\$1,500,000,000 (the "**2019 Loan 1**"). HK\$978,000,000 had been drawn down by the Group as at 31 December 2019. During the year ended 31 December 2020, approximately HK\$12,653,000 had been further drawn down by the Group. The amount was unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility.

As the amount represented loan from a related company which is controlled by Mr. Chau to finance the operations of the Group and the interest rate charged on 2019 Loan 1 was below prevailing market interest rate, imputed interest of the drawdown of loan upon initial recognition was approximately HK\$6,022,000 based on the difference between the prevailing market interest rate and the coupon interest rate had been charged to capital reserve as deemed contribution from a shareholder during the year ended 31 December 2020. The prevailing market interest rate of 2019 Loan 1 was 20.29% per annum.

#### (v) 2019 Loan 2

During the year ended 31 December 2019, the Group entered into a loan agreement dated 30 October 2019 with Star Hope with total loan facility of HK\$1,750,000,000 (the "**2019 Loan 2**"). HK\$170,000,000 had been drawn down by the Group as at 31 December 2019. During the year ended 31 December 2020, HK\$400,000,000 had been further drawn down by the Group. The amount was unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (e) Loans from a related company (Cont'd)

#### (v) 2019 Loan 2 (Cont'd)

As the amount represented loan from a related company which is controlled by Mr. Chau to finance the operations of the Group and the interest rate charged on 2019 Loan 2 is below prevailing market interest rate, imputed interest of the drawdown of loan upon initial recognition was approximately HK\$240,384,000 based on the difference between the prevailing market interest rate and the coupon interest rate had been charged to capital reserve as deemed contribution from a shareholder during the year ended 31 December 2020. The prevailing market interest rate of 2019 Loan 2 was 23.97% per annum.

#### (vi) 2018 Loan

During the year ended 31 December 2018, the Group entered into a loan agreement dated 27 July 2018 with Star Hope with total loan facility of HK\$400,000,000 (the "2018 Loan"). HK\$280,000,000 had been drawn down by the Group as at 31 December 2019. During the year ended 31 December 2020, HK\$120,000,000 had been further drawn down by the Group. The amount was unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility.

As the amount represented loan from a related company which is controlled by Mr. Chau to finance the operations of the Group and the interest rate charged on 2018 Loan was below prevailing market interest rate, imputed interest of the drawdown of loan upon initial recognition was approximately HK\$33,177,000 based on the difference between the prevailing market interest rate and the coupon interest rate had been charged to capital reserve as deemed contribution from a shareholder during the year ended 31 December 2020. The prevailing market interest rate of 2018 Loan was 13.21% per annum.

On 18 August 2020, 2020 Loan 1, 2020 Loan 2, 2019 Loan 1, 2019 Loan 2 and 2018 Loan with an aggregate carrying amount of approximately HK\$1,910,962,000, together with the accrued interest of approximately HK\$93,572,000 were fully settled by the issuance of First Tranche Perpetual Securities (as defined in Note 37) to Star Hope for approximately HK\$3,887 million, including the reclassification of capital reserve, which are detailed in Note 37. This was a major non-cash transaction during the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. AMOUNTS DUE FROM (TO)/LOANS FROM FORMER DIRECTOR/DIRECTORS/ RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (e) Loans from a related company (Cont'd)

Movements of the loans from a related company during the years are as follows:

	2021 Loan	2020 Loan 1	2020 Loan 2	2019 Loan 1	2019 Loan 2	2018 Loan	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (Restated)	-	-	-	531,838	76,354	206,264	814,456
Advance during the year	-	182,775	1,650,000	12,653	400,000	120,000	2,365,428
Deemed contribution from a shareholder	-	(112,291)	(987,065)	(6,022)	(240,384)	(33,177)	(1,378,939)
Imputed interest expense (Note 8)	-	4,017	23,759	46,152	22,746	15,318	111,992
Settlement by issuance of First Tranche Perpetual Securities	-	(74,430)	(686,276)	(583,807)	(258,315)	(308,134)	(1,910,962)
Exchange difference recognised in profit or loss	-	(1,314)	(18,221)	(1,290)	(163)	(365)	(21,353)
Exchange realignment	-	1,243	17,803	476	(238)	94	19,378
At 31 December 2020 and 1 January 2021 (Restated)	-	-	-	-	-	-	-
Advance during the year	164,000	-	-	-	-	-	164,000
Deemed contribution from a shareholder	(9,452)	-	-	-	-	-	(9,452)
Imputed interest expense (Note 8)	9,603	-	-	-	-	-	9,603
Settlement	(164,000)	-	-	-	-	-	(164,000)
Exchange difference recognised in profit or loss	(2,173)	-	-	-	-	-	(2,173)
Exchange realignment	2,022	-	-	-	-	-	2,022
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (f) Amount due from a non-controlling shareholder of a subsidiary

The amount was non-trade in nature, interest-free and recoverable on demand as at 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits represent deposits for the following purposes:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Securities for banking facilities (Note 32)	-	8
Securities for mortgage loan facilities granted by the banks to buyers of the Group's properties (Note 41(d))	-	355
Securities for the travel agency business to the suppliers and license granted by the local regulatory bodies	1,534	6,534
	<b>1,534</b>	<b>6,897</b>
Amounts analysed as follows:		
- Current	1,534	363
- Non-current (Note)	-	6,534
	<b>1,534</b>	<b>6,897</b>

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 is classified as non-current assets.

As at 31 December 2021, pledged bank deposits are subjected to floating interest rate ranged from 0.2% to 0.3% (31 December 2020: 0.2% to 1.5%) per annum.

As at 31 December 2021, in connection with a litigation in relation to a construction contract and supplemental agreement with a service provider, a bank account of the Group with balance of RMB960 (equivalent to approximately HK\$1,000) was subject to court seizure.

As at 31 December 2020, restricted bank deposits represented:

- (i) deposits of income generated by certain pledged investment properties 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 (equivalent to approximately HK\$1,384,000);
- (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 (equivalent to approximately HK\$1,166,000) 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 (equivalent to approximately HK\$1,984,000) shall be paid to the plaintiff as settlement; and

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS (Cont'd)

- (iii) certain bank balances frozen by the relevant local bureau in the PRC amounted to approximately RMB858,000 (equivalent to approximately HK\$1,019,000) (the “**Frozen Bank Accounts**”). One of such Frozen Bank Accounts as at 31 December 2020 held by the Disposal Group with a balance of approximately RMB251 (equivalent to approximately HK\$298) was released in February 2021. The remaining Frozen Bank Accounts with a balance of approximately RMB858,000 (equivalent to approximately HK\$1,019,000) were held by a subsidiary of the Company, which was deregistered during the year ended 31 December 2021.

## 27. BANK BALANCES AND CASH

The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
HK\$	<b>187,034</b>	1,564,500
US\$	<b>918,971</b>	162,700
RMB	<b>12,905</b>	29,430
Macau Pataca (“ <b>MOP</b> ”)	<b>1,246</b>	7,213
JPY	<b>2,034</b>	5,449
PHP	<b>138,711</b>	826,292
RUB	<b>310,606</b>	38,434
	<b>1,571,507</b>	2,634,018

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulation of foreign exchange control promulgated by the PRC government.

At 31 December 2021, bank balances carry interest at prevailing deposit rates which ranged from 0% to 7.48% (31 December 2020: 0% to 3.35%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Trade payables (Note (a))	<b>47,467</b>	67,913
Interest payables	<b>34,058</b>	71,471
Payable in respect of transfer of connection right to local electricity supply network	<b>10,687</b>	10,686
Liabilities of VAT arrangements (Note (b))	<b>34,945</b>	44,798
Retention payables	<b>35,688</b>	–
Other tax payables	<b>8,585</b>	8,996
Provision for indemnity (Note 41(b))	<b>21,653</b>	–
Construction cost payables	<b>96,350</b>	13,581
Other payables and accruals (Note (c))	<b>67,158</b>	174,627
	<b>356,591</b>	392,072
Amounts presented as:		
– Current	<b>287,375</b>	323,421
– Non-current	<b>69,216</b>	68,651
	<b>356,591</b>	392,072

Notes:

- (a) The credit period of trade payables ranges from 30 to 180 days.

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

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
0 – 90 days	<b>1,713</b>	5,848
Over 90 days	<b>45,754</b>	62,065
	<b>47,467</b>	67,913

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. TRADE AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

- (b) In the relevant jurisdiction of the Russian Federation, G1 Entertainment Limited ("**G1 Entertainment**"), an indirectly held and non-wholly owned subsidiary of Summit Ascent, is entitled to deduct VAT liabilities ("**Output VAT**") against VAT which was previously paid to the tax authority in the Russian Federation for the construction and purchase of assets or services for the gaming and hotel operations ("**Input VAT**"). Input VAT arising from the construction and the purchase of property and equipment is refunded by the relevant tax authority within 4 months after the application.

However, according to Russian regulations, as gaming activities are not subject to Output VAT in the Russian Federation, the Input VAT refunded to G1 Entertainment cannot be utilised. Instead it is required to be divided into 10 equal parts and each has to be returned to the tax authority in each of the next 10 years from the first year of operations to the extent of the annual proportion of the revenue generated from the gaming activities over the total revenues of G1 Entertainment's gaming and hotel operations in the Russian Federation. Such assessment is performed on an annual basis over a period of 10 years from the year when the relevant VAT is refunded to G1 Entertainment. At 31 December 2021, a provision of RUB332,922,000 (equivalent to approximately HK\$34,945,000) (2020: RUB426,867,000 (equivalent to approximately HK\$44,798,000)) is recognised for the estimated amount of the relevant Input VAT that has been refunded to G1 Entertainment but has to be returned to the tax authority under this regulation. The estimated repayable amount to the tax authority is calculated by using an effective interest rate of 8.33% (2020: 5.67%) per annum. Accordingly, approximately RUB85,477,000 (equivalent to approximately HK\$8,972,000) (2020: approximately RUB87,737,000 (equivalent to approximately HK\$9,208,000)) of such provision is presented as current and as such amount is under the aforesaid assessment within the next twelve months and is expected to be returned to the tax authority upon final assessment, with the remainder of approximately RUB247,445,000 (equivalent to approximately HK\$25,973,000) (2020: approximately RUB339,130,000 (equivalent to approximately HK\$35,590,000)) presented as non-current.

- (c) As at 31 December 2020, there was an accrual of approximately HK\$12,174,000 which was included in the accruals related to a landslide accident occurred nearby the Group's properties held for sale in Longgang District, Shenzhen during the year ended 31 December 2018. Subsequent to the landslide accident, a wholly-owned subsidiary of the Company received a notice from Longgang District Government, under which the District Government required the wholly-owned subsidiary of the Company to formulate and execute an emergency plan and reinforcement plan for the affected area (the "**Maintenance Work**").

No additional accrual had been recognised during the year ended 31 December 2020 after reviewing the terms of construction contracts and the status of the Maintenance Work. As at 31 December 2021, this accrual was derecognised upon the completion of the Disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. PROVISIONS FOR POTENTIAL CLAIMS

The balance represents the provisions for potential claims which include refund of the deposit and compensation to the buyers of the properties held for sale in relation to the breach of terms stipulated in the sales and purchase agreements entered into between the Group and the buyers.

During the year ended 31 December 2017, a bank (the “**Bank**”) initiated an enforcement of a civil claim (the “**Bank Claim**”) against the Group including the seizure of certain properties. The Group then received a notice from 廣東省深圳市中級人民法院 (the “**Intermediate Court**”) in connection with an enforcement civil ruling (the “**Judgement**”) relating to the Bank Claim.

Certain properties under pre-sale arrangement have been seized by the Intermediate Court due to the Bank Claim with immediate effect in accordance with the Judgement. As a result, the Group failed to fulfil the obligations stipulated in the sales and purchase agreements within the predetermined period of time and is liable to the claims for the return of pre-sale deposits and instalment payments made by the buyers and compensation stipulated in the sales and purchase agreements. With reference to the legal opinion from the PRC lawyer, the estimated provisions for potential claims were approximately HK\$48,028,000.

During the year ended 31 December 2018, all seized properties were released by the Intermediate Court. The Group has then performed all obligations stipulated in the sales and purchase agreements, and reversal of provision of approximately HK\$23,060,000 was recognised in profit or loss. The remaining balance represents the probable exposure of which the Group is still subject to the claims from the buyers due to the failure of fulfilling the obligations within the time frame stipulated in the sales and purchase agreements.

No claims from the buyers have been received by the Group during the years ended 31 December 2021 and 2020.

The movement of the provisions for potential claims is shown as follows:

	HK\$'000
At 1 January 2020 (Restated)	25,189
Exchange realignment	1,622
At 31 December 2020 and 1 January 2021 (Restated)	26,811
Disposal of subsidiaries (Note 40)	(27,117)
Exchange realignment	306
<b>At 31 December 2021</b>	<b>–</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. PROVISION FOR LITIGATION

During the year ended 31 December 2019, the Group received an enforcement civil ruling (the “**Court Judgement**”) from Shenzhen Baoan District People’s Court (the “**Court**”) relating to the enforcement of a civil claim (the “**Individual Claim**”) by an individual (the “**Individual**”), an independent third party to the Group. The Individual Claim relates to a lease agreement in respect of a unit, which forms part of the Group’s investment properties (the “**Unit**”) for the lease term from 26 September 2011 to 24 October 2062, as well as the damages arising from the non-performance of the lease agreement. Certain investment properties of the Group with fair value as at 31 December 2020 of approximately HK\$472,172,000 were seized for the period from 10 May 2019 to 9 May 2022. Pursuant to the Court Judgement, the Group was liable to compensate the loss arising from the non-performance of the lease agreement during the period from the inception of lease to 25 June 2019 amounting to approximately HK\$1,895,000.

In the opinion of the lawyer in the PRC, it was probable that the Group would be liable to compensate the loss of the Individual Claim and the loss arising from the non-performance for the remaining lease period with reference to the estimated future rental income from the Unit for the remaining lease period. Provision of approximately HK\$33,032,000 had been recognised as at and during the year ended 31 December 2019. No further provision had been recognised during the year ended 31 December 2020. At 31 December 2021, this provision was derecognised upon the completion of the Disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. CONTRACT LIABILITIES

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Sales of properties	–	149,949
Gaming and hotel operations	4,323	2,768
Management and operation of malls	3,866	–
	<b>8,189</b>	152,717
Analysed for reported purposes as:		
Current liabilities	<b>8,189</b>	152,717

- (a) The Group mainly has three types of liabilities related to contracts with customers which are included in the above: (1) outstanding gaming chip liabilities for gaming chips in the customers' possession amounting to approximately HK\$2,358,000 (31 December 2020: HK\$1,322,000); (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to approximately HK\$1,965,000 (31 December 2020: HK\$1,446,000). Loyalty program liabilities and customer deposits on hotel rooms are included in other payables above; and (3) management and operation of malls liabilities related to rental income received in advance amounting to approximately HK\$3,866,000 (31 December 2020: Nil).
- (b) Outstanding gaming chip liabilities are expected to be recognised as revenue or redeemed within one year of being purchased. Loyalty program liabilities are generally expected to be recognised as revenue within one year of being earned.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. BANK AND OTHER BORROWINGS

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Bank borrowings – secured (Note (a))	–	447,371
Other borrowings (Note (b))		
– Secured	366,928	288,041
– Unsecured	605,390	824,294
	<b>972,318</b>	1,112,335
	<b>972,318</b>	1,559,706

### (a) Bank borrowings

(i) The maturity profile of bank borrowings is as follows:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Within one year	–	92,676
More than one year but not exceeding two years	–	45,399
More than two years but not exceeding five years	–	136,462
Over five years	–	172,834
	–	447,371
Less: Repayable on demand due to breach of loan covenants (Note (a)(ii))	–	(47,529)
Amounts due for settlement within one year (shown under current liabilities)	–	(45,147)
	–	(92,676)
Amounts due for settlement after one year	–	354,695

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. BANK AND OTHER BORROWINGS (Cont'd)

### (a) Bank borrowings (Cont'd)

- (ii) During the year ended 31 December 2020, a wholly-owned subsidiary of the Company breached the covenants of a bank borrowing due to the seize of certain investment properties with fair value of approximately HK\$472,172,000 as at 31 December 2020 by the Court (Note 30), which led to an event of default for such bank borrowing. Accordingly, the bank borrowing amounting to approximately HK\$47,529,000 was classified as current liabilities as of 31 December 2020. On discovery of the breach, the Company has informed the relevant bank and commenced negotiations to waive such covenant and the negotiation had not been concluded as at 31 December 2020. The Group had not obtained written waiver from the relevant bank for strict compliance on the relevant financial covenant requirements up to the date of repayment of the last instalment of bank borrowing.
- (iii) The carrying amount of approximately HK\$386,170,000 was denominated in RMB and the carrying amount of approximately HK\$61,201,000 was denominated in US\$ as at 31 December 2020.
- (iv) During the year ended 31 December 2021, a bank borrowing of approximately HK\$61,201,000 guaranteed by Mr. Chau was repaid.
- (v) During the year ended 31 December 2021, the Group obtained bank overdrafts of up to HK\$80,000,000. Bank overdrafts were secured by fixed deposits and interest bearing at (i) 1.5% per annum over the overnight HIBOR or (ii) 1% per annum above the deposit rate for the pledged bank deposit, whichever is higher. Such bank overdrafts were repaid during the year.
- (vi) The effective interest rates (which are also equal to contracted interest rates) on the bank borrowings are as follows:

	As at 31 December	
	2021	2020
Effective interest rate per annum:		
Variable-rate bank borrowings	n/a	3.22% – 5.64%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. BANK AND OTHER BORROWINGS (Cont'd)

### (b) Other borrowings

- (i) The maturity profile of other borrowings is as follows:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Within one year	823,101	233,484
More than one year but not exceeding two years	149,217	878,851
	<b>972,318</b>	1,112,335
Less: Amounts due for settlement within one year	<b>(823,101)</b>	(233,484)
Amounts due for settlement after one year	<b>149,217</b>	878,851

- (ii) The carrying amounts of the Group's other borrowings are denominated in RMB at the end of each reporting period.
- (iii) The effective interest rates (which are also equal to contracted interest rates) on the other borrowings are as follows:

	As at 31 December	
	2021	2020
Effective interest rate per annum:		
Fixed-rate other borrowings	<b>6% – 18%</b>	6% – 12%

- (iv) During the year, there were new other borrowings of approximately HK\$839,738,000 (2020: approximately HK\$538,087,000) raised from four (2020: seven) non-financial institutions. One new other borrowing of HK\$150,000,000 is secured and guaranteed by Mr. Chau, the former chairman and a former director of the Company, with interest bearing at 18.29% per annum and repayable within 4 months from its drawdown date. Two new other borrowings in the aggregate amount of RMB92,000,000 (equivalent to approximately HK\$110,937,000 at the drawdown date) are unsecured and guaranteed by the Company and with interest bearing at 12% per annum and repayable within 3 months from their drawdown dates. All these three new other borrowings were repaid during the year. One new other borrowing of RMB300,000,000 (equivalent to approximately HK\$366,928,000) is secured by the loan receivable of approximately HK\$599,209,000 and guaranteed by the Company, with interest bearing at 1.5% per month and repayable on 31 March 2022. The Group was unable to repay interest thereon of RMB13,500,000 (equivalent to approximately HK\$16,681,000) due in February 2022 and pursuant to a supplemental agreement entered into in March 2022, the lender agreed to defer the payment of the overdue interest to 31 March 2022. One new other borrowing of RMB180,000,000 (equivalent to approximately HK\$220,157,000) is unsecured and guaranteed by the Company and with interest bearing at 1.5% per month and repayable on 30 April 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. BANK AND OTHER BORROWINGS (Cont'd)

- (c) At the end of each reporting period, the Group has pledged the entire equity interests of certain subsidiaries of the Group and the carrying amount of following assets as securities for the Group's bank and other borrowings:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Loan receivable	599,209	–
Investment properties	–	1,408,745
Pledged bank deposits	–	8
Property, operating right and equipment	–	83,207
Inventories	–	204,538
	<b>599,209</b>	<b>1,696,498</b>

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS

### (a) Convertible bonds issued by the Company

#### *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 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 of 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 2016 CB Maturity Date the whole or part of the principal outstanding amount of the 2016 Convertible Bond at principal amount.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (a) Convertible bonds issued by the Company (Cont'd)

#### *2016 Convertible Bond (Cont'd)*

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\$, which was the foreign currency of the Company as at the issue date of the 2016 Convertible Bond.

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 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 ("**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 extension of 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 of the Company at the conversion price of HK\$0.26 per share.

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. This 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 to approximately HK\$268,499,000 on 7 December 2020 (i.e., date of extension of the Extended 2016 CB Maturity Date) based on the present value of the principal amount plus accrued coupon interest from the extension date to 7 December 2022. The change in fair value of debt component of approximately HK\$126,681,000 was recognised in profit or loss. 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 2020 and 31 December 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**").

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (a) Convertible bonds issued by the Company (Cont'd)

#### *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 to Star Hope and Better Linkage Limited ("**Better Linkage**"), a related company wholly-owned by Mr. Lo Kai Bong, for the acquisition of the entire equity interest of 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 of 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 2018 CB Maturity Date the whole or part of the principal outstanding amount of the 2018 Convertible Bond at 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\$, which was the foreign currency of the Company as of the issue date of the 2018 Convertible Bond.

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 was 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. This supplemental deed became effective on 24 August 2020, the date on which all the conditions precedent of the supplemental deed have been fulfilled.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (a) Convertible bonds issued by the Company (Cont'd)

#### 2018 Convertible Bond (Cont'd)

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 to approximately HK\$184,018,000 on 24 August 2020 (i.e. date of extension of the 2018 CB Maturity Date) based on the present value of the principal amount. The change in fair value of debt component of approximately HK\$113,502,000 was recognised in profit or loss. The effective interest rate of the debt component is 26.87% per annum after extension of the 2018 CB Maturity Date.

The fair values of the derivative financial instruments of 2018 Convertible Bond as at 31 December 2020 and 31 December 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 calculation of fair values of the derivative financial instruments are as follows:

	<b>31 December 2021</b>	31 December 2020
<b>2016 Convertible Bond</b>		
Share price	<b>HK\$0.13</b>	HK\$0.69
Conversion price	<b>HK\$0.26</b>	HK\$0.26
Expected volatility (Note (a))	<b>87.89%</b>	61.50%
Expected option life	<b>0.94 Year</b>	1.94 Years
Expected dividend yield (Note (b))	<b>Zero</b>	Zero
Risk-free rate (Note (c))	<b>0.54%</b>	0.31%
	<b>31 December 2021</b>	31 December 2020
<b>2018 Convertible Bond</b>		
Share price	<b>HK\$0.13</b>	HK\$0.69
Conversion price	<b>HK\$0.90</b>	HK\$0.90
Expected volatility (Note (a))	<b>99.73%</b>	62.58%
Expected option life	<b>0.66 Year</b>	1.66 Years
Expected dividend yield (Note (b))	<b>Zero</b>	Zero
Risk-free rate (Note (c))	<b>0.54%</b>	0.32%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (a) Convertible bonds issued by the Company (Cont'd)

#### 2018 Convertible Bond (Cont'd)

Notes:

- The expected volatility was determined by using the historical volatility of the Company's share price over a period commensurate with the remaining term.
- 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.
- 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 and derivative financial instruments of 2016 Convertible Bond and 2018 Convertible Bond are shown as follows:

	<b>Debt component</b> HK\$'000	<b>Derivative financial instruments</b> HK\$'000	<b>Total</b> HK\$'000
<b>2016 Convertible Bond</b>			
At 1 January 2020 (Restated)	371,740	2,129,138	2,500,878
Credit to profit or loss, including adjustment on extension recognised in profit or loss	(126,681)	(1,302,102)	(1,428,783)
Imputed interest expense (Note 8)	29,606	–	29,606
Exchange difference recognised in profit or loss	(22,856)	(86,484)	(109,340)
Exchange realignment	16,690	57,795	74,485
At 7 December 2020 (date of extension) (Restated)	268,499	798,347	1,066,846
Credit to profit or loss	–	(6,412)	(6,412)
Imputed interest expense (Note 8)	3,742	–	3,742
Exchange difference recognised in profit or loss	(505)	(1,485)	(1,990)
Exchange realignment	724	1,171	1,895
At 31 December 2020 and 1 January 2021 (Restated)	272,460	791,621	1,064,081
Credit to profit or loss	–	(778,633)	(778,633)
Imputed interest expense (Note 8)	61,122	–	61,122
Exchange difference recognised in profit or loss	(3,160)	(8,348)	(11,508)
Exchange realignment	3,147	8,312	11,459
<b>At 31 December 2021</b>	<b>333,569</b>	<b>12,952</b>	<b>346,521</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (a) Convertible bonds issued by the Company (Cont'd)

	<b>Debt component</b> HK\$'000	<b>Derivative financial instruments</b> HK\$'000	<b>Total</b> HK\$'000
<b>2018 Convertible Bond</b>			
At 1 January 2020 (Restated)	277,658	266,726	544,384
Credit to profit or loss, including adjustment on extension recognised in profit or loss	(113,502)	(161,298)	(274,800)
Imputed interest expense (Note 8)	19,424	–	19,424
Exchange difference recognised in profit or loss	(931)	(984)	(1,915)
Exchange realignment	1,369	1,641	3,010
At 24 August 2020 (date of extension) (Restated)	184,018	106,085	290,103
Credit to profit or loss	–	(59,437)	(59,437)
Imputed interest expense (Note 8)	17,050	–	17,050
Exchange difference recognised in profit or loss	(11,094)	(4,352)	(15,446)
Exchange realignment	11,529	2,842	14,371
At 31 December 2020 and 1 January 2021 (Restated)	201,503	45,138	246,641
Credit to profit or loss	–	(45,073)	(45,073)
Imputed interest expense (Note 8)	54,140	–	54,140
Exchange difference recognised in profit or loss	(2,342)	(456)	(2,798)
Exchange realignment	2,333	454	2,787
<b>At 31 December 2021</b>	<b>255,634</b>	<b>63</b>	<b>255,697</b>
<b>Total</b>			
<b>At 31 December 2021</b>	<b>589,203</b>	<b>13,015</b>	<b>602,218</b>
At 31 December 2020 (Restated)	473,963	836,759	1,310,722

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

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

On 16 November 2020, a non-wholly owned subsidiary of the Company, Summit Ascent, issued convertible bonds denominated in US\$ for 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 of Summit Ascent (“**Summit Ascent Shares**”) 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 contained 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 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 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 Summit Ascent CB as at 31 December 2021 is determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

The fair value of the Summit Ascent CB as at 31 December 2020 were determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (b) Convertible bonds payable issued by Summit Ascent (Cont'd)

The significant inputs used for the calculation of fair values of the Summit Ascent CB and the derivative financial instrument are as follows:

	31 December 2021	31 December 2020
<b>Summit Ascent CB</b>		
Share price of Summit Ascent	<b>HK\$0.15</b>	HK\$0.75
Conversion price	<b>HK\$3.50</b>	HK\$3.50
Expected volatility (Note (a))	<b>77.38%</b>	60.45%
Expected option life	<b>3.88 Year</b>	4.88 years
Expected dividend yield (Note (b))	<b>Zero</b>	Zero
Risk-free rate (Note (c))	<b>1.14%</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.

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

	<b>Debt component</b> HK\$'000	<b>Derivative financial instruments</b> HK\$'000	<b>Total</b> HK\$'000
Initial recognition upon on issuance of Summit Ascent CB on 16 November 2020 (Restated)	16,295	1,708	18,003
Credit to profit or loss	–	(872)	(872)
Imputed interest expense (Note 8)	148	–	148
Exchange difference	6	–	6
At 31 December 2020 and 1 January 2021 (Restated)	16,449	836	17,285
Credit to profit or loss	–	(550)	(550)
Imputed interest expense (Note 8)	1,219	–	1,219
Exchange difference	99	–	99
<b>At 31 December 2021</b>	<b>17,767</b>	<b>286</b>	<b>18,053</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (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 (the “**Put Option**”) in relation to its equity interest in Suntrust, with a consideration of approximately HK\$169,382,000 plus interest of 3.5% per annum to Westside and Travellers upon event stated in the agreement.

The fair value of the derivative financial instrument of the Put Option as at 31 December 2021 and 31 December 2020 were approximately HK\$4,570,000 and HK\$3,209,000 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:

	<b>31 December 2021</b>	31 December 2020
<b>Put Option</b>		
Share price	<b>PHP1.120</b>	PHP1.670
Expected volatility (Note (a))	<b>66.41%</b>	58.80%
Expected option life (Note (b))	<b>2.50 Years</b>	3.00 Years
Expected dividend yield (Note (c))	<b>Zero</b>	Zero
Risk-free rate (Note (d))	<b>3.37%</b>	2.18%

Notes:

- (a) The expected volatility was determined by using the historical volatility of the Suntrust’s share price over a period commensurate with the remaining term.
- (b) The option period is assumed to be expiring in 2024 (2020: 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 in the 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 swap rates with a similar remaining tenure.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

### (c) Put option (Cont'd)

The movement of the fair value of the derivative financial instrument of the Put Option is shown as follows:

	HK\$'000
At 1 January 2020 (Restated)	2,924
Credit to profit or loss	147
Exchange difference	138
At 31 December 2020 and 1 January 2021 (Restated)	3,209
Credit to profit or loss	1,579
Exchange difference	(218)
<b>At 31 December 2021</b>	<b>4,570</b>

## 34. LEASE LIABILITIES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
Lease liabilities payable:		
Within one year	9,840	10,887
Within a period of more than one year but not exceeding two years	77,571	8,376
Within a period of more than two years but not exceeding five years	232,007	227,759
Within a period of more than five years	699,606	742,859
	<b>1,019,024</b>	989,881
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(9,840)</b>	(10,887)
Amount due for settlement after 12 months shown under non-current liabilities	<b>1,009,184</b>	978,994

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. LEASE LIABILITIES (Cont'd)

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US\$ HK\$'000	HK\$ HK\$'000	RUB HK\$'000
<b>As at 31 December 2021</b>	<b>941,713</b>	<b>-</b>	<b>4,088</b>
As at 31 December 2020 (Restated)	905,314	2,708	4,256

## 35. RETIREMENT BENEFITS SCHEMES

The Group provides defined contribution plans to its employees and executive officers in Macau, Hong Kong, the PRC and other jurisdictions.

### Macau

Employees employed by the Group in Macau are members of government-managed Social Security Fund Scheme (the “**SSF Scheme**”) operated by the Macau Government and the Group is required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits.

### Hong Kong

The Group operates Mandatory Provident Fund Schemes for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of the Group, in funds under the control of trustees. The cost charged to the profit or loss represented contributions payable to the funds by the Group at rates specified in the rules of the schemes.

### The PRC

The Group contributes to the local municipal government retirement scheme for all qualifying employees in the PRC. The employers and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

### The Philippines

Defined contribution plan and defined benefit plan operate in the Philippines.

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into local social insurance programs and has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. Post-employment defined benefit plan covers all regular full-timer employees. However, pursuant to REPUBLIC ACT NO. 7641 of the Republic of the Philippines, retail service and agricultural establishments or operations employing not more than ten (10) employees or workers are exempted from the coverage of this provision. During the year ended 31 December 2021, there are one employee (2020: two employees) in the Philippine office and the Group applied exemption of the defined benefit plan.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. RETIREMENT BENEFITS SCHEMES (Cont'd)

### Japan

Contributions to the plans by the Group are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds.

### Russian Federation

The Group is required to contribute for the range of 0% to 30% of payroll costs to the Russian Federation State Pension Fund depending on the annual gross remuneration of the staff, to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

As at 31 December 2021, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years (31 December 2020: Nil).

## 36. SHARE CAPITAL AND RESERVES

### (a) Share capital

Ordinary shares of HK\$0.1 each

	Number of shares		Share capital	
	2021	2020	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Authorised</b>				
At beginning and end of year	<b>50,000,000,000</b>	50,000,000,000	<b>5,000,000</b>	5,000,000
<b>Issued and fully paid</b>				
At beginning of year	<b>6,666,972,746</b>	6,666,972,746	<b>666,697</b>	666,697
Exercise of share options (Note)	<b>1,000,000</b>	–	<b>100</b>	–
At end of year	<b>6,667,972,746</b>	6,666,972,746	<b>666,797</b>	666,697

Note: In January 2021, 1,000,000 ordinary shares of the Company were issued and allotted in relation to the exercise of share options pursuant to the share option scheme of the Company at the exercise price of HK\$0.455 per share for a total cash consideration of HK\$455,000 of which HK\$100,000 was credited to share capital and the balance of HK\$355,000 was credited to share premium account. In addition to an amount of approximately HK\$221,000 previously recognised in share option reserve and transferred to share premium account during the exercise of relevant share options, the share premium account increased by approximately HK\$576,000, in aggregate, during the year ended 31 December 2021. The new shares rank pari passu in all respects with the existing shares of the Company.

- (b) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. SHARE CAPITAL AND RESERVES (Cont'd)

### (c) Nature and purpose of reserves

#### (i) *Share premium*

Share premium arose from the issue of shares at a price greater than the par value of the shares. The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

#### (ii) *Merger reserve*

The merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the company exchange thereafter.

#### (iii) *Statutory reserve*

In accordance with the PRC regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profit after tax to the statutory surplus reserve, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the board of directors of these companies in accordance with their articles of association.

#### (iv) *Share option reserve*

The share option reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 4(s).

#### (v) *Capital reserve*

Capital reserve represents the deemed capital contribution from a shareholder regarding the difference between the coupon interest rate and the market interest rate of advance.

#### (vi) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from translating foreign operations and from translation of financial statements of group companies from their respective functional currencies to the presentation currency of the Company. The reserve is dealt with in accordance with the accounting policies set out in Note 4(i).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 37. PERPETUAL SECURITIES

	HK\$'000
<b>Principal</b>	
Initial recognition on issuance of the First Tranche Perpetual Securities on 18 August 2020 (Note (a)) (Restated)	3,887,000
Subsequent issuances during the year (Note (b))	1,485,000
At 31 December 2020 and 1 January 2021 (Restated)	5,372,000
Subsequent issuances during the year (Note (b))	36,000
<b>At 31 December 2021</b>	<b>5,408,000</b>
<b>Distribution</b>	
At 1 January 2020 (Restated)	–
Provision for the year (Note (c))	89,036
At 31 December 2020 and 1 January 2021 (Restated)	89,036
Provision for the year (Note (c))	269,227
<b>At 31 December 2021</b>	<b>358,263</b>
<b>Total</b>	
<b>At 31 December 2021</b>	<b>5,766,263</b>
At 31 December 2020 (Restated)	5,461,036

On 18 August 2020, the Company and Star Hope entered into the subscription agreement, pursuant to which the Company agreed to issue, and Star Hope agreed to subscribe for, the HK\$6,000 million 5.00% perpetual securities of the Company (the “**Perpetual Securities**”).

The Perpetual Securities confer on their holder a right to receive distribution of 5% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or defer (in whole or in part) any distribution accrued on the Perpetual Securities at its sole and absolute discretion. The Company may elect to redeem (in whole or not in part) the Perpetual Securities at 100% of the outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the Perpetual Securities or upon change of control of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 37. PERPETUAL SECURITIES (Cont'd)

Notes:

- (a) The first tranche Perpetual Securities was issued on the date of the subscription agreement to effect repayment of a pro tanto amount of the existing amount due to Star Hope of approximately HK\$3,887 million on 18 August 2020 (the "**First Tranche Perpetual Securities**").

The carrying amounts of the loans from Star Hope of approximately HK\$1,910,962,000, together with the amount due to Star Hope (i.e., interest payable) of approximately HK\$93,572,000, being the aggregate amount of approximately HK\$2,004 million had been used to settle the above consideration payable. The capital contribution previously recognised through the loans from the related company provided by Star Hope amounting to approximately HK\$1,882 million was derecognised from capital reserve and transferred to the Perpetual Securities. The Perpetual Securities are classified as an equity instrument of the Company.

- (b) After the issuance of the First Tranche Perpetual Securities, the Company issued further tranches of Perpetual Securities with an aggregate principal amount of HK\$36 million during the year ended 31 December 2021 (2020: HK\$1,485 million).
- (c) During the year ended 31 December 2021, distribution provision in relation to Perpetual Securities issued is approximately HK\$269 million (2020: HK\$89 million).

## 38. SHARE OPTION SCHEMES

### (a) Equity-settled share option scheme of the Company

The Company adopted a share option scheme (the "**2007 Scheme**") on 31 January 2007.

The purpose of the 2007 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies (as defined under the 2007 Scheme). The 2007 Scheme was adopted on 31 January 2007 and terminated on 2 June 2016.

Under the 2007 Scheme, the board of Directors of the Company may, at its discretion, offer the Directors (including Executive or Non-executive Directors), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.

The exercise price in relation to each share option was determined by the board of Directors of the Company at its absolute discretion and was not less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees was required to pay HK\$10 as consideration for the grant of share options in accordance with the 2007 Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer. All share options are fully vested as at 31 December 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK\$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The 2007 Scheme was terminated on 2 June 2016 and no further options can be granted under the 2007 Scheme. However, the share options granted under the 2007 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2007 Scheme.

As at 31 December 2021, 92,400,187 (31 December 2020: 92,400,187) share options are outstanding under 2007 Scheme.

During the years ended 31 December 2021 and 2020, no share option was granted, exercised or cancelled in accordance with the terms of the 2007 Scheme.

The Company adopted a new share option scheme (the "**2016 Scheme**") on 2 June 2016.

The purpose of the 2016 Scheme is to replace the 2007 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest. The 2016 Scheme will remain in force for a period of 10 years commencing on 2 June 2016.

Under the 2016 Scheme, the board of Directors of the Company may, at its discretion, offer the Directors (whether Executive or Non-executive Directors and whether independent or not), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.

# Notes to the Consolidated Financial Statements

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## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

The exercise price in relation to each share option will be determined by the board of Directors of the Company at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK\$1 as a consideration for the acceptance of the grant of share options in accordance with the 2016 Scheme. The offer of share options must be accepted within 21 days from the date of the offer.

364,300,000 share options have been granted under the 2016 Scheme since its adoption. Accordingly, as at 31 December 2021, 115,000,000 (31 December 2020: 207,400,187) share options are outstanding under the 2016 Scheme. The maximum number of shares of the Company available for issue upon exercise of all outstanding share options which have been granted under the 2007 Scheme and the 2016 Scheme is 207,400,187, representing approximately 3.11% of the shares of the Company in issue at the end of the reporting period. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2016 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share option in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK\$5 million (based on the closing price of the Company's shares at the date of each offer), in the 12-month period up to and including the date of the offer of such grant shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

The following tables disclose details of the share options held by directors, employees and other eligible participants under the 2007 Scheme and 2016 Scheme and movements in such holdings during the years ended 31 December 2021 and 2020:

The terms and conditions of the grants that existed at the end of each reporting period are as follows, whereby all options are settled by physical delivery of shares:

#### 2021

Grantees	As at 1.1.2021	Granted during 2021	Number of share options			As at 31.12.2021 (Note (iii))	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$
			Exercised during 2021 (Note (ii))	Cancelled during 2021	Lapsed during 2021 (Note (ii))					
<b>Directors</b>										
Mr. Lo Kai Bong	8,000,000	-	-	-	-	<b>8,000,000</b>	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	12,000,000	-	-	-	-	<b>12,000,000</b>	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	20,000,000	-	-	-	-	<b>20,000,000</b>	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
Mr. Manuel Assis Da Silva	600,000	-	-	-	-	<b>600,000</b>	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	900,000	-	-	-	-	<b>900,000</b>	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	1,500,000	-	-	-	-	<b>1,500,000</b>	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
Mr. Au Chung On John	12,000,000	-	-	-	-	<b>12,000,000</b>	22.9.2020	N/A	22.9.2020 - 21.9.2030	0.900
	12,000,000	-	-	-	-	<b>12,000,000</b>	22.9.2020	22.9.2020 - 21.9.2021	22.9.2021 - 21.9.2030	0.900
	16,000,000	-	-	-	-	<b>16,000,000</b>	22.9.2020	22.9.2020 - 21.9.2022	22.9.2022 - 21.9.2030	0.900
	83,000,000	-	-	-	-	<b>83,000,000</b>				
<b>Other employees of the</b>										
<b>Group</b>	462,559	-	-	-	-	<b>462,559</b>	12.12.2013	12.12.2013 - 12.12.2013	13.12.2013 - 12.12.2023	0.344
	2,100,000	-	(200,000)	-	-	<b>1,900,000</b>	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	3,150,000	-	(300,000)	-	-	<b>2,850,000</b>	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	5,250,000	-	(500,000)	-	-	<b>4,750,000</b>	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
	2,340,000	-	-	-	(540,000)	<b>1,800,000</b>	22.9.2020	N/A	22.9.2020 - 21.9.2030	0.900
	2,340,000	-	-	-	(540,000)	<b>1,800,000</b>	22.9.2020	22.9.2020 - 21.9.2021	22.9.2021 - 21.9.2030	0.900
	3,120,000	-	-	-	(720,000)	<b>2,400,000</b>	22.9.2020	22.9.2020 - 21.9.2022	22.9.2022 - 21.9.2030	0.900
	18,762,559	-	(1,000,000)	-	(1,800,000)	<b>15,962,559</b>				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

The terms and conditions of the grants that existed at the end of each reporting period are as follows, whereby all options are settled by physical delivery of shares: (Cont'd)

#### 2021 (Cont'd)

Grantees	As at 1.1.2021	Granted during 2021	Number of share options			As at 31.12.2021 (Note (iii))	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$
			Exercised during 2021 (Note (ii))	Cancelled during 2021	Lapsed during 2021 (Note (ii))					
Consultants of the Group	91,937,628	-	-	-	-	<b>91,937,628</b>	12.12.2013	12.12.2013 - 12.12.2013	13.12.2013 - 12.12.2023	0.344
	120,000,000	-	-	-	(120,000,000)	-	11.1.2017	N/A	11.1.2017 - 10.1.2027	0.202
	16,500,000	-	-	-	-	<b>16,500,000</b>	19.4.2017	N/A	19.4.2017 - 18.4.2027	0.700
	3,600,000	-	-	-	(3,600,000)	-	19.4.2017	N/A	19.4.2017 - 18.4.2027	0.700
	5,400,000	-	-	-	(5,400,000)	-	19.4.2017	19.4.2017 - 18.4.2018	19.4.2018 - 18.4.2027	0.700
	9,000,000	-	-	-	(9,000,000)	-	19.4.2017	19.4.2017 - 18.4.2019	19.4.2019 - 18.4.2027	0.700
	1,400,000	-	-	-	(1,400,000)	-	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	2,100,000	-	-	-	(2,100,000)	-	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	3,500,000	-	-	-	(3,500,000)	-	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
	2,880,000	-	-	-	(2,880,000)	-	22.9.2020	N/A	22.9.2020 - 21.9.2030	0.900
	2,880,000	-	-	-	(2,880,000)	-	22.9.2020	22.9.2020 - 21.9.2021	22.9.2021 - 21.9.2030	0.900
	3,840,000	-	-	-	(3,840,000)	-	22.9.2020	22.9.2020 - 21.9.2022	22.9.2022 - 21.9.2030	0.900
	263,037,628	-	-	-	(154,600,000)	<b>108,437,628</b>				
	364,800,187	-	(1,000,000)	-	(156,400,000)	<b>207,400,187</b>				
<b>Exercisable</b>	324,620,187					<b>189,000,187</b>				
<b>Weighted average exercise price (HK\$)</b>	0.437	-	0.455	-	0.322	<b>0.524</b>				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

The terms and conditions of the grants that existed at the end of each reporting period are as follows, whereby all options are settled by physical delivery of shares: (Cont'd)

2020

Grantees	Number of share options					Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$
	As at 1.1.2020	Granted during 2020	Cancelled during 2020 (Note (iv))	Lapsed during 2020 (Note (ii))	As at 31.12.2020 (Note (iii))				
<b>Directors</b>									
Mr. Lo Kai Bong	8,000,000	-	-	-	8,000,000	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	12,000,000	-	-	-	12,000,000	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	20,000,000	-	-	-	20,000,000	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
Mr. Manuel Assis Da Silva	600,000	-	-	-	600,000	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	900,000	-	-	-	900,000	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	1,500,000	-	-	-	1,500,000	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
Mr. Au Chung On John	12,000,000	-	(12,000,000)	-	-	2.7.2019	N/A	2.7.2019 - 1.7.2029	1.920
	12,000,000	-	(12,000,000)	-	-	2.7.2019	2.7.2019 - 1.7.2020	2.7.2020 - 1.7.2029	1.920
	16,000,000	-	(16,000,000)	-	-	2.7.2019	2.7.2019 - 1.7.2021	2.7.2021 - 1.7.2029	1.920
	-	12,000,000	-	-	12,000,000	22.9.2020	N/A	22.9.2020 - 21.9.2030	0.900
	-	12,000,000	-	-	12,000,000	22.9.2020	22.9.2020 - 21.9.2021	22.9.2021 - 21.9.2030	0.900
	-	16,000,000	-	-	16,000,000	22.9.2020	22.9.2020 - 21.9.2022	22.9.2022 - 21.9.2030	0.900
	83,000,000	40,000,000	(40,000,000)	-	83,000,000				
<b>Other employees of the Group</b>									
462,559	-	-	-	462,559	12.12.2013	12.12.2013 - 12.12.2013	13.12.2013 - 12.12.2023	0.344	
2,100,000	-	-	-	2,100,000	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455	
3,150,000	-	-	-	3,150,000	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455	
5,250,000	-	-	-	5,250,000	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455	
2,040,000	-	(1,440,000)	(600,000)	-	2.7.2019	N/A	2.7.2019 - 1.7.2029	1.920	
2,040,000	-	(1,440,000)	(600,000)	-	2.7.2019	2.7.2019 - 1.7.2020	2.7.2020 - 1.7.2029	1.920	
2,720,000	-	(1,920,000)	(800,000)	-	2.7.2019	2.7.2019 - 1.7.2021	2.7.2021 - 1.7.2029	1.920	
-	2,340,000	-	-	2,340,000	22.9.2020	N/A	22.9.2020 - 21.9.2030	0.900	
-	2,340,000	-	-	2,340,000	22.9.2020	22.9.2020 - 21.9.2021	22.9.2021 - 21.9.2030	0.900	
-	3,120,000	-	-	3,120,000	22.9.2020	22.9.2020 - 21.9.2022	22.9.2022 - 21.9.2030	0.900	
17,762,559	7,800,000	(4,800,000)	(2,000,000)	18,762,559					

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

The terms and conditions of the grants that existed at the end of each reporting period are as follows, whereby all options are settled by physical delivery of shares: (Cont'd)

2020 (Cont'd)

Grantees	Number of share options					Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$
	As at 1.1.2020	Granted during 2020	Cancelled during 2020 (Note (iv))	Lapsed during 2020 (Note (iii))	As at 31.12.2020 (Note (iii))				
<b>Consultants of the Group</b>									
	91,937,628	-	-	-	91,937,628	12.12.2013	12.12.2013 - 12.12.2013	13.12.2013 - 12.12.2023	0.344
	120,000,000	-	-	-	120,000,000	11.1.2017	N/A	11.1.2017 - 10.1.2027	0.202
	16,500,000	-	-	-	16,500,000	19.4.2017	N/A	19.4.2017 - 18.4.2027	0.700
	3,600,000	-	-	-	3,600,000	19.4.2017	N/A	19.4.2017 - 18.4.2027	0.700
	5,400,000	-	-	-	5,400,000	19.4.2017	19.4.2017 - 18.4.2018	19.4.2018 - 18.4.2027	0.700
	9,000,000	-	-	-	9,000,000	19.4.2017	19.4.2017 - 18.4.2019	19.4.2019 - 18.4.2027	0.700
	1,400,000	-	-	-	1,400,000	4.9.2017	N/A	4.9.2017 - 3.9.2027	0.455
	2,100,000	-	-	-	2,100,000	4.9.2017	4.9.2017 - 3.9.2018	4.9.2018 - 3.9.2027	0.455
	3,500,000	-	-	-	3,500,000	4.9.2017	4.9.2017 - 3.9.2019	4.9.2019 - 3.9.2027	0.455
	2,880,000	-	(2,880,000)	-	-	2.7.2019	N/A	2.7.2019 - 1.7.2029	1.920
	2,880,000	-	(2,880,000)	-	-	2.7.2019	2.7.2019 - 1.7.2020	2.7.2020 - 1.7.2029	1.920
	3,840,000	-	(3,840,000)	-	-	2.7.2019	2.7.2019 - 1.7.2021	2.7.2021 - 1.7.2029	1.920
	-	2,880,000	-	-	2,880,000	22.9.2020	N/A	22.9.2020 - 21.9.2030	0.900
	-	2,880,000	-	-	2,880,000	22.9.2020	22.9.2020 - 21.9.2021	22.9.2021 - 21.9.2030	0.900
	-	3,840,000	-	-	3,840,000	22.9.2020	22.9.2020 - 21.9.2022	22.9.2022 - 21.9.2030	0.900
	263,037,628	9,600,000	(9,600,000)	-	263,037,628				
	363,800,187	57,400,000	(54,400,000)	(2,000,000)	364,800,187				
Exercisable	324,320,187				324,620,187				
Weighted average exercise price (HK\$)	0.594	0.900	1.920	1.920	0.437				

Notes:

- (i) During the year ended 31 December 2020, the cancellation of the share options is due to the exercise price of the certain share options granted (the "Existing Share Options") was significantly higher than the market price of the shares of the Company at the time of the cancellation. The Directors considered that the Existing Share Options can no longer serve the purpose of providing incentives or rewards to the grantees ("Eligible Grantees"), the board of Directors of the Company had resolved to cancel 54,400,000 share options of Existing Share Options and had further resolved to grant new share options to the Eligible Grantees.
- (ii) The lapse of the share options is due to the resignation or retirement of employees and consultants of the Company during the years ended 31 December 2021 and 2020.
- (iii) The number of share option and the corresponding exercise price have been adjusted due to the issue of rights share during the year 2016.
- (iv) In December 2020, the Company received a notice for exercise of 1,000,000 share options where the 1,000,000 new shares of the Company were issued in January 2021 upon the exercise of the relevant share options.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (a) Equity-settled share option scheme of the Company (Cont'd)

During the year ended 31 December 2020, 57,400,000 share options were granted on 22 September 2020 ("**September 2020 Batch**"), no share option was exercised, 2,000,000 share options have been lapsed and 54,400,000 share options have been cancelled in accordance with the terms of the 2016 Scheme.

The fair value of the share options granted on 22 September 2020 was approximately HK\$16,123,000.

The fair value was calculated using the Binomial Model. The inputs into the model were as follows:

	September 2020 Batch
Share price	HK\$0.740
Exercise price	HK\$0.900
Expected volatility	37.39%
Expected option life	10 Years
Risk-free rate	0.896%
Expected dividend yield	Zero

The volatilities adopted were based on average annualised standard deviations of the continuously compounded rates of return of the share price of the Company as of the valuation date. The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

The Group recognised the share-based compensation benefits of approximately HK\$8,199,000 (2020: HK\$20,929,000) for the year ended 31 December 2021 in relation to share options granted by the Company.

During the year ended 31 December 2020, the Company repriced certain of its outstanding options. The exercise price was reduced from HK\$1.920 to HK\$0.900. The incremental fair value of approximately HK\$8,715,000 will be expensed over the remaining vesting period ranging from 0 year to 2 years. The Company used the inputs noted above to measure the fair value of the old and new options.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (b) Equity-settled share option scheme of Summit Ascent

Pursuant to an extraordinary general meeting of Summit Ascent held on 7 July 2011, the shareholders of Summit Ascent approved the adoption of a new share option scheme (the “**Summit Ascent Scheme**”) and the termination of the previous share option scheme adopted on 11 July 2002.

Under the Summit Ascent Scheme, the directors of Summit Ascent may, at their discretion, grant to any directors, executives and employees of any members of the Summit Ascent Group and consultants, professionals and other advisors to any members of the Summit Ascent Group (the “**Participant(s)**”) share options to subscribe for the Summit Ascent Shares, subject to the terms and conditions stipulated therein. The purpose of the Summit Ascent Scheme is to recognise the contribution of the Participants who have made or may make to Summit Ascent, to provide them with the opportunity to acquire proprietary interests in Summit Ascent and to encourage them to work towards enhancing the value of Summit Ascent and its shares for the benefit of Summit Ascent and its shareholders as a whole.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Summit Ascent Scheme (and under any other scheme of Summit Ascent) shall not in aggregate exceed 10% of the Summit Ascent Shares in issue as at the date of the adoption of the Summit Ascent Scheme, provided that Summit Ascent seeks approval from shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Summit Ascent Scheme (and under any other scheme of Summit Ascent) shall not exceed 30% of the Summit Ascent Shares in issue from time to time. The maximum entitlement of each Participant under the Summit Ascent Scheme in any 12-month period is 1% of the shares of Summit Ascent in issue from time to time.

As at 31 December 2021, the number of Summit Ascent Shares in respect of the options granted and remained outstanding under the Scheme was 13,496,875 (2020: 20,156,875), representing 0.30% (2020: 0.45%) of the total number of issued Summit Ascent Shares. As at 31 December 2021, the total number of shares available for issue under the Scheme was 450,944,459 (2020: 116,054,633), which represented approximately 10.00% (2020: 2.57%) of the issued Summit Ascent Shares.

The period within which an option may be exercised will be determined by the directors of Summit Ascent at its absolute discretion but no option may be exercised later than 10 years from the date on which the option is granted. The minimum period for which an option must be held before it can be exercised is determined by the directors of Summit Ascent upon the grant of an option.

The amount payable on acceptance of an option is HK\$1. The exercise price is determined by the directors of Summit Ascent, and will not be less than the higher of (i) the closing price of Summit Ascent Shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of Summit Ascent Shares. The Summit Ascent Scheme will be valid and effective for a period of ten years from the adoption date until 27 May 2031.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (b) Equity-settled share option scheme of Summit Ascent (Cont'd)

Movements of Summit Ascent's share options held by the independent non-executive directors of Summit Ascent, employees and consultants of the Group during the years ended 31 December 2021 and 31 December 2020 are set out below:

Grantees	Number of share options			Date of grant	Vesting period	Exercisable period	Exercise price per Summit Ascent Shares
	As at 1 January 2021	Lapsed	As a 31 December 2021				
<b>Independent non-executive directors of Summit Ascent</b>	1,875,000	-	<b>1,875,000</b>	13.12.2018	N/A	13.12.2018 - 12.12.2023	1.05
<b>Other employees of Summit Ascent</b>	605,625	(605,625)	-	1.9.2016	N/A	1.9.2016 - 31.8.2021	2.12
	605,625	(605,625)	-	1.9.2016	1.9.2016 - 31.8.2017	1.9.2017 - 31.8.2021	2.12
	10,621,875	-	<b>10,621,875</b>	13.12.2018	N/A	13.12.2018 - 12.12.2023	1.05
	13,708,125	(1,211,250)	<b>12,496,875</b>				
<b>Consultants of Summit Ascent</b>	2,724,375	(2,724,375)	-	1.9.2016	N/A	1.9.2016 - 31.8.2021	2.12
	2,724,375	(2,724,375)	-	1.9.2016	1.9.2016 - 31.8.2017	1.9.2017 - 31.8.2021	2.12
	300,000	-	<b>300,000</b>	2.11.2020	N/A	2.11.2020 - 1.11.2025	0.912
	300,000	-	<b>300,000</b>	2.11.2020	2.11.2020 - 1.11.2021	2.11.2021 - 1.11.2025	0.912
	400,000	-	<b>400,000</b>	2.11.2020	2.11.2020 - 1.11.2022	2.11.2022 - 1.11.2025	0.912
	6,448,750	(5,448,750)	<b>1,000,000</b>				
	20,156,875	(6,660,000)	<b>13,496,875</b>				
<b>Exercisable</b>	19,456,875		<b>13,096,875</b>				
<b>Weighted average exercise price (HK\$)</b>	1.40	2.12	<b>1.04</b>				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (b) Equity-settled share option scheme of Summit Ascent (Cont'd)

Movements of Summit Ascent's share options held by the independent non-executive directors of Summit Ascent, employees and consultants of the Group during the years ended 31 December 2021 and 31 December 2020 are set out below: (Cont'd)

Grantees	Number of share options				As at 31 December 2020	Date of grant	Vesting period	Exercisable period	Exercise price per Summit Ascent Shares
	As at 16 October 2020	Granted	Lapsed	Cancelled					
<b>Independent non-executive directors of Summit Ascent</b>									
Ascent	1,875,000	-	-	-	1,875,000	13.12.2018	N/A	13.12.2018 - 12.12.2023	1.05
<b>Other employees of Summit Ascent</b>									
	605,625	-	-	-	605,625	1.9.2016	N/A	1.9.2016 - 31.8.2021	2.12
	605,625	-	-	-	605,625	1.9.2016	1.9.2016 - 31.8.2017	1.9.2017 - 31.8.2021	2.12
	12,403,125	-	(1,781,250)	-	10,621,875	13.12.2018	N/A	13.12.2018 - 12.12.2023	1.05
	15,489,375	-	(1,781,250)	-	13,708,125				
<b>Consultants of Summit Ascent</b>									
	2,724,375	-	-	-	2,724,375	1.9.2016	N/A	1.9.2016 - 31.8.2021	2.12
	2,724,375	-	-	-	2,724,375	1.9.2016	1.9.2016 - 31.8.2017	1.9.2017 - 31.8.2021	2.12
	-	300,000	-	-	300,000	2.11.2020	N/A	2.11.2020 - 1.11.2025	0.912
	-	300,000	-	-	300,000	2.11.2020	2.11.2020 - 1.11.2021	2.11.2021 - 1.11.2025	0.912
	-	400,000	-	-	400,000	2.11.2020	2.11.2020 - 1.11.2022	2.11.2022 - 1.11.2025	0.912
	5,448,750	1,000,000	-	-	6,448,750				
	20,938,125	1,000,000	(1,781,250)	-	20,156,875				
Exercisable					19,456,875				
Weighted average exercise price (HK\$)	1.39	0.912	1.05	-	1.40				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (b) Equity-settled share option scheme of Summit Ascent (Cont'd)

The vesting period of the share options is from the date of grant until the commencement of the exercise period. Once vested, each option gives the holder of the right to subscribe for one ordinary share of Summit Ascent.

Upon completion of the Summit Ascent Rights Issue (as defined in Note 39(b)), Summit Ascent Group has calculated the necessary adjustments to the exercise prices of and the number of shares of the outstanding share options in accordance with the terms of the Summit Ascent Scheme.

On 2 November 2020, Summit Ascent granted a total of 1,000,000 share options to a consultant of the Summit Ascent, to subscribe for Summit Ascent Shares with an exercise price of HK\$0.912, under the Summit Ascent Scheme ("**November 2020 Summit Ascent Batch**").

The share options are divided into 3 tranches, 30% of which is exercisable from 2 November 2020, 30% of which is exercisable from 2 November 2021 and the remaining 40% is exercisable from 2 November 2022 respectively to 1 November 2025.

The fair value was calculated using the Binomial Model with inputs into the model as follows:

	November 2020 Summit Ascent Batch
Summit Ascent Shares price	HK\$0.890
Exercise price	HK\$0.912
Expected volatility	59.0%
Expected option life	5 Years
Risk-free rate	0.249%
Expected dividend yield	Zero

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. SHARE OPTION SCHEMES (Cont'd)

### (b) Equity-settled share option scheme of Summit Ascent (Cont'd)

The expected volatility was determined by using the historical volatility of Summit Ascent's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of Summit Ascent. The value of an option varies with different variables of certain subjective assumptions.

During the year ended 31 December 2021, 6,660,000 (during the period from 16 October 2020 to 31 December 2020: 1,781,250) share options under the Summit Ascent Scheme were lapsed.

Summit Ascent Group recognised share-based compensation benefits of approximately HK\$162,000 (For the period from 16 October 2020 to 31 December 2020: approximately HK\$123,000) for the year ended 31 December 2021 in relation to share options granted by Summit Ascent.

During the year ended 31 December 2021, no share options were granted, exercised or cancelled under the Summit Ascent Scheme.

During the year ended 31 December 2020, no share options were exercised or cancelled under the Summit Ascent Scheme.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Golden Medal Limited (“Golden Medal”)

On 20 January 2020, the Company completed the acquisition of an aircraft through the acquisition of the entire equity interest in Golden Medal.

The acquisition was determined by the Directors to be acquisition of assets through acquisition of a subsidiary rather than a business combination as the asset acquired did not constitute a business as defined under HKFRS 3 (revised) *Business Combinations*.

HK\$'000

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#### Cash outflow included in purchases of property, operating right and equipment in cash flows from investing activities:

Cash consideration paid	70,148
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### (b) Acquisition of Summit Ascent

On 1 June 2020, Summit Ascent, an associate of the Group of which the shares are listed on the Main Board of the Stock Exchange, proposed to raise not less than approximately HK\$1,623.40 million before expenses and not more than approximately HK\$1,641.70 million before expenses by issuing rights shares on the basis of three rights shares for every two shares at the subscription price of HK\$0.6 per rights share (the “**Summit Ascent Rights Issue**”).

On the same date, the Company and Victor Sky Holdings Limited (“**Victor Sky**”), a direct wholly-owned subsidiary of the Company, entered into an irrevocable undertaking with Summit Ascent that the Company and Victor Sky will accept and pay for 669,462,696 rights shares to be provisionally allotted to the Company and Victor Sky under the Summit Ascent Rights Issue and Victor Sky entered into an underwriting agreement with Summit Ascent to underwrite a maximum number of 2,066,705,058 rights shares.

On 15 October 2020, the Summit Ascent Rights Issue had been completed (the “**Completion Date**”) and the Company as the shareholder and Victor Sky as underwriter and shareholder have taken up in total of 2,695,253,547 rights shares of Summit Ascent and the Group’s equity interest in Summit Ascent increased from approximately 24.74% to approximately 69.66%. Accordingly, Summit Ascent had been accounted for as a non-wholly owned subsidiary of the Company and its financial results were consolidated in the consolidated financial statements of the Company since then.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (b) Acquisition of Summit Ascent (Cont'd)

Prior to the Summit Ascent Rights Issue, the Group held approximately 24.74% equity interest in Summit Ascent (the “**Existing Shareholding**”). The fair value of the Existing Shareholding as at the Completion Date of approximately HK\$325,805,000 was calculated with reference to the quoted share price of Summit Ascent of HK\$0.73 per share as at the Completion Date. The aggregate carrying amount of the Group’s interests in Summit Ascent for the Existing Shareholding immediately before the Completion Date was approximately HK\$475,341,000.

Difference between the fair value of the Existing Shareholding and the aggregate carrying amount of the Group’s interests in Summit Ascent, together with the release of exchange reserve upon remeasurement of the Existing Shareholding upon business combination of approximately HK\$27,132,000 as at the Completion Date of approximately HK\$122,404,000 had been recognised in the consolidated statement of profit or loss of the Group as a loss on remeasurement of the Existing Shareholding upon business combination during the year ended in December 2020.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculation of gain on bargain purchase in relation to the acquisition of approximately 69.66% equity interest in Summit Ascent (the “**Summit Ascent Acquisition**”) in accordance with HKFRS 3 (revised) *Business Combinations*.

After the Summit Ascent Acquisition, the Group can extend the hotel and casino businesses to further enhance the Group’s future earning capability. This acquisition was accounted for using purchase price allocation method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (b) Acquisition of Summit Ascent (Cont'd)

Assets acquired and liabilities recognised at the date of the Summit Ascent Acquisition are as follows:

	<b>Summit Ascent carrying amount before combination</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)
Property, operating right and equipment (Note 14)	1,374,199	159,661	1,533,860
Right-of-use assets (Note 15)	5,107	–	5,107
Prepayments and deposits for non-current assets	13,532	–	13,532
Intangible assets (Note 17)	407	–	407
Inventories	1,923	–	1,923
Trade and other receivables and prepayments	28,046	–	28,046
Bank balances and cash	2,436,477	–	2,436,477
Trade and other payables	(42,747)	–	(42,747)
Contract liabilities	(1,965)	–	(1,965)
Loans from non-controlling shareholders of a subsidiary	(170,292)	–	(170,292)
Liabilities for VAT arrangements	(28,883)	–	(28,883)
Lease liabilities	(4,168)	–	(4,168)
<b>Fair value of net assets acquired</b>	<b>3,611,636</b>	<b>159,661</b>	<b>3,771,297</b>
Non-controlling interests arising from Summit Ascent Acquisition			(1,472,820)
Gain on bargain purchase on Summit Ascent Acquisition			(348,283)
<b>Total consideration</b>			<b>1,950,194</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (b) Acquisition of Summit Ascent (Cont'd)

	HK\$'000 (Restated)
<hr/>	
Satisfied by:	
Cash consideration paid	1,624,389
Fair value of the Existing Shareholding	325,805
	<hr/>
	1,950,194
<hr/>	
<b>Net impact on the consolidated statement of profit or loss:</b>	
Loss on remeasurement of the Existing Shareholding upon business combination	(122,404)
Gain on bargain purchase on Summit Ascent Acquisition	348,283
	<hr/>
Gain on bargain purchase, net	225,879
	<hr/>

The fair value of trade and other receivables of Summit Ascent Group at the Completion Date approximated their gross contractual amounts and were expected to be fully recovered in the future.

An analysis of the cash flows in respect of the Summit Ascent Acquisition is as follows:

	HK\$'000 (Restated)
<hr/>	
<b>Net cash inflow arising from Summit Ascent Acquisition:</b>	
Cash consideration paid	(1,624,389)
Bank balances and cash acquired	2,436,477
	<hr/>
Net cash inflow included in cash flows from investing activities	812,088
Transaction costs of the Summit Ascent Acquisition included in cash flows from operating activities	(6,632)
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	805,456
	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (b) Acquisition of Summit Ascent (Cont'd)

Notes:

- (i) The non-controlling interests recognised at the Completion Date were measured at the non-controlling interests' proportionate share of Summit Ascent Group's net identifiable assets and liabilities.
- (ii) The Group's interest in the net fair value of Summit Ascent Group's identifiable assets and liabilities at the Completion Date exceeded the cost of the business combination. Before recognising a gain on a bargain purchase, the Group reassessed whether it had correctly identified all of the assets acquired and all of the liabilities assumed and any additional assets or liabilities that should be identified in that review. The consideration of the Summit Ascent Rights Issue was determined after taking into account, among other things, the historical trading prices of Summit Ascent's shares, Summit Ascent Group's financial performance and the trading multiples of comparable companies, and represented a discount to the net asset value attributable to owners of Summit Ascent. Accordingly, the net fair value of Summit Ascent Group's identifiable assets and liabilities attributable to equity interest acquired by the Group at the Completion Date exceeded the cost of the business combination and an overall net gain on bargain purchase of approximately HK\$348,283,000 was recognised immediately in the profit or loss, which was resulted from the discount of trading prices to the net asset value.

Acquisition related costs amounting to approximately HK\$6,632,000 had been excluded from the consideration and had been recognised as administrative expenses and other operating expenses in the consolidated statement of profit or loss during the year ended 31 December 2020.

During the period from the Completion Date to the end of the reporting period, Summit Ascent Group contributed approximately HK\$47,685,000 to the Group's revenue and a loss of approximately RMB21,048,000 to the Group's consolidated profit for the year ended 31 December 2020.

Had the Summit Ascent Acquisition taken place at the beginning of the year ended 31 December 2020, the revenue and the profit from continuing operations for the year ended 31 December 2020 of the Group would have been approximately HK\$345,411,000 and approximately HK\$1,236,373,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually achieved when the Summit Ascent Acquisition was completed on 1 January 2020, nor is it intended to be a projection of future results.

### (c) Acquisition of Dongyang Xinguang

During the year ended 31 December 2020, the Group had succeeded in a judicial auction for the acquisition of 100% equity interest in Dongyang Xinguang, a company established in the PRC with limited liability at the bidding price of RMB26,500,000 (equivalent to approximately HK\$29,819,000), and was registered as the registered owner of 100% equity interest in Dongyang Xinguang on 19 November 2020 (the "**Dongyang Xinguang Acquisition**").

After the Dongyang Xinguang Acquisition, the Group can extend the property leasing and management and operation of shopping malls businesses in order to further enhance the Group's future earning capability. This acquisition is accounted for using purchase price allocation method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (c) Acquisition of Dongyang Xinguang (Cont'd)

Assets acquired and liabilities recognised at date of the Dongyang Xinguang Acquisition were as follows:

	<b>Dongyang Xinguang's carrying amount before combination</b>	<b>Provisional fair value adjustment</b>	<b>Provisional fair value</b>
	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
Property, operating right and equipment (Note 14)	1,424	–	1,424
Right-of-use assets (Note 15)	63,227	3,217	66,444
Trade and other receivables and prepayments	36,619	(11,851)	24,768
Bank balances and cash	9,075	–	9,075
Trade and other payables	(12,819)	–	(12,819)
Rent and other deposits	(5,204)	–	(5,204)
Lease liabilities	(67,340)	896	(66,444)
Current tax liabilities	(477)	–	(477)
<b>Fair value of net assets acquired</b>	<b>24,505</b>	<b>(7,738)</b>	<b>16,767</b>
Consideration paid			29,819
Goodwill (Note 17)			13,052

The fair value of trade and other receivables of Dongyang Xinguang at the date of acquisition amounted to approximately HK\$24,768,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK\$36,619,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK\$11,851,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (c) Acquisition of Dongyang Xinguang (Cont'd)

An analysis of the cash flows in respect of the Dongyang Xinguang Acquisition is as follows:

	HK\$'000 (Restated)
<hr/>	
<b>Net cash outflow arising from Dongyang Xinguang Acquisition:</b>	
Cash consideration paid	(29,819)
Less: bank balances and cash acquired	9,075
<hr/>	
Net cash outflow included in cash flows from investing activities	(20,744)
Transaction costs of the Dongyang Xinguang Acquisition included in cash flows from operating activities	(56)
<hr/>	
	(20,800)
<hr/>	

Note:

- (i) Goodwill arose in the Dongyang Xinguang Acquisition. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of Dongyang Xinguang. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Acquisition related costs amounting to approximately HK\$56,000 had been excluded from the consideration and have been recognised as administrative expenses in the consolidated statement of profit or loss during the year ended 31 December 2020.

During the period from the date of acquisition to the end of the reporting period, Dongyang Xinguang contributed approximately HK\$1,504,000 to the Group's revenue and a loss of approximately HK\$428,000 to the Group's consolidated profit for the year ended 31 December 2020.

Had the Dongyang Xinguang Acquisition taken place at the beginning of the year ended 31 December 2020, the revenue and the profit from continuing operations for the year ended 31 December 2020 of the Group would have been approximately HK\$206,891,000 and approximately HK\$1,279,406,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually achieved when the Dongyang Xinguang Acquisition was completed on 1 January 2020, nor is it intended to be a projection of future results.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. 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 direct wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (equivalent to approximately HK\$186,624,000). 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 the 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 are as follows:

	HK\$'000
<b>Net liabilities disposed of</b>	
Property, operating right and equipment	346
Investment properties	1,412,823
Right-of-use assets	2,707
Deferred tax assets	79
Inventories	401,698
Trade and other receivables and prepayments	18,630
Pledged bank deposits	368
Restricted bank deposits	3,007
Bank balances and cash	97
Trade and other payables	(127,852)
Amounts due from the Group	1,771,613
Amounts due to the Group	(3,357,042)
Contract liabilities	(151,661)
Receipt in advance	(1,065)
Rent and other deposits	(7,238)
Provision for potential claims	(27,117)
Bank and other borrowings	(681,408)
Lease liabilities	(2,815)
Current tax liabilities	(6,500)
Deferred tax liabilities	(282,422)
Net liabilities disposed of	(1,033,752)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (Cont'd)

### (a) The net liabilities at the date of the disposal of subsidiaries are as follows: (Cont'd)

	HK\$'000
Cash consideration received	186,624
Net liabilities disposed	1,033,752
Waiver of amounts due to the Group	(961,407)
Other costs directly attributable to the Disposal	(1,306)
Fair value loss on initial recognition of a loan receivable	(28,843)
Loss on indemnification arising from the Disposal	(27,084)
	<hr/>
Gain on disposal of subsidiaries	201,736

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

	HK\$'000
Cash consideration received	186,624
Bank balances and cash disposed of	(97)
	<hr/>
Total net cash inflow from the disposal	186,527

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (Cont'd)

### (b) Results of the discontinued operations have been included in the 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 consolidated financial statements for the year ended 31 December 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 year ended 31 December 2021.

	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Revenue</b>		
– Contracts with customers	3,172	6,606
– Leases	19,694	35,786
<b>Total revenue</b>	<b>22,866</b>	42,392
Cost of sales	(6,792)	(6,072)
<b>Gross profit</b>	<b>16,074</b>	36,320
Other income, gains and losses	610	2,491
Selling and distribution expenses	(842)	(690)
Administrative expenses	(10,054)	(23,995)
Other operating expenses	(7,773)	(3,911)
Change in fair value of investment properties	(11,988)	(467,874)
Reversal of provision for litigation	21,361	–
Finance costs	(32,776)	(59,822)
Loss before taxation	(25,388)	(517,481)
Income tax credit	467	115,414
<b>Loss for the year from discontinued operations</b>	<b>(24,921)</b>	(402,067)
Gain on disposal of subsidiaries (Note 40(a))	201,736	–
<b>Profit (loss) for the year from discontinued operations</b>	<b>176,815</b>	(402,067)
Exchange differences arising on translation from functional currency to presentation currency	(9,997)	(57,161)
<b>Total comprehensive income (expense) for the year attributable to equity holders of the Company arose from discontinued operations</b>	<b>166,818</b>	(459,228)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (Cont'd)

### (b) Results of the discontinued operations have been included in the consolidated statement of profit or loss and other comprehensive income: (Cont'd)

	2021 HK\$'000	2020 HK\$'000 (Restated)
Net cash flows used in operating activities	(6,899)	(366,683)
Net cash flows used in investing activities	(430)	(1,839)
Net cash flows (used in) generated from financing activities	(355)	371,854
<b>Net (decrease) increase in cash and cash equivalents of the Disposal Group</b>	<b>(7,684)</b>	3,332
Basic earnings (loss) per share from discontinued operations attributable to shareholders of the Company (HK cents)	2.65	(6.03)
Diluted earnings (loss) per share from discontinued operations attributable to shareholders of the Company (HK cents)	2.15	(4.71)

### (c) Profit (loss) for the year from discontinued operations

Profit (loss) for the year from discontinued operations is stated after charging (crediting) the following:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Depreciation of property, operating right and equipment	71	136
Depreciation of right-of-use assets	891	1,686
Total depreciation and amortisation	962	1,822
Staff costs, excluding Directors		
– salaries and wages	5,362	9,718
– retirements benefits scheme contributions	934	265
Total staff costs, excluding Directors	6,296	9,983
Impairment loss recognised in respect of other receivables	–	2,818
Short-term and lease payments (including COVID-19 related rent concessions of nil (2020: HK\$440,000))	4	(440)
Cost of sales		
– cost of services rendered	6,792	6,072
Gross rental income from investment properties	(19,694)	(35,786)
Less: Direct operating expenses incurred for investment properties included in cost of sales	4,728	2,678
	<b>(14,966)</b>	<b>(33,108)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. CONTINGENT LIABILITIES

- (a) 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 this regard, approximately RMB37 million (equivalent to approximately HK\$45.3 million) (31 December 2020: approximately RMB37 million) (equivalent to approximately HK\$44.0 million) is recorded as trade and other payables in the consolidated financial statements of the Group as at 31 December 2021. In connection with three (31 December 2020: Nil) of the litigations, court judgements were received and the Group is obliged to pay the compensation to a plaintiff of approximately RMB8.4 million (equivalent to approximately HK\$10.2 million) (31 December 2020: Nil). The judgements are being enforced for execution and the Group had recorded full amount as trade and other payables as at 31 December 2021. 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 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 (equivalent to approximately HK\$186,624,000); and (ii) the principal amount of the Shenzhen Sky Alliance Loan amounting to RMB519,249,000 (equivalent to approximately HK\$623,099,000), in the aggregate amount of RMB674,539,000 (equivalent to approximately HK\$809,723,000). In this regard, approximately RMB17,703,000 (equivalent to approximately HK\$21,653,000) was recorded as provision for indemnity included in "other payables" in the consolidated financial statements as at 31 December 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 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Guarantees given to banks for mortgage facilities granted to buyers	–	740

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. CONTINGENT LIABILITIES (Cont'd)

(c) (Continued)

The fair value of the guarantees at date of inception was not significant and was not recognised in the consolidated financial statements. The Directors consider that no provision should be recognised at the end of each reporting period as the potential cash outflow related to the guarantee was not probable.

(d) As at 31 December 2020, bank balances of approximately HK\$355,000 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 40. Upon the completion of the Disposal, the Group no longer has the contingent liabilities as set out in (c) and (d) above.

## 42. OPERATING LEASE COMMITMENTS

### The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 1 – 5 years (2020: 1 – 6 years) respectively.

Minimum lease payments receivable on lease are as follow:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000 (Restated)
Within one year	–	36,253
In the second year	–	16,764
In the third year	–	17,267
In the fourth year	–	17,785
In the fifth year	–	18,319
Over five years	–	12,579
	–	118,967

The investment properties rented during the year have no committed tenants for terms (2020: ranging from 3 to 20 years). In addition to the minimum lease payments, the Group is entitled to receive contingent rent based on a fixed percentage of turnover of the tenants as stated in the relevant rental agreements, the percentage is ranging from 6% to 9.5% (2020: 2% to 12%) for the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 43. CAPITAL COMMITMENTS

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

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Contracted but not provided for	<b>3,600,183</b>	4,763,350

## 44. RELATED PARTY DISCLOSURES

As stated in Note 25, the Group is engaged in the travel related businesses by providing hotel accommodation, transportation and entertainment to external individual customers (“**Ultimate Customers**”). Substantially all of this business is derived from Ultimate Customers referred to the Group by its controlling shareholder and/or its controlled entities, and these Ultimate Customers were also customers of the controlling shareholder and/or its controlled entities in their other businesses. Also, the controlled entities are the major suppliers of the underlying services (such as provision of hotel rooms, cars and similar products), as well as the settlement agent for certain Ultimate Customers. Therefore, the Group’s trade receivables and trade payables were net settled with the controlling shareholder and/or its controlled entities on a regular basis.

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during both years:

<b>Name of related parties</b>	Notes	<b>Nature of transactions</b>	<b>2021</b>	2020
			<b>HK\$'000</b>	HK\$'000 (Restated)
Fame Select	(i)	Imputed interest expense on 2016 Convertible Bond	<b>61,122</b>	33,348
Sun City Gaming Promotion	(ii)	Travel agency services income	<b>170</b>	62
		Purchase of hotel accommodation products	<b>39,978</b>	113,800
		Purchase of travel related products	–	100
		Management service fee expense	<b>2,751</b>	2,921

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. RELATED PARTY DISCLOSURES (Cont'd)

Name of related parties	Notes	Nature of transactions	2021 HK\$'000	2020 HK\$'000 (Restated)
Star Hope	(ii)	Imputed interest expense on 2018 Convertible Bond	<b>32,265</b>	21,737
		Imputed interest expense on 2018 Promissory Note	<b>54,575</b>	33,798
		Imputed interest expense on 2018 Loan	–	15,318
		Imputed interest expense on 2019 Loan 1	–	46,152
		Imputed interest expense on 2019 Loan 2	–	22,746
		Imputed interest expense on 2020 Loan 1	–	4,017
		Imputed interest expense on 2020 Loan 2	–	23,759
		Imputed interest expense on 2021 Loan	<b>9,603</b>	–
		Interest expense on 2018 Promissory Note	<b>6,060</b>	6,027
		Interest expense on loans	<b>2,284</b>	59,125
		Proposed distribution for Perpetual Securities	<b>269,227</b>	89,036
Hoi An South Development Ltd	(iii)	Hotel and integrated resort general consultancy services income	<b>3,284</b>	7,563
Better Linkage	(viii)	Imputed interest expense on 2018 Convertible Bond	<b>21,875</b>	14,737
Mr. Chau and Ms. Chan Wai Leng	(v)	Sales of travel related products	<b>74</b>	101
		Travel agency services income	<b>179</b>	313
Mr. Lo Kai Bong	(iv)	Sales of travel related products	<b>2</b>	65
		Travel agency services income	<b>23</b>	1
Mr. Cheng Ting Kong	(vii)	Travel agency services income	–	1,005

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. RELATED PARTY DISCLOSURES (Cont'd)

Name of related parties	Notes	Nature of transactions	2021 HK\$'000	2020 HK\$'000 (Restated)
GYE	(vi)	Interest income on loans to a joint venture	<b>37,077</b>	22,719
		Imputed interest income on loans to a joint venture	<b>38,650</b>	27,326
Non-controlling shareholders of Oriental Regent		Imputed interest expense on ORL Loans	<b>8,215</b>	1,788
Westside and/or Travellers	(ix)	Additions to construction in progress	–	163,680
		Additions to right-of-use asset	–	1,344,469
		Recognition of lease liabilities and right-of-use asset on the date of lease commencement	–	857,334
		Interest on lease liabilities capitalised in construction in progress included in property, operating rights and equipment	<b>37,176</b>	–
Brightleisure Management Inc. (“Brightleisure”)	(ix)	Consultancy service fee expense	<b>4,020</b>	–
Asian E-Commerce, Inc. (“Asian E-Commerce”)	(x)	Proceeds from disposal of equity interest in First Oceanic Property Management, Inc., an associate of the Company	<b>24,768</b>	–

Notes:

- (i) Fame Select is the immediate holding company of the Company.
- (ii) Sun City Gaming Promotion and Star Hope are wholly-owned by Mr. Chau, the major shareholder, former executive director and former chairman of the Company.
- (iii) Hoi An South Development Ltd is an indirect non-wholly owned subsidiary of GYE which is a joint venture of the Company. The Company indirectly interested in approximately 34% equity interest in Hoi An South Development Ltd.
- (iv) Mr. Lo Kai Bong, an executive director of the Company.
- (v) Ms. Chan Wai Leng is the spouse of Mr. Chau.
- (vi) GYE is a joint venture of the Company. The Company indirectly interested in 50% equity interest in GYE.
- (vii) Mr. Cheng Ting Kong is interested in 50% equity interest in Fame Select.
- (viii) Better Linkage is wholly-owned by Mr. Lo Kai Bong.
- (ix) Westside/Travellers are fellow subsidiaries of a non-controlling shareholder of Suntrust. Brightleisure is a wholly-owned subsidiary of Travellers.
- (x) Asian E-Commerce is 50%-owned by a non-controlling shareholder of Suntrust.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. RELATED PARTY DISCLOSURES (Cont'd)

None of the above transactions are connected transactions or continuing connected transactions for the Company under Chapter 14A of the Listing Rules save the following:

- the transactions with Sun City Gaming Promotion to which the above note (ii) related constituted continuing connected transactions for the Company during the year. The Company confirmed that it has complied with the applicable disclosure requirement in accordance with Chapter 14A of the Listing Rules;
- the transactions with Mr. Chau and Ms. Chan Wai Leng to which the above note (v) related constituted continuing connected transactions for the Company during the year. The Company confirmed that it has complied with the applicable disclosure requirement in accordance with Chapter 14A of the Listing Rules;
- the transactions with Westside and/or Travellers and Asian E-Commerce to which the above notes (ix) and (x) related constituted connected transactions for the Company during the year. The Company confirmed that it has complied with the applicable disclosure requirement in accordance with Chapter 14A of the Listing Rules;
- the transaction with Brightleisure to which the above note (x) related constituted connected transaction for the Company during the year. Given the applicable percentage ratios are all less than 1% and the transaction with Brightleisure was on normal commercial terms and is a connected transaction only because it involved connected person of the Company at the subsidiary level, the transaction with Brightleisure was exempted from the requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b);
- the interest expense on loans paid to Star Hope referred to in the above note (ii) related to loans from Star Hope which constituted continuing connected transactions for the Company during the year but were exempted from disclosure requirement under Chapter 14A of the Listing Rules for the loans are being on better terms to the Group; and
- the transactions to which the above note (iv) related constituted continuing connected transactions for the Company during the year but were exempted from disclosure requirement under Chapter 14A of the Listing Rules for being de minimis.

Remuneration for key management personnel of the Group, including amounts paid to Directors and certain of the highest paid employees as disclosed in Note 10.

## 45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which includes amounts due to a former director/director, related companies and non-controlling shareholders of a subsidiary, loans from a related company and non-controlling shareholders of subsidiaries, bank and other borrowings, and convertible bonds as disclosed in Notes 25, 32 and 33(a) and (b), respectively, net of pledged bank deposits, restricted bank deposits and bank balances and cash, comprising share capital, share premium and other reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
<b>Financial assets</b>		
Derivative financial instrument	4,570	3,209
Amortised cost	2,483,931	3,102,034
	<b>2,488,501</b>	3,105,243
<b>Financial liabilities</b>		
Amortised cost	2,401,145	2,859,539
Lease liabilities	1,019,024	989,881
Derivative financial instruments	13,301	837,595
	<b>3,433,470</b>	4,687,015

### (b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets included in trade and other receivables, loan receivable, financial assets included in deposits for non-current financial assets, derivative financial instruments, amounts due from directors and a non-controlling shareholder of a subsidiary, bank balances and cash, loans to and amounts due from a joint venture, pledged bank deposits, restricted bank deposits, financial liabilities included in trade and other payables, amounts due to related companies, a former director/director and non-controlling shareholders of a subsidiary, loans from a related company and non-controlling shareholders of subsidiaries, rent and other deposits, interest payables, liabilities for VAT arrangement, lease liabilities, convertible bonds, derivative financial instruments, and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risks

##### (i) Currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Directors believe that the Group does not have significant foreign exchange exposures as foreign currency risk is mitigated through holding the relevant currencies for future settlement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### Market risks (Cont'd)

##### (i) Currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the Group to which they related at the end of each reporting period are as follows:

	Liabilities		Assets	
	2021	As at 31 December	2021	2020
	HK\$'000	2020 HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
RMB	21,653	–	–	–
HK\$	–	1,561,726	–	222,915
US\$	1,108,741	1,061,792	1,107,150	504,472
RUB	56,607	66,491	311,204	39,281

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on a 10% increase/decrease in functional currency of respective entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risks (Cont'd)*

##### (i) *Currency risk (Cont'd)*

Sensitivity analysis (Cont'd)

#### **31 December 2021**

If HK\$ had been 10% strengthened/weakened to RMB for respective RMB denominated monetary assets and liabilities, the Group's post-tax loss for the year ended 31 December 2021 would have decreased/increased by approximately HK\$1,732,000.

As HK\$ is pegged to the US\$ within a narrow band, the Group does not expect any significant movements in the US\$/HK\$ exchange rate and the currency risk exposure for HK\$ is not significant.

If HK\$ had been 10% strengthened/weakened to RUB for respective RUB denominated monetary assets and liabilities, the Group's post-tax loss for the year ended 31 December 2021 would have increased/decreased by approximately HK\$25,460,000.

#### 31 December 2020

If RMB had been 10% strengthened/weakened to HK\$ for respective HK\$ denominated monetary assets and liabilities, the Group's post-tax profit for the year ended 31 December 2020 would have increased/decreased by approximately RMB84,506,000 (equivalent to approximately HK\$100,411,000).

If RMB had been 10% strengthened/weakened to US\$ for respective US\$ denominated monetary assets and liabilities, the Group's post-tax profit for the year ended 31 December 2020 would have increased/decreased by approximately RMB35,178,000 (equivalent to approximately HK\$41,799,000).

If RMB had been 10% strengthened/weakened to RUB for respective RUB denominated monetary assets and liabilities, the Group's post-tax profit for the year ended 31 December 2020 would have increased/decreased by approximately RMB1,717,000 (equivalent to approximately HK\$2,041,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risks (Cont'd)*

##### (ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to amounts due to a related companies (Note 25(c)), loans from a related company (Note 25(e)), loans from non-controlling shareholders of a subsidiary (Note 25(d)), other borrowings (Note 32), debt component of convertible bonds (Notes 33(a) and (b)) and lease liabilities (Note 34).

The Group is also exposed to cash flow interest rate risk in relation to the restricted bank deposits (Note 26), pledged bank deposits (Note 26), bank balances (Note 27), bank borrowings (Note 32) due to the fluctuation of the prevailing market interest rates for both years.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The Directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of interest rate arising from the Group's restricted bank deposits, pledged bank deposits, bank balances and bank borrowings.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for restricted bank deposits, pledged bank deposits, bank balances and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points for restricted bank deposits, pledged bank deposits and bank balances and 50 basis points for bank borrowings increase or decrease are used during the year for the Group when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of restricted bank deposits, pledged bank deposits and bank balances had been 10 basis points higher/lower and all other variables were held constant, the post-tax loss for the year ended 31 December 2021 would have decreased/increased by approximately HK\$1,258,000 (2020: post-tax profit would have increased/decreased by approximately HK\$2,042,000).

If interest rates of bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year ended 31 December 2020 would have decreased/increased by approximately HK\$1,727,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risks (Cont'd)*

##### (iii) *Other price risk*

The Group is also required to estimate the fair value of the derivative financial instruments at the end of each reporting period with changes in fair value to be recognised in the consolidated statement of profit or loss and other comprehensive income as long as the convertible bonds and the put option are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, share market price and share price volatility of the Company and its subsidiary, Suntrust.

#### *Sensitivity analysis*

The sensitivity analyses of derivative financial instruments below have been determined based on the exposure to equity price risk and volatility risk arising from derivative financial instruments at the end of the reporting period only as the Directors consider that the change in market interest rate may not have significant financial impact on the fair value of derivative financial instruments.

#### *Changes in share price*

If the Company's share price had been 5% higher/lower and all other variables were held constant, the Group's post-tax loss for the year (as a result of changes in fair value of derivative financial instruments) would have increased/decreased by approximately HK\$1,829,000 (2020: post-tax profit for the year would have decreased/increased by approximately HK\$58,874,000).

If the Suntrust's share price had been 5% higher/lower and all other variables were held constant, the Group's post-tax loss for the year (as a result of changes in fair value of derivative financial instruments) would have increased/decreased by approximately HK\$182,000 (2020: post-tax profit for the year would have decreased/increased by approximately HK\$170,000).

#### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, loan receivable, loans to/amounts due from a joint venture, restricted bank deposits, pledged bank deposits, bank balances, amounts due from directors, amount due from non-controlling shareholders of a subsidiary and other receivables/other deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for the loan receivable as mentioned in Note 21.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment is set out as follows.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

*Trade receivables arising from contracts with customers/trade related amounts due from directors/  
amount due from a non-controlling shareholder of a subsidiary*

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 99% (31 December 2020: 36%) of the total trade receivables was due from five largest customers as at 31 December 2021. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. In addition, the Group performs impairment assessment under ECL model on trade receivables and trade related amounts due from directors and amount due from a non-controlling shareholders of a subsidiary individually.

As stated in Note 25, controlling shareholders and/or its controlled entities act as collecting agent for the Group, therefore the Group has concentration of credit risk under such arrangement.

As at 31 December 2021, loss allowance of approximately HK\$4,225,000 was provided on trade receivables on individual basis (31 December 2020: HK\$2,275,000). The Directors considered that no other loss allowance is necessary at the end of the reporting period.

As at 31 December 2021 and 2020, no material loss allowance on trade related amounts due from directors is provided on individual basis. The Directors considered that no other loss allowance is necessary at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

##### *Other receivables/other deposits*

For other receivables and other deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records and past experience. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. As at 31 December 2021, approximately HK\$414,000 (31 December 2020: HK\$2,993,000) was provided on other receivable and other deposits on individual basis based on management's assessment of the credit risk. As at 31 December 2021 and 2020, the Group assessed the ECL for the remaining other receivables and other deposits were insignificant and thus no loss allowance was recognised.

##### *Equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture*

The detail are set out in Note 20.

##### *Loan receivable*

The details are set out in Note 21.

##### *Pledged bank deposits/restricted bank deposits/bank balances*

Credit risk on pledged bank deposit, restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits, restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

Based on the Group's internal credit rating, no material loss allowance is recognised for pledged bank deposit, restricted bank deposits and bank balances for the years ended 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

The table below details the credit risk exposures of the Group, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount as at 31 December	
					2021 HK\$'000	2020 HK\$'000 (Restated)
Equity loans to a joint venture	20	N/A	(Note (ii))	Lifetime ECL (2020:12m ECL)	<b>507,086</b>	507,086
Loans to a joint venture	20	N/A	(Note (ii))	Lifetime ECL (2020:12m ECL)	<b>360,938</b>	320,306
Amounts due from a joint venture	20	N/A	(Note (ii))	Lifetime ECL (2020:12m ECL)	<b>39,797</b>	10,896
Loan receivable	21	N/A	(Note (ii))	12m ECL	<b>599,209</b>	–
Trade receivables – contracts with customers – leases	24	N/A	(Note (i))	Lifetime ECL	<b>6,033</b> –	23,602 8,618
Amounts due from directors	25(b)	N/A	(Note (i))	Lifetime ECL	–	68
Amount due from a non-controlling shareholder of a subsidiary	25(f)	N/A	(Note (i))	Lifetime ECL	–	4,412
Other receivables	24	N/A	(Note (ii))	12m ECL	<b>120,331</b>	30,344
Other deposits	18, 24	N/A	(Note (ii))	12m ECL	<b>6,338</b>	57,850
Pledged bank deposits	26	AA+	N/A	12m ECL	<b>1,534</b>	6,898
Restricted bank deposits	26	AA+	N/A	12m ECL	<b>1</b>	3,569
Bank balances	27	AA+	N/A	12m ECL	<b>1,571,507</b>	2,634,018

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

The table below details the credit risk exposures of the Group, which are subject to ECL assessment:  
(Cont'd)

Notes:

- (i) For trade receivables and trade related amounts due from directors and amount due from a non-controlling shareholder of a subsidiary, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECLs on these items on individual basis. Trade receivables of approximately HK\$6,033,000 (31 December 2020: HK\$32,200,000), trade related amount due from directors of approximately HK\$68,000 as at 31 December 2020, and amounts due from a non-controlling shareholder of a subsidiary of approximately HK\$4,412,000, as at 31 December 2020, are assessed on individual basis within lifetime ECL (not credit impaired).

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

- (ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Not past due</b>		
Equity loans to a joint venture	<b>507,086</b>	507,086
Loans to a joint venture	<b>360,938</b>	320,306
Loan receivable	<b>599,209</b>	–
Amounts due from a joint venture	<b>7,299</b>	10,896
Other receivables	<b>120,331</b>	30,344
Other deposits	<b>6,338</b>	57,850
<b>Past due</b>		
Amounts due from a joint venture	<b>32,498</b>	–

For the year ended 31 December 2021, equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture are assessed based on lifetime ECL while loan receivable, other receivables and other deposits are assessed based on 12m ECL.

For the year ended 31 December 2020, equity loans to a joint venture, loans to a joint venture, amounts due from a joint venture, other receivables and other deposits were assessed based on 12m ECL.

- (iii) The key measuring parameters of ECL include probability of default (“**PD**”), loss given default (“**LGD**”) and exposure at default (“**EAD**”). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group’s PD is adjusted based on the results of the Internal Rating-Based Approach, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor’s point-in-time PD under the current macroeconomic environment;
- LGD refers to the Group’s expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

The table below details the credit risk exposures of the Group, which are subject to ECL assessment:  
(Cont'd)

Notes: (Cont'd)

(iii) (Cont'd)

#### **Forward-looking information**

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators and determines the impact of these economic indicator on the PD and the LGD.

The following table provides information about the Group's exposure to credit risk and ECLs for equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture as at 31 December 2021 and 2020:

	2021			2020		
	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rate (%)	Gross carrying amount HK\$'000 (Restated)	Loss allowance HK\$'000 (Restated)
Equity loans to a joint venture	23.6	507,086	119,717	–	507,086	–
Loans to a joint venture	39.2 - 61.7	360,938	194,212	–	320,306	–
Amounts due from a joint venture	39.2 - 61.7	39,797	22,906	–	10,896	–
		<b>907,821</b>	<b>336,835</b>		838,288	–

During the year ended 31 December 2021, the joint venture failed to repay the interest on one of the three loans to a joint venture and this indicated that an actual or expected significant deterioration in the operating results of the joint venture.

In view of this, the management of the Group considers that there was significant increase in credit risks during the year and assessed the ECL on the loans to and the amounts due from the joint venture changing from 12-month ECL to lifetime ECL during the year ended 31 December 2021.

In determining the expected credit loss rate of loans to and due from the joint venture, the financial position and performance of the joint venture and its subsidiaries including but not limited to financial information, business prospects and business forecasts of the joint venture and its subsidiaries were assessed and a credit rating was assigned.

(iv) The following table shows the movement in lifetime ECL that has been recognised for equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture.

	<b>Lifetime ECL (not-credit impaired) HK\$'000</b>
At 1 January 2021	–
Allowance for credit loss	336,835
<b>At 31 December 2021</b>	<b>336,835</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. A monthly report on forecasted inflow and outflow of cash is compiled for the review by the Directors. The management monitors the utilisation of bank and other borrowings and loans from a related company.

The Group relies on bank and other borrowings, loans from a related company, convertible bonds and perpetual securities as significant sources of liquidity. As at 31 December 2021, the Group's current assets exceeded its current liabilities by approximately HK\$699,255,000 (31 December 2020: HK\$1,605,560,000). The Group is in consolidated net assets position of approximately HK\$4,826.8 million (31 December 2020: HK\$5,466.5 million) as at 31 December 2021. Taking into consideration of the financial resources of the Group and the committed capital expenditure of approximately HK\$3,600.2 million as at 31 December 2021, the Directors have been undertaking measures to improve the Group's liquidity and financial position to refinance its operations and to restructure its borrowings. Details of which are set out in Note 2.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	Within 1 year or repayable on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2021</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	232,002	43,243	-	-	275,245	275,245
Liabilities for VAT arrangements	8.33	8,972	8,972	21,522	652	40,118	34,945
Amounts due to related companies	29.40	314,434	-	-	-	314,434	262,905
Amount due to a former director	-	484	-	-	-	484	484
Convertible bonds	35.03	699,000	-	23,394	-	722,394	606,970
Rental and other deposits	-	6,003	-	-	-	6,003	6,003
Loans from non-controlling shareholders of subsidiaries	4.49	-	254,128	-	-	254,128	237,262
Amounts due to non-controlling shareholders of a subsidiary	-	-	5,013	-	-	5,013	5,013
Other borrowings	13.63	857,969	182,037	-	-	1,040,006	972,318
Lease liabilities	4.05	14,875	90,960	268,639	1,070,834	1,445,308	1,019,024
<b>Total</b>		<b>2,133,739</b>	<b>584,353</b>	<b>313,555</b>	<b>1,071,486</b>	<b>4,103,133</b>	<b>3,420,169</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### Liquidity risk (Cont'd)

	Weighted average effective interest rate %	Within 1 year or repayable on demand HK\$'000 (Restated)	More than 1 year but less than 2 years HK\$'000 (Restated)	More than 2 years but less than 5 years HK\$'000 (Restated)	More than 5 years HK\$'000 (Restated)	Total undiscounted cash flows HK\$'000 (Restated)	Carrying amount HK\$'000 (Restated)
As at 31 December 2020							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	243,038	33,062	-	-	276,100	276,100
Liabilities for VAT arrangements	5.67	9,207	9,207	27,623	4,293	50,330	44,798
Amount due to a related company	29.40	-	310,427	-	-	310,427	208,340
Amounts due to related companies	-	20,829	-	-	-	20,829	20,829
Amount due to a director	-	-	5,584	-	-	5,584	5,584
Convertible bonds	23.71	-	699,000	23,259	-	722,259	490,412
Rental and other deposits	-	12,734	-	-	-	12,734	12,734
Loans from non-controlling shareholders of a subsidiary	4.36	100,743	-	190,721	-	291,464	237,868
Amounts due to non-controlling shareholders of a subsidiary	-	3,168	-	-	-	3,168	3,168
Bank borrowings	5.31	116,433	63,946	178,151	193,642	552,172	447,371
Other borrowings	7.82	238,808	991,782	-	-	1,230,590	1,112,335
Lease liabilities	4.07	13,899	10,974	266,990	1,154,122	1,445,985	989,881
<b>Total</b>		<b>758,859</b>	<b>2,123,982</b>	<b>686,744</b>	<b>1,352,057</b>	<b>4,921,642</b>	<b>3,849,420</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Liquidity risk (Cont'd)*

The table below summarises the maturity analysis of term loans of approximately HK\$47,529,000 as at 31 December 2020 with a repayment on demand clause based on the agreed scheduled repayments set out in the bank loan agreement. The amounts include interest payments computed using the specified fixed rates or variable rates. As a result, these amounts are greater than the amounts disclosed in the “on demand” time band in the maturity analysis above. Taking into account the Group’s financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believed that such term loans would be repaid in accordance with the scheduled repayment dates set out in the respective bank loan agreement.

	<b>Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments</b>				<b>Carrying amount</b>
	<b>Less than 1 year</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>Total undiscounted cash flows</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
31 December 2020	26,442	25,103	–	51,545	47,529

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

### (c) Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

#### (i) *Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

#### (i) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Level 1 fair value measurements are those quoted prices (unadjusted) in active market for identical assets or liabilities at measurement date;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31.12.2021 HK\$'000	31.12.2020 HK\$'000 (Restated)			
Derivative financial liabilities classified as FVTPL – convertible bonds	<b>13,301</b>	837,595	Level 3	Binomial Model – in this approach, certain parameters (Notes 33(a) and (b)) determined by management are input into the Binomial Model to derive the valuation of the derivative financial instruments.  Certain parameters include: – Share price – Conversion price – Risk-free rate – Expected option life – Expected dividend yield – Expected volatility	Estimation of share price volatility, determined by reference to the average historical volatility of the Company and Summit Ascent
Derivative financial asset classified as FVTPL – Put Option	<b>4,570</b>	3,209	Level 3	Binomial Model – in this approach, certain parameters (Note 33(c)) determined by management are input into the Binomial Model to derive the valuation of the derivative financial instruments.  Certain parameters include: – Share price – Risk-free rate – Expected option life – Expected dividend yield – Expected volatility	Estimation of share price volatility, determined by reference to the average historical volatility of Suntrust

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

- (i) *Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)*

#### *Sensitivity analysis*

If the volatility of the Company's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would have increased/decreased by approximately HK\$957,000 (2020: post-tax profit would have decreased/increased by approximately HK\$938,000) (as a result of changes in fair value of derivative financial instruments).

If the volatility of the Suntrust's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would have decreased/increased by approximately HK\$231,000 (2020: post-tax profit would have increased/decreased by approximately HK\$260,000) (as a result of changes in fair value of derivative financial instruments).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Fair value hierarchy as at</b>				
<b>31 December 2021</b>				
<b>Financial asset</b>				
Derivative financial instrument	–	–	4,570	4,570
<b>Financial liability</b>				
Derivative financial instruments	–	–	13,301	13,301
<b>Fair value hierarchy as at</b>				
<b>31 December 2020 (Restated)</b>				
<b>Financial asset</b>				
Derivative financial instrument	–	–	3,209	3,209
<b>Financial liability</b>				
Derivative financial instruments	–	–	837,595	837,595

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

#### (ii) Reconciliation of Level 3 fair value measurements

	<b>Derivative financial instruments</b>
	HK\$'000
At 1 January 2020 (Restated)	2,392,940
Issuance of Summit Ascent CB (Note 33(b))	1,708
Total gains in profit or loss	(1,530,268)
Exchange difference recognised in profit or loss	(93,443)
Exchange realignment	63,449
At 31 December 2020 and 1 January 2021 (Restated)	834,386
Total gains in profit or loss	(825,835)
Exchange difference recognised in profit or loss	(8,586)
Exchange realignment	8,766
<b>At 31 December 2021</b>	<b>8,731</b>

Total gains/losses in profit or loss are included in "change in fair value of derivative financial instruments" in the consolidated statement of profit or loss and other comprehensive income.

#### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

There is no transfer among Level 1, Level 2 and Level 3 during both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 47. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year ended 31 December 2021, the Group entered into the following major non-cash transactions:

- (i) The Group waived an amount due from the Disposal Group to the Group of approximately HK\$961,407,000 upon the Disposal on 30 June 2021. For the details of the Disposal, please refer to Note 40 to the consolidated financial statements.
- (ii) The Group capitalised certain depreciation of right-of-use assets of approximately HK\$121,722,000 (2020: Nil) and certain interest on lease liabilities of approximately HK\$37,176,000 (2020: Nil) as part of the additions to the construction in progress included in property, operating right and equipment during the year ended 31 December 2021.
- (iii) The proposed distribution for Perpetual Securities for the year ended 31 December 2021 of approximately HK\$269,227,000 (2020: HK\$89,036,000) was remain unpaid as at 31 December 2021.

During the year ended 31 December 2020, the Group repaid the existing amount of loans from Star Hope of approximately HK\$1,910.96 million, together with the amount due to Star Hope (i.e., interest payable) of approximately HK\$93.57 million by issuance of the First Tranche Perpetual Securities of approximately HK\$3,887 million. The capital contribution previously recognised through the loans from the related company provided by Star Hope amounting to approximately HK\$1,882.47 million was derecognised from capital reserve and transferred to the Perpetual Securities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 47. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loans from a related company	Amounts due to a related company	Loans from non-controlling shareholders of subsidiaries	Amounts due to non-controlling shareholders of a subsidiary	Bank and other borrowings	Interest payables	Convertible bonds/ derivative financial instruments	Other payable of the transfer of right	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020 (Restated)	814,456	323,756	94,669	747	959,413	32,770	3,045,262	-	3,276	5,274,349
Financing cash flows	2,365,428	(6,402)	-	-	512,854	(63,834)	-	-	(4,859)	2,803,187
Non-cash movements:										
Acquisition of subsidiaries	-	-	170,292	-	-	-	-	10,329	70,612	251,233
Deemed capital contribution	(1,378,939)	-	-	-	-	-	-	-	-	(1,378,939)
Issuance of Summit Ascent CB	-	-	-	-	-	-	18,003	-	-	18,003
Transactions with non-controlling shareholders of a subsidiary	-	-	(26,336)	-	-	-	-	-	-	(26,336)
Deemed capital contribution upon extension of 2018										
Promissory Note	-	(113,742)	-	-	-	-	-	-	-	(113,742)
Change in fair value of convertible bonds	-	-	-	-	-	-	(240,183)	-	-	(240,183)
Change in fair value of derivative financial instruments	-	-	-	-	-	-	(1,530,121)	-	-	(1,530,121)
Interest expenses recognised	111,992	98,950	1,788	2,313	291	98,488	69,970	-	1,017	384,809
New leases entered	-	-	-	-	-	-	-	-	916,489	916,489
Reversal of previously recognised deemed capital contribution										
upon issuance of First Tranche Perpetual Securities	(1,910,962)	(93,571)	-	-	-	-	-	-	-	(2,004,533)
Others non-cash movements	-	-	-	-	-	-	-	-	(1,050)	(1,050)
Exchange difference	(1,975)	(651)	(2,545)	108	87,148	4,047	(34,924)	357	4,396	55,961
At 31 December 2020 and 1 January 2021 (Restated)	-	208,340	237,868	3,168	1,559,706	71,471	1,328,007	10,686	989,881	4,409,127
Financing cash flows	(2,284)	(6,060)	-	-	2,348	(88,033)	-	-	(17,441)	(111,470)
Non-cash movements:										
Interest payable rollover to loan principal	-	-	-	-	57,026	(57,026)	-	-	-	-
Disposal of subsidiaries	-	-	-	-	(681,408)	-	-	-	(2,815)	(684,223)
Deemed capital contribution	(9,452)	-	-	-	-	-	-	-	-	(9,452)
Change in fair value of derivative financial instruments	-	-	-	-	-	-	(824,256)	-	-	(824,256)
Interest expenses recognised	11,887	60,635	8,215	2,239	870	112,626	116,481	-	40,875	353,828
New leases entered	-	-	-	-	-	-	-	-	8,519	8,519
Others non-cash movements	-	-	-	-	-	-	-	-	(1,307)	(1,307)
Exchange difference	(151)	(10)	(8,821)	(394)	33,776	(4,980)	39	1	1,312	20,772
<b>At 31 December 2021</b>	<b>-</b>	<b>262,905</b>	<b>237,262</b>	<b>5,013</b>	<b>972,318</b>	<b>34,058</b>	<b>620,271</b>	<b>10,687</b>	<b>1,019,024</b>	<b>3,161,538</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	<b>As at 31 December</b>		As at 1 January
	<b>2021</b>	2020	2020
	<b>HK\$'000</b>	HK\$'000	HK\$'000
		(Restated)	(Restated)
<b>Non-current assets</b>			
Equipment	13	32	31
Interests in subsidiaries (Note (a))	5,392,653	6,462,685	2,432,130
Interest in an associate	–	–	47,741
	<b>5,392,666</b>	6,462,717	2,479,902
<b>Current assets</b>			
Amount due from a joint venture	18	–	–
Other receivables	693	140	143
Bank balances and cash	4,931	45,326	25,738
	<b>5,642</b>	45,466	25,881
<b>Current liabilities</b>			
Other payables	39,240	13,610	11,562
Amounts due to subsidiaries	31,711	1,063,483	987,520
Amount due to a related company	262,905	208,340	287,890
Convertible bonds	589,203	–	649,398
Derivative financial instruments	13,015	836,760	2,395,864
Current tax liabilities	5,208	5,149	4,837
	<b>941,282</b>	2,127,342	4,337,071
<b>Net current liabilities</b>	<b>(935,640)</b>	(2,081,876)	(4,311,190)
<b>Total assets less current liabilities</b>	<b>4,457,026</b>	4,380,841	(1,831,288)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

	As at 31 December		As at 1 January
	2021	2020	2020
	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)
<b>Non-current liabilities</b>			
Amount due to a related company	-	-	35,865
Loans from a related party	-	-	814,455
Convertible bonds	-	473,963	-
	-	473,963	850,320
<b>Net assets (liabilities)</b>	<b>4,457,026</b>	3,906,878	(2,681,608)
<b>Capital and reserves</b>			
Share capital	666,797	666,697	666,697
Perpetual securities (Note (c))	5,766,263	5,461,036	-
Reserves (Note (c))	(1,976,034)	(2,220,855)	(3,348,305)
<b>Total equity (deficit)</b>	<b>4,457,026</b>	3,906,878	(2,681,608)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

### (a) Interests in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. To give details of other subsidiaries would in the opinion of the Directors, result in particulars of excessive length.

Name of subsidiaries	Place of establishment/ incorporation/ registration	Place of operation	Registered capital/issued and fully paid up share capital	Attributable equity interest held by the Group				Principal activities
				2021		2020		
				Direct %	Indirect %	Direct %	Indirect %	
Access Achievement	The BVI	Hong Kong	US\$10,000	-	-	100	-	Investment holding
Star Admiral	The BVI	Hong Kong	US\$50,000	-	100	-	100	Investment holding
Sun Century Property Group Company Limited <sup>^^ *</sup>	The PRC	The PRC	HK\$299,000,000	-	-	-	100	Property development and property investment
Shenzhen Zirui Real Estate Development Limited <sup>o *</sup>	The PRC	The PRC	HK\$21,000,000	-	-	-	100	Property development
Shenzhen Sun Era Management Company Limited <sup>o *</sup>	The PRC	The PRC	HK\$1,000,000	-	-	-	100	Property management
Shenzhen Gang Long City Commercial Management Company Limited <sup>o *</sup>	The PRC	The PRC	HK\$1,000,000	-	-	-	100	Property management
Chaohu Boshing Tourism Development Company Limited <sup>^^</sup>	The PRC	The PRC	US\$7,000,000	-	100	-	100	Property development
Dongyang Xinguang <sup>#</sup>	The PRC	The PRC	HK\$10,000,000	-	100	-	-	Management and operation of malls
Sun Travel Ltd.	Macau	Macau	MOP1,500,000	-	100	-	100	Sales of travel related products and provision of travel agency service

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

### (a) Interests in subsidiaries (Cont'd)

Name of subsidiaries	Place of establishment/ incorporation/ registration	Place of operation	Registered capital/issued and fully paid up share capital	Attributable equity interest held by the Group				Principal activities
				2021		2020		
				Direct %	Indirect %	Direct %	Indirect %	
Golden Medal	The BVI	Hong Kong	US\$2	-	100	-	100	Provision of aircraft chartering services
Suncity Group Management and Consultancy Limited	Macau	Macau	MOP25,000	-	100	-	100	Hotel and integrated resort general consultancy service
MSRD	Japan	Japan	JPY60,100,000	-	51	-	51	Investment holding
Honour City Limited	Japan	Japan	JPY10,000,000	-	100	-	100	Investment holding
Fortune Noble Limited ("Fortune Noble")	The BVI	Hong Kong	US\$1	100	-	100	-	Investment holding
Suntrust (Listed on The Philippine Stock Exchange, Inc.)	The Philippines	The Philippines	PHP7,250,000,000/ PHP5,862,500,000	-	51	-	51	Investment holding
Summit Ascent (Listed on the Stock Exchange)	Bermuda	Hong Kong	HK\$112,736,115	2.73	66.93	2.73	66.93	Investment holding
Oriental Regent <sup>Δ</sup>	Hong Kong	Hong Kong	HK\$1,075,685,752	-	53.99	-	53.99	Investment holding
G1 Entertainment <sup>Δ</sup>	Russian Federation	Russian Federation	RUB1,190,795,312	-	53.99	-	53.99	Operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region of the Russian Federation
Summit Ascent Investments Limited ("SA Investments")	The BVI	Hong Kong	US\$1	-	69.66	-	69.66	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

### (a) Interests in subsidiaries (Cont'd)

- \* The Group completed the Disposal of Access Achievement Group on 30 June 2021.
- ^^ Registered as wholly foreign-owned enterprise under the laws of the PRC.
- ° Registered as limited liability company (wholly-owned entity) under the laws of the PRC.
- # Registered as limited liability company (foreign-investment enterprise wholly-owned entity) under the laws of the PRC.
- △ Subsequent to the Summit Ascent Acquisition, Summit Ascent acquired additional 5% and 2.5% of the issued shares of Oriental Regent from two non-controlling shareholders of Oriental Regent on 16 November 2020, together with their corresponding shareholder's loans of total principal amount of US\$5,676,825 (equivalent to approximately HK\$43,995,000) with carrying amount of approximately HK\$26,336,000 (the "**ORL Acquisition**"). The total consideration for the ORL Acquisition is satisfied by (i) cash payment of US\$5,382,758 (equivalent to approximately HK\$41,716,000); and (ii) issuance of the Summit Ascent CB at the fair value at the initial recognition of approximately HK\$18,003,000 as detailed in Note 33(b).

On the same date, Summit Ascent and a non-controlling shareholder of Oriental Regent subscribed for 234,755 and 49,938 new shares of Oriental Regent respectively (the "**ORL Subscription**"). As a result of the ORL Subscription, an amount of US\$11,401,707 (equivalent to approximately HK\$88,363,000) was received by Summit Ascent Group as capital contribution from a non-controlling shareholder of Oriental Regent. As shareholders of Oriental Regent were not subscribed in proportion to their shareholdings in Oriental Regent, Summit Ascent's interest in Oriental Regent increased from 67.5% to approximately 77.5%.

The ORL Acquisition and the ORL Subscription have resulted in an increase in equity attributable to equity holders of the Company of approximately HK\$139,397,000 and a decrease in non-controlling interests of approximately HK\$84,417,000.

None of the subsidiaries had issued any debt securities at the end of the year 31 December 2020 except for (i) Suntrust which has issued PHP12.9 billion (equivalent to approximately HK\$2,078.5 million) of convertible bonds, in which Fortune Noble and SA Investments have PHP7.3 billion (equivalent to approximately HK\$1,176.2 million) and PHP5.6 billion (equivalent to approximately HK\$902.3 million) interests respectively and (ii) Summit Ascent which had issued US\$3,000,000 of convertible bonds. None of the subsidiaries had issued any debt securities during the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation or establishment and operations	Proportion of equity interest/ voting rights held by non-controlling interests		(Loss) profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Summit Ascent and its subsidiaries	Bermuda and Russian	30.34%	30.34%	(168,089)	15,673	1,220,597	1,400,998
Suntrust and its subsidiaries	The Philippines	49%	49%	(40,626)	(25,317)	102,165	178,812

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests, on a group consolidation basis is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### (i) Summit Ascent

	2021 HK\$000	2020 HK\$'000 (Restated)
Current assets	1,689,938	1,593,764
Non-current assets	2,032,782	2,542,160
<b>Total assets</b>	<b>3,722,720</b>	4,135,924
Current liabilities	(64,253)	(45,311)
Non-current liabilities	(195,202)	(195,659)
<b>Total liabilities</b>	<b>(259,455)</b>	(240,970)
Equity attributable to non-controlling interests of the Group	1,220,597	1,400,998

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests: (Cont'd)

(i) *Summit Ascent (Cont'd)*

	<b>For the Year ended 31 December 2021 HK\$'000</b>	Period from 16 October 2020 to 31 December 2020 HK\$'000 (Restated)
Revenue	<b>265,519</b>	49,446
Other income, gains and losses	<b>(39,513)</b>	648
Change in fair value of derivative financial instruments	<b>(149,135)</b>	85,992
Impairment loss on property, operating right and equipment	<b>(287,119)</b>	–
Expenses	<b>(221,603)</b>	(72,792)
(Loss) profit for the year/period	<b>(431,851)</b>	63,294
Total comprehensive expense for the year/period	<b>(357,111)</b>	(27,002)
(Loss) profit for the year/period attributable to non-controlling interests of the Group	<b>(168,089)</b>	15,673
Total comprehensive (expense) income for the year/period attributable to non-controlling interests of the Group	<b>(169,187)</b>	12,472
Net cash generated from (used in) operating activities	<b>20,061</b>	(3,479)
Net cash used in investing activities	<b>(972,863)</b>	(945,072)
Net cash (used in) generated from financing activities	<b>(1,879)</b>	75,585
Effect of foreign exchange rate changes	<b>(1,007)</b>	(1,249)
	<b>(955,688)</b>	(874,215)

Note: The amounts are presented on the basis of the Group and reflected the fair value adjustments on property, operating right, and equipment, goodwill and additional post-acquisition depreciation charge resulted from the Summit Ascent Acquisition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests: (Cont'd)

(ii) *Suntrust*

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
Current assets	<b>1,042,061</b>	956,208
Non-current assets	<b>3,439,660</b>	2,668,219
Total assets	<b>4,481,721</b>	3,624,427
Current liabilities	<b>(1,138,358)</b>	(56,536)
Non-current liabilities	<b>(2,348,927)</b>	(2,237,482)
Total liabilities	<b>(3,487,285)</b>	(2,294,018)
Equity attributable to non-controlling interests of the Group	<b>102,165</b>	178,812

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests: (Cont'd)

### (ii) Suntrust (Cont'd)

	<b>Year ended 31 December 2021 HK\$'000</b>	Year ended 31 December 2020 HK\$'000 (Restated)
Revenue	–	–
Other income, gains and losses	<b>(51,748)</b>	(3,788)
Share of (loss) profit of an associate	<b>(520)</b>	1,975
Expenses	<b>(30,642)</b>	(48,932)
Loss for the year	<b>(82,910)</b>	(50,745)
Total comprehensive expense for the year	<b>(152,546)</b>	(72,940)
Loss for the year attributable to non-controlling interests of the Group	<b>(40,626)</b>	(25,317)
Total comprehensive expense for the year attributable to non-controlling interests of the Group	<b>(76,647)</b>	(24,935)
Net cash used in operating activities	<b>(117,130)</b>	(2,405)
Net cash used in investing activities	<b>(769,076)</b>	(1,693,465)
Net cash generated from financing activities	<b>885,501</b>	2,417,218
Effect of foreign exchange rate changes	<b>22,809</b>	29,262
	<b>22,104</b>	750,610

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

### (c) Reserves

	Share premium HK\$'000	Perpetual securities HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020 (Restated)	2,103,796	-	67,758	(853)	677,466	436,752	(6,633,224)	(3,348,305)
Profit for the year	-	89,036	-	-	-	-	1,294,061	1,383,097
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	-	202,246	-	202,246
Total comprehensive income for the year	-	89,036	-	-	-	202,246	1,294,061	1,585,343
Recognition of equity-settled share-based compensation benefits	-	-	20,929	-	-	-	-	20,929
Lapse of share options	-	-	(1,278)	-	-	-	1,278	-
Issuances of Perpetual Securities	-	5,372,000	-	-	(1,882,467)	-	-	3,489,533
Deemed capital contribution	-	-	-	-	1,492,681	-	-	1,492,681
At 31 December 2020 and 1 January 2021 (Restated)	2,103,796	5,461,036	87,409	(853)	287,680	638,998	(5,337,885)	3,240,181
Profit for the year	-	269,227	-	-	-	-	183,512	452,739
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	-	43,303	-	43,303
Total comprehensive income for the year	-	269,227	-	-	-	43,303	183,512	496,042
Share issued upon exercise of share options	576	-	(221)	-	-	-	-	355
Recognition of equity-settled share-based compensation benefits	-	-	8,199	-	-	-	-	8,199
Lapse of share options	-	-	(28,883)	-	-	-	28,883	-
Disposal of subsidiaries	-	-	-	853	-	-	(853)	-
Issuance of Perpetual Securities	-	36,000	-	-	-	-	-	36,000
Deemed capital contribution	-	-	-	-	9,452	-	-	9,452
<b>At 31 December 2021</b>	<b>2,104,372</b>	<b>5,766,263</b>	<b>66,504</b>	<b>-</b>	<b>297,132</b>	<b>682,301</b>	<b>(5,126,343)</b>	<b>3,790,229</b>