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LET GROUP HOLDINGS LIMITED

(Formerly known as Suncity Group Holdings Limited 太陽城集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Total revenue from continuing operations increased by 32% to approximately HK\$190,445,000 (six months ended 30 June 2021: approximately HK\$144,619,000)
- Gross profit from continuing operations increased by 132% to approximately HK\$93,798,000 (six months ended 30 June 2021: approximately HK\$40,362,000)
- Loss for the period attributable to equity holders of the Company of approximately HK\$252,965,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: profit for the period attributable to equity holders of the Company of approximately HK\$384,317,000)
- Basic loss per share attributable to shareholders of the Company of HK\$5.80 cents for the six months ended 30 June 2022 (six months ended 30 June 2021: Basic earnings per share attributable to shareholders of the Company of HK\$3.77 cents)

The board (the “**Board**”) of directors (the “**Directors**”) of LET Group Holdings Limited (the “**Company**”, formerly known as Suncity Group Holdings Limited) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company and the independent auditor of the Company, Crowe (HK) CPA Limited:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended	
		30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue	5	190,445	144,619
Cost of sales		<u>(96,647)</u>	<u>(104,257)</u>
Gross profit		93,798	40,362
Other income, gains and losses	6	144,797	59,052
Selling and distribution expenses		(5,393)	(6,855)
Administrative expenses		(96,963)	(97,545)
Other operating expenses		(12,361)	(2,563)
Gain on disposal of an associate		-	594
Change in fair value of derivative financial instruments	19	13,185	539,310
Impairment loss on equity loans to a joint venture	13	(18,226)	-
Impairment loss on loans to a joint venture	13	(9,846)	-
Impairment loss on amounts due from a joint venture	13	(19,275)	-
Share of loss of an associate		-	(520)
Share of loss of a joint venture		(160,331)	(167,909)
Finance costs	7	<u>(111,009)</u>	<u>(123,220)</u>
(Loss) profit before taxation		(181,624)	240,706
Income tax credit (expense)	9	<u>332</u>	<u>(11,807)</u>
(Loss) profit for the period from continuing operations	8	<u>(181,292)</u>	<u>228,899</u>
Discontinued operations			
(Loss) profit for the period from discontinued operations	20, 21	<u>(52,722)</u>	<u>114,360</u>
(Loss) profit for the period		<u>(234,014)</u>	<u>343,259</u>
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation from functional currency to presentation currency		<u>-</u>	<u>62,910</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(219,343)	(118,666)
Share of other comprehensive income (expense) of a joint venture, net of related income tax		2,163	(353)
Release of reserve upon disposal of an associate		<u>-</u>	<u>(76)</u>
		<u>(217,180)</u>	<u>(119,095)</u>
Other comprehensive expense for the period		<u>(217,180)</u>	<u>(56,185)</u>
Total comprehensive (expense) income for the period		<u>(451,194)</u>	<u>287,074</u>

		For the six months ended	
		30 June	
		2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited) (Restated)
(Loss) profit for the period attributable to:			
– Equity holders of the Company:			
		(387,053)	251,121
		134,088	133,196
		(252,965)	384,317
	– Non-controlling interests	18,951	(41,058)
		(234,014)	343,259
Total comprehensive (expense) income for the period attributable to:			
– Equity holders of the Company:			
		(575,115)	203,335
		134,088	133,196
		(441,027)	336,531
	– Non-controlling interests	(10,167)	(49,457)
		(451,194)	287,074
Total comprehensive (expense) income for the period attributable to equity holders of the Company arose from:			
		(413,801)	232,241
		(27,226)	104,290
		(441,027)	336,531
(Loss) earnings per share attributable to shareholders of the Company:			
– Basic (<i>HK cents</i>)			
		(5.80)	3.77
	– For (loss) profit from continuing operations	(5.01)	2.05
– Diluted (<i>HK cents</i>)			
		(6.15)	(2.93)
	– For loss from continuing operations	(5.36)	(4.34)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at	
		30 June 2022	31 December 2021
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, operating right and equipment		2,958,212	2,837,734
Right-of-use assets		1,846,867	2,161,410
Intangible assets		13,823	14,449
Prepayments and deposits for non-current assets	12	218,507	226,132
Interest in a joint venture	13	–	175,659
Loans to a joint venture	13	83,243	77,126
Amounts due from a joint venture	13	5,422	4,433
Loan receivable	15	–	113,659
Derivative financial instrument	19(c)	4,162	4,570
		5,130,236	5,615,172
Current assets			
Inventories		5,845	307,236
Trade and other receivables and prepayments	14	214,557	248,773
Loan receivable	15	–	485,550
Loans to a joint venture	13	90,171	89,600
Amounts due from a joint venture	13	23,865	12,458
Pledged bank deposits	16	1,534	1,534
Restricted bank deposits	16	–	1
Bank balances and cash		1,503,014	1,571,507
		1,838,986	2,716,659
Assets of disposal groups classified as held for sale	21	911,623	–
		2,750,609	2,716,659

	Notes	As at	
		30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	17	189,886	287,859
Amount due to a related company		–	262,905
Amount due to immediate holding company		297,726	–
Contract liabilities		3,808	8,189
Rent and other deposits		5,675	6,003
Other borrowings	18	–	823,101
Lease liabilities		6,554	9,840
Convertible bonds	19(a)	656,741	589,203
Derivative financial instruments	19(a) and (b)	6	13,301
Current tax liabilities		14,368	17,003
		<u>1,174,764</u>	<u>2,017,404</u>
Liabilities directly associated with the assets classified as held for sale	21	<u>1,093,624</u>	<u>–</u>
		<u>2,268,388</u>	<u>2,017,404</u>
Net current assets		<u>482,221</u>	<u>699,255</u>
Total assets less current liabilities		<u>5,612,457</u>	<u>6,314,427</u>
Non-current liabilities			
Other borrowings	18	–	149,217
Other payables	17	76,662	69,216
Lease liabilities		907,009	1,009,184
Amounts due to non-controlling shareholders of a subsidiary		5,148	5,013
Loans from non-controlling shareholders of subsidiaries		228,736	237,262
Convertible bonds	19(b)	18,528	17,767
		<u>1,236,083</u>	<u>1,487,659</u>
Net assets		<u>4,376,374</u>	<u>4,826,768</u>
Capital and reserves			
Share capital		666,797	666,797
Perpetual securities		5,900,351	5,766,263
Reserves		(3,568,279)	(2,993,926)
Equity attributable to equity holders of the Company		<u>2,998,869</u>	<u>3,439,134</u>
Non-controlling interests		<u>1,377,505</u>	<u>1,387,634</u>
Total equity		<u>4,376,374</u>	<u>4,826,768</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The condensed 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 Resort Holdings, Inc. ("**Suntrust**", formerly known as Suntrust Home Developers, Inc.) 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 ("**IEZ Primorye**") in the Russian Federation; (iii) property development in Japan; and (iv) management and operation of malls in the People's Republic of China (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 has 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 "**AA Disposal Group**") on 30 June 2021, the directors of the Company 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 consolidated 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 re-stated to reflect the change in the Group's presentation currency. For the purpose of re-presentation of the condensed consolidated financial statements of the Group from RMB to HK\$, income and expenses are translated at the average exchange rates for the respective period.

2. BASIS OF PREPARATION

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

The Group incurred a net loss of approximately HK\$234,014,000 and net operating cash outflow of approximately HK\$65,752,000 for the six months ended 30 June 2022. The Group had committed capital expenditure of approximately HK\$3,254,000,000 as at 30 June 2022.

As at 30 June 2022, the Group had amount due to the immediate holding company in the principal amount of HK\$303,000,000 and interest thereon due on 28 August 2022 (or if that is not a business date, the first business date thereafter, i.e. 29 August 2022), convertible bonds in the principal amount of HK\$297,000,000 due on 28 August 2022 (or if that is not a business date, the first business date thereafter, i.e. 29 August 2022), and convertible bonds in the principal amount of HK\$402,000,000 due on 7 December 2022. As at the date of this announcement, the amount due to the immediate holding company in the principal amount of HK\$303,000,000 and interest thereon, and convertible bonds in the principal amount of HK\$297,000,000 remain unpaid respectively, the non-payment constitutes events of default. Such events of default have triggered a cross default in respect of another convertible bond in the principal amount of HK\$402,000,000 due on 7 December 2022.

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 condensed consolidated financial statements, the Directors prepared a cash flow forecast covering a period of not less than 12 months from 30 June 2022. 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 completed the disposal of certain subsidiaries in July 2022, which discharge its obligations to repay other borrowings of approximately HK\$929,569,000 as at 30 June 2022 and interests thereon;
- (ii) 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;
- (iii) the Group will endeavour to negotiate with the immediate holding company of the Group including extension of repayment, and/or waiver on defaults from the immediate holding company, so that it will not demand immediate repayment of the overdue convertible bonds, amount due to the immediate holding company and interest thereon or take further actions against the Group;
- (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 30 June 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed 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 (ii) to (v) above. The sufficiency of the Group's working capital to satisfy its present obligations for at least the next twelve months from 30 June 2022 is dependent on the Group's ability to generate adequate financing and operating cash flows. 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 condensed consolidated financial statements.

3. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

- (a) On 1 April 2022, the Directors decided to cease the Group's travel related products and services and hotel and integrated resort general consultancy services businesses. Details are set out in Note 20. With effect from 1 April 2022, the Group ceased and discontinued the operations in travel related products and services and hotel and integrated resort general consultancy services businesses.
- (b) On 10 May 2022, 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 wholly-owned subsidiaries of the Company including (i) Goal Explore Investments Limited ("**Goal Explore**") and its subsidiaries save for Dongyang Xinguang Pacific Enterprises Limited ("**Dongyang Xinguang**") (collectively referred to as the "**Disposal Group A**") and (ii) Boshing Investments Limited ("**Boshing Investments**") and its subsidiaries (collectively referred to as the "**Disposal Group B**"), at a total cash consideration of HK\$1 subject to the terms and conditions of the S&P Agreement (the "**2022 Disposal**").

As at 30 June 2022, the fulfilment of the conditions precedent of the 2022 Disposal were in progress and Disposal Group A and Disposal Group B were classified as disposal groups held for sale and reported as the Group's discontinued operation of property development in the PRC. Details are set out in Note 21(a). The 2022 Disposal was completed on 22 July 2022.

- (c) During the first half of 2022, the social distancing and travel-related measures implemented by governments to combat the spread of COVID-19 in the Group's operating and customer markets have persistently impacted the Group's overall operations. In addition, the Western sanctions on Russia resulting from the Russia-Ukraine conflict may cause significant long-term damage to the Russian economy and its tourism industry, which may have negative impact on the Group's hotel and gaming business in the IEZ Primorye in the Russian Federation. The Board will continue to assess the potential impact on the financial position and operations of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

During the six months ended 30 June 2022, the Group has applied, for the first time, the following amendments to HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Costs of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

Restatements due to discontinued operations

The presentation of comparative information in respect of the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 has been restated in order to disclose the discontinued operations separately from continuing operations pursuant to the 2022 Disposal and the Cessation. As the restatements do not affect the condensed consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2021.

5. REVENUE AND SEGMENT INFORMATION

Segment Information

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

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

(a) *Continuing operations*

- (1) Operation of integrated resort in the Philippines – Development and operation of an integrated resort at the Entertainment City, Manila, the Philippines through a non-wholly owned subsidiary, Suntrust;
- (2) Operation of integrated resort in the Russian Federation – Operation of the hotel and gaming business in the IEZ Primorye in the Russian Federation through a non-wholly owned subsidiary, Summit Ascent;
- (3) Property development – Development and sales of properties and hotel premises in Japan; and
- (4) Management and operation of malls – Management and operation of malls in the PRC through a wholly-owned subsidiary, Dongyang Xinguang.

(b) *Discontinued operations*

- (1) Property development – Development and sales of office premises, residential and retail properties in Chaohu, Anhui Province and Shenzhen, the PRC;
- (2) Property leasing – Leasing of retail and residential properties and provision of property management services in Shenzhen, the PRC;
- (3) Travel related products and services – Sales of travel related products and provision of travel agency services and aircraft chartering services; and
- (4) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services.

Pursuant to the 2022 Disposal and the Cessation as mentioned in Note 3, part of the property development segment and the entire travel related products and services segment and hotel and integrated resort general consultancy services segment were reported as discontinued operations as at 30 June 2022. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated as if the operations discontinued during the current period had been discontinued at the beginning of the comparative period (Notes 20 and 21).

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		Property development		Management and operation of malls		Sub-total		Property development		Property leasing		Travel related products and services		Hotel and integrated resort general consultancy services		Sub-total		Total			
	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022	For the six months ended 30 June 2021	2022
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	HK\$'000	HK\$'000
Segment revenue from external customers	-	177,892	129,452	-	-	15,167	190,445	144,619	-	-	22,866	-	32,341	-	1,569	-	56,776	190,445	201,395	-	-	56,776	190,445	201,395
Segment (loss) profit	(14,302)	(25,490)	(37,206)	(1,266)	(1,290)	3,868	8,814	(60,118)	(650)	(29,522)	(18,139)	(3)	(23,453)	(157)	(11,328)	(810)	(82,442)	8,004	(142,560)	(810)	(82,442)	8,004	(142,560)	
Change in fair value of derivative financial instruments							13,185	539,310										13,185	539,310					
Gain on disposal of subsidiaries							-	-										-	201,736					
Gain on disposal of an associate							-	594										-	-					594
Impairment loss on equity loans to a joint venture							(18,226)	-										-	-					(18,226)
Impairment loss on amounts due from a joint venture							(9,846)	-										-	-					(9,846)
Share of loss of an associate							(19,275)	-										-	-					(19,275)
Share of loss of a joint venture							-	(520)										-	-					(520)
Reversal of provision for litigation							(160,331)	(167,909)										-	-					(160,331)
Unallocated other income, gains and losses							128,887	53,377										25,903	(37)					154,790
Unallocated finance costs							(102,392)	(96,386)										(77,013)	(22,729)					(179,405)
Unallocated expenses							(22,440)	(27,642)										(802)	(3,828)					(23,242)
(Loss) profit before taxation							(181,624)	240,706										(52,722)	114,061					354,767
Income tax credit (expense)							332	(11,807)										-	299					(11,508)
(Loss) profit for the period							(181,292)	228,899										(52,722)	114,360					343,259

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

Segment assets and liabilities

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

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
<i>Segment assets</i>		
Operation of integrated resort in the Philippines	4,006,321	4,481,730
Operation of integrated resort in the Russian Federation	2,150,386	1,830,318
Travel related products and services	7,057	87,722
Hotel and integrated resort general consultancy services	3,657	3,798
Property development	460,111	831,823
Management and operation of malls	95,037	99,093
	<hr/>	<hr/>
Total segment assets	6,722,569	7,334,484
Unallocated assets:		
Interest in a joint venture	–	175,659
Loans to a joint venture	173,414	166,726
Amounts due from a joint venture	29,287	16,891
Property, operating right and equipment	444	571
Right-of-use assets	432	998
Derivative financial instrument	4,162	4,570
Loan receivable	–	599,209
Bank balances and cash	2,552	6,659
Assets of disposal groups classified as held for sale	911,623	–
Others	36,362	26,064
	<hr/>	<hr/>
Consolidated total assets	<u>7,880,845</u>	<u>8,331,831</u>

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
<i>Segment liabilities</i>		
Operation of integrated resort in the Philippines	973,607	1,091,176
Operation of integrated resort in the Russian Federation	244,510	224,138
Travel related products and services	160	8,872
Hotel and integrated resort general consultancy services	3,196	3,196
Property development	81,092	144,820
Management and operation of malls	<u>80,852</u>	<u>85,047</u>
Total segment liabilities	1,383,417	1,557,249
Unallocated liabilities:		
Current tax liabilities	14,368	17,003
Convertible bonds	675,269	606,970
Derivative financial instruments	6	13,301
Lease liabilities	409	1,000
Amount due to a related company	–	262,905
Amount due to immediate holding company	297,726	–
Other borrowings	–	972,318
Liabilities directly associated with the assets classified as held for sale	1,093,624	–
Others	<u>39,652</u>	<u>74,317</u>
Consolidated total liabilities	<u><u>3,504,471</u></u>	<u><u>3,505,063</u></u>

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

- all assets are allocated to operating segments other than 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, corporate assets of investment holding companies and assets of disposal groups classified as held for sale; and
- all liabilities are allocated to operating segments other than certain lease liabilities, convertible bonds, derivative financial instruments, current tax liabilities, amount due to a related company, amount due to immediate holding company, other borrowings, certain corporate liabilities of investment holding companies and liabilities directly associated with the assets classified as held for sale.

6. OTHER INCOME, GAINS AND LOSSES

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Bank interest income	15,159	4,608
Interest income on loans to a joint venture	31,487	18,357
Imputed interest income on loans to a joint venture	15,433	25,016
	<hr/>	<hr/>
Total interest income	62,079	47,981
(Loss) gain on disposal/(write-off) of property, operating right and equipment	(308)	184
Net exchange gains	81,853	10,041
Others	1,173	846
	<hr/>	<hr/>
	144,797	59,052
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Imputed interest expense on convertible bonds <i>(Notes 19(a) and (b))</i>	68,184	54,888
Imputed interest expense on promissory note	31,816	24,587
Imputed interest expense on loans from a related company	–	9,603
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	4,282	4,009
Imputed interest expense on value-added tax (“VAT”) arrangements	1,113	989
Interest on promissory note	3,005	3,005
Interest on loans from a related company	–	2,284
Interest on loans from non-controlling shareholders of subsidiaries	992	1,128
Interest on bank borrowings	–	92
Interest on other borrowings	–	2,436
Interest on lease liabilities	18,321	20,199
	<hr/>	<hr/>
Total finance costs	127,713	123,220
Less: capitalised in construction in progress included in property, operating right and equipment <i>(Note)</i>	(16,704)	–
	<hr/>	<hr/>
Finance costs expensed	111,009	123,220
	<hr/> <hr/>	<hr/> <hr/>

Note: The borrowing costs have been capitalised at 3.6% per annum (30 June 2021: Nil).

8. (LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
(Loss) profit for the period from continuing operations has been arrived at after charging (crediting) the following:		
Depreciation of property, operating right and equipment	36,404	44,839
Depreciation of right-of-use assets	60,791	67,721
Amortisation of intangible assets	2	14
	<hr/>	<hr/>
Total depreciation and amortisation	97,197	112,574
Less: capitalised in construction in progress included in property, operating right and equipment	(54,413)	(62,090)
	<hr/>	<hr/>
Total depreciation and amortisation expensed	42,784	50,484
	<hr/>	<hr/>
Total depreciation and amortisation expensed is presented in the condensed consolidated statement of profit or loss as:		
– Cost of sales	31,083	38,859
– Administrative expenses	11,701	11,625
	<hr/>	<hr/>
	42,784	50,484
	<hr/>	<hr/>
Directors' remuneration	2,696	11,707
Staff costs, excluding Directors and consultants		
– salaries and wages	61,689	69,213
– share-based compensation benefits	107	750
– retirements benefits scheme contributions	12,959	13,015
	<hr/>	<hr/>
Staff costs, excluding Directors and consultants	74,755	82,978
	<hr/>	<hr/>
Total staff costs	77,451	94,685
Less: capitalised in construction in progress included in property, operating right and equipment	–	(3,060)
	<hr/>	<hr/>
Total staff costs expensed	77,451	91,625
	<hr/>	<hr/>
(Reversal of) impairment loss recognised in respect of other receivables, deposits and prepayment	(2)	132
	<hr/>	<hr/>
Short-term and variable lease payments	403	1,039
	<hr/>	<hr/>
Cost of sales		
– cost of services rendered	4,776	4,566
– operating expenses of gaming and hotel operations	91,871	99,691
	<hr/>	<hr/>
	96,647	104,257
	<hr/>	<hr/>

9. INCOME TAX (CREDIT) EXPENSE

	For the six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current		
– PRC Enterprise Income Tax (“EIT”)	818	1,086
– Philippines capital gains tax	–	3,761
– Philippines withholding tax	5,763	6,903
– Russian corporate tax	87	57
	<u>6,668</u>	<u>11,807</u>
Overprovision		
– Philippines withholding tax	<u>(7,000)</u>	–
	<u><u>(332)</u></u>	<u><u>11,807</u></u>

(a) Hong Kong Profits Tax

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

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

(b) PRC EIT

Under the Law of the PRC on the PRC EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% for the six months ended 30 June 2022 and 2021.

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 an annual taxable income not more than RMB1,000,000 is subject to PRC EIT calculated at 25% of its taxable income at a tax rate of 20%; a Small Low-profit Enterprise with annual taxable income which exceeds RMB1,000,000 but does not exceed RMB3,000,000 is subject to PRC EIT calculated at 50% of its taxable income at a tax rate of 20%. For the six months ended 30 June 2022 and 2021, none of the subsidiaries of the Group is eligible as a Small Low-profit Enterprise.

(c) PRC withholding income tax

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries for those registered as foreign-investment enterprises under the laws of the PRC from 1 January 2008 onwards. For the six months ended 30 June 2022 and 2021, no deferred taxation has been provided as no accumulated profits is generated by PRC subsidiaries of the Group registered as foreign-investment enterprises.

(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, is exempted from the Cayman Islands income tax. Pursuant to the rules and regulations of the BVI and Bermuda, the Company’s subsidiaries are not subject to any income tax in the respective jurisdictions.

(e) Macau Complementary Income Tax

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the six months ended 30 June 2022 and 2021.

(f) Philippines Corporate Income Tax (“PCIT”)

PCIT is calculated at 30% of the estimated profits for the six months ended 30 June 2022 and 2021. No provision for PCIT has been made for the both periods 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 the six months ended 30 June 2022 and 2021 at the rates of taxation prevailing in Japan in which the Group operates. No provision for Japan Corporate Income Tax has been made for the period as the Japan subsidiaries incurred losses for the period.

(j) Russian corporate tax

Russian corporate tax is calculated at a rate of 20% of the estimated assessable profit for the six months ended 30 June 2022 and 2021. However, no Russian corporate tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation.

10. DIVIDENDS

No dividends were proposed, declared or paid during the six months ended 30 June 2022 and 2021. The Directors have determined that no dividends will be paid in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11. (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:

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
(Loss) earnings		
(Loss) profit attributable to shareholders of the Company for the purpose of calculating basic (loss) earnings per share from:		
– Continuing operations	(334,331)	136,761
– Discontinued operations	(52,722)	114,360
	(387,053)	251,121
Effect of dilutive potential ordinary shares:		
– Adjustment to share of loss of Suntrust based on dilution of its loss per share	(23,338)	(9,053)
– Change in fair value of conversion option derivatives of 2016 Convertible Bond and 2018 Convertible Bond	–	(538,670)
– Imputed interest expenses on 2016 Convertible Bond and 2018 Convertible Bond	–	54,291
– Exchange gain in relation to 2016 Convertible Bond and 2018 Convertible Bond	–	(14,306)
Loss for the purpose of calculating diluted loss per share	(410,391)	(256,617)
Attributable to:		
– Continuing operations	(357,669)	(370,977)
– Discontinued operations	(52,722)	114,360
	(410,391)	(256,617)
	Number of shares	
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	6,667,972,746	6,667,862,249
Effect of dilutive potential ordinary shares:		
– 2016 Convertible Bond and 2018 Convertible Bond	–	1,876,153,845
Weighted average number of ordinary shares for the purpose of diluted loss per share	6,667,972,746	8,544,016,094

For the six months ended 30 June 2022, the conversion of 2016 Convertible Bond and 2018 Convertible Bond have an anti-dilutive effect on the basic loss per share from continuing operations.

For the six months ended 30 June 2022 and 2021, the calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the assumed exercise of those share options would result in decrease in loss per share.

For the six months ended 30 June 2022 and 2021, the conversion of the outstanding convertible bonds issued by Summit Ascent has an anti-dilutive effect on the basic earnings per share amount presented.

12. PREPAYMENTS AND DEPOSITS FOR NON-CURRENT ASSETS

	As at	
	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Land use right in the PRC (<i>Note (a)</i>)	–	9,951
Long-term prepayments (<i>Note (b)</i>)	13,533	13,533
Deposits for purchase of property, operating right and equipment (<i>Note (c)</i>)	213,954	211,628
	227,487	235,112
Less: Allowance for impairment	(8,980)	(8,980)
	218,507	226,132

Notes:

- (a) The balance represents prepayment for the land use right for a property project in the PRC.

As at 30 June 2022, the balance of approximately HK\$9,513,000 was reported under Disposal Group B and reported as assets held for sale (Note 21(a)). As the 2022 Disposal has been completed in July 2022, the balance has been disposed in July 2022 and will no longer be consolidated into the consolidated financial statements of the Group.

- (b) Long-term prepayments represent prepayments for connection to the utility infrastructure network located in the IEZ Primorye in the Russian Federation.

- (c) The balance mainly represents the advance deposits paid to the main contractor for the construction of a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines, which is currently under development by Suntrust (the “**Main Hotel Casino**”).

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

	As at	
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Interest in a joint venture		
Cost of unlisted investment	414,998	414,998
Share of post-acquisition losses and other comprehensive expenses	(415,136)	(415,136)
Exchange realignment	<u>138</u>	<u>138</u>
	–	–
Equity loans to a joint venture (<i>Note (a)</i>)	507,086	507,086
Allowance for impairment (<i>Note (d)</i>)	(138,706)	(119,717)
Deemed capital contribution (<i>Notes (b) and (c)</i>)	208,141	208,141
Share of post-acquisition losses and other comprehensive expenses in excess of the cost of investment	(572,795)	(414,627)
Exchange realignment	<u>(3,726)</u>	<u>(5,224)</u>
Interest in a joint venture	<u>–</u>	<u>175,659</u>
Loans to a joint venture		
– Current (<i>Note (b)</i>)	235,434	233,943
– Allowance for impairment (<i>Note (d)</i>)	<u>(145,263)</u>	<u>(144,343)</u>
	<u>90,171</u>	<u>89,600</u>
– Non-current (<i>Note (c)</i>)	143,275	126,995
– Allowance for impairment (<i>Note (d)</i>)	<u>(60,032)</u>	<u>(49,869)</u>
	<u>83,243</u>	<u>77,126</u>
Loans to a joint venture	<u>173,414</u>	<u>166,726</u>
Amounts due from a joint venture		
– Current	62,281	32,498
– Allowance for impairment (<i>Note (d)</i>)	<u>(38,416)</u>	<u>(20,040)</u>
	<u>23,865</u>	<u>12,458</u>
– Non-current	9,333	7,299
– Allowance for impairment (<i>Note (d)</i>)	<u>(3,911)</u>	<u>(2,866)</u>
	<u>5,422</u>	<u>4,433</u>
Amounts due from a joint venture	<u>29,287</u>	<u>16,891</u>

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 30 June 2022 and 31 December 2021. 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 30 June 2022 and 31 December 2021. 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 30 June 2022 and 31 December 2021.

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 30 June 2022 and 31 December 2021. 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 equity loans to, loans to and the amounts due from a joint venture were significantly increased during the six months ended 30 June 2022 and the year ended 31 December 2021. In view of this, the management of the Group started to assess the expected credit losses ("ECL") on the equity loans, loans to and the amounts due from the joint venture based on lifetime ECL during the six months ended 30 June 2022 and the year ended 31 December 2021.

Impairment assessment

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.

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, loans to and amounts due from a joint venture as at 30 June 2022 and 31 December 2021:

	As at 30 June 2022			As at 31 December 2021		
	Expected loss rate (%)	Gross carrying amount HK\$'000 (Unaudited)	Loss allowance HK\$'000 (Unaudited)	Expected loss rate (%)	Gross carrying amount HK\$'000 (Audited)	Loss allowance HK\$'000 (Audited)
Equity loans to a joint venture	27.2	507,086	138,706	23.6	507,086	119,717
Loans to a joint venture	41.9-61.7	378,709	205,295	39.2-61.7	360,938	194,212
Amounts due from a joint venture	41.9-61.7	<u>71,614</u>	<u>42,327</u>	39.2-61.7	<u>39,797</u>	<u>22,906</u>
		<u>957,409</u>	<u>386,328</u>		<u>907,821</u>	<u>336,835</u>

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.

	Equity loans to a joint venture <i>HK\$'000</i>	Loans to a joint venture <i>HK\$'000</i>	Amounts due from a joint venture <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	–	–	–	–
Allowance for impairment	<u>119,717</u>	<u>194,212</u>	<u>22,906</u>	<u>336,835</u>
At 31 December 2021 and 1 January 2022 (Audited)	119,717	194,212	22,906	336,835
Allowance for impairment	18,226	9,846	19,275	47,347
Exchange realignment	<u>763</u>	<u>1,237</u>	<u>146</u>	<u>2,146</u>
As at 30 June 2022 (Unaudited)	<u>138,706</u>	<u>205,295</u>	<u>42,327</u>	<u>386,328</u>

In view of the probability of default of the joint venture is no longer insignificant as at 30 June 2022 and 31 December 2021, allowances for impairment on the equity loans to a joint venture of approximately HK\$138,706,000 (31 December 2021: approximately HK\$119,717,000), loans to a joint venture of approximately HK\$205,295,000 (31 December 2021: approximately HK\$194,212,000) and amounts due from a joint venture of approximately HK\$42,327,000 (31 December 2021: approximately HK\$22,906,000) have been recognised as at 30 June 2022.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (a)</i>)	7,368	6,033
Allowance for impairment	<u>(4,225)</u>	<u>(4,225)</u>
	<u>3,143</u>	<u>1,808</u>
Other receivables	32,046	42,116
Consideration receivables from disposal of property, operating right and equipment (<i>Note (c)</i>)	–	77,981
Other deposits	8,108	6,338
Indirect tax recoverable (<i>Note (d)</i>)	109,493	93,089
Prepayments	<u>62,181</u>	<u>27,855</u>
	211,828	247,379
Allowance for impairment	<u>(414)</u>	<u>(414)</u>
	<u>211,414</u>	<u>246,965</u>
Total (<i>Note (b)</i>)	<u>214,557</u>	<u>248,773</u>

Notes:

- (a) Amount represents outstanding amounts pending settlements by customers which are usually repaid within 30 days (31 December 2021: 30 days) after each trip to the Group's gaming property in the Russian Federation, and trade receivables from management and operation of malls and hotel and integrated resort general consultancy services. For the management and operation of malls, the Group generally allows a credit period ranging from 0 to 30 days to its customers. For the hotel and integrated resort general consultancy services, a credit period ranging from 0 to 15 days is granted.

An analysis of the trade receivables as at the end of the reporting period, based on the invoice dates and net of loss allowances is as follows:

	As at	
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	293	642
31–90 days	1,036	161
91–180 days	–	321
Over 180 days	<u>1,814</u>	<u>684</u>
	<u>3,143</u>	<u>1,808</u>

- (b) As at 30 June 2022, certain other receivables and prepayments of approximately HK\$27,440,000 and HK\$2,168,000 were reported under Disposal Group A and Disposal Group B, respectively and reported as assets held for sale (Note 21(a)). As the 2022 Disposal has been completed in July 2022, certain other receivables, other deposits and prepayments have been disposed in July 2022 and will no longer be consolidated into the consolidated financial statements of the Group.
- (c) Amount represents consideration receivable from the disposal of an aircraft as at 31 December 2021, the amount has been fully settled during the six months ended 30 June 2022.
- (d) Amount represents mainly input VAT paid by Suntrust for the construction of the Main Hotel Casino.

15. LOAN RECEIVABLE

The maturity profile of the loan receivable is as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within one year (shown under current assets)	581,134	485,550
More than one year but not exceeding two years (shown under non-current assets)	—	113,659
	581,134	599,209
Less: Loan receivable classified as assets held for sale (<i>Note</i>)	(581,134)	—
	—	599,209

Note:

As at 30 June 2022, the loan receivable of approximately HK\$581,134,000 was reported under Disposal Group A and reported as assets held for sale (Note 21(a)). As the 2022 Disposal has been completed in July 2022, the loan receivable has been disposed in July 2022 and will no longer be consolidated into the consolidated financial statements of the Group.

On 30 June 2021, as part of the disposal of Access Achievement, 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:

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

Up to 30 June 2022, RMB17,500,000 (equivalent to approximately HK\$21,102,000) has been settled according to the above schedule. 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.

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

16. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits represent deposits for the following purposes:

	As at	
	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Securities for the travel agency business to the suppliers and license granted by the local regulatory bodies	<u><u>1,534</u></u>	<u><u>1,534</u></u>

As at 30 June 2022, pledged bank deposits are subjected to floating interest rate ranged from 0.2% to 0.3% (31 December 2021: 0.2% to 0.3%) per annum.

As at 30 June 2022, a restricted bank deposit of approximately RMB960 (equivalent to approximately HK\$1,000), in connection with a litigation in relation to a construction contract and supplemental agreement with a service provider, was subject to court seizure and was reported under Disposal Group B and reported as assets held for sale (Note 21(a)). As the 2022 Disposal has been completed in July 2022, the restricted bank deposit has been disposed in July 2022 and will no longer be consolidated into the consolidated financial statements of the Group.

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 approximately RMB960 (equivalent to approximately HK\$1,000) was subject to court seizure.

17. TRADE AND OTHER PAYABLES

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables (<i>Notes (a) and (b)</i>)	741	47,467
Interest payables (<i>Note (b)</i>)	–	34,058
Payable in respect of transfer of connection right to local electricity supply network	15,619	10,687
Liabilities of VAT arrangements	39,539	34,945
Retention payables	50,235	35,688
Other tax payables	9,799	8,585
Provision for indemnity (<i>Note 22(b)</i>)	23,948	21,653
Construction cost payables	71,240	96,350
Other payables and accruals (<i>Note (b)</i>)	55,427	67,642
	<u>266,548</u>	<u>357,075</u>
Amounts presented as:		
– Current	189,886	287,859
– Non-current	76,662	69,216
	<u>266,548</u>	<u>357,075</u>

Notes:

- (a) The credit period of trade payables from 30 to 180 days.

An aging analysis of trade payables at the end of each reporting period based on invoice dates is as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
0–90 days	741	1,713
Over 90 days	–	45,754
	<u>741</u>	<u>47,467</u>

- (b) As at 30 June 2022, interest payables of approximately HK\$107,395,000 was reported under Disposal Group A as liabilities held for sale (Note 21(a)); and certain trade payables, other payables and accruals of approximately HK\$54,000 and HK\$56,606,000 were reported under Disposal Group A and Disposal Group B as liabilities held for sale, respectively (Note 21(a)). As the 2022 Disposal has been completed in July 2022, interest payables and certain other payables and accruals have been disposed in July 2022 and will no longer be consolidated into the consolidated financial statements of the Group.

18. OTHER BORROWINGS

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Other borrowings		
– Secured	350,795	366,928
– Unsecured	<u>578,774</u>	<u>605,390</u>
	929,569	972,318
Less: Other borrowings classified as liabilities held for sale (<i>Note 21(a)</i>)	<u>(929,569)</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>972,318</u></u>

(a) Other borrowings

The maturity profile of other borrowings is as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within one year	786,912	823,101
More than one year but not exceeding two years	<u>142,657</u>	<u>149,217</u>
	929,569	972,318
Less: Amounts due for settlement within one year (<i>Note</i>)	<u>(786,912)</u>	<u>(823,101)</u>
Amounts due for settlement after one year (<i>Note</i>)	<u><u>142,657</u></u>	<u><u>149,217</u></u>

Note:

As at 30 June 2022, all the other borrowings of the Group are recorded under the Disposal Group A as liabilities held for sale (Note 21(a)). As the 2022 Disposal has been completed in July 2022, all the other borrowings of the Group have been disposed in July 2022 and will no longer be consolidated into the consolidated financial statements of the Group.

- (b) During the six months ended 30 June 2022, no new other borrowing was raised.

During the six months ended 30 June 2021, there were new other borrowings of HK\$260,937,000 raised from three non-financial institutions. One new other borrowing of HK\$150,000,000 was secured and guaranteed by Mr. Chau Cheok Wa (“**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. Two new other borrowings in the aggregate amount of RMB92,000,000 (equivalent of approximately HK\$110,937,000) were unsecured and guaranteed by the Company, with interest bearing at 12% per annum and repayable within 3 months.

- (c) At the end of each reporting period, the Group’s assets pledged as security for the Group’s other borrowings are as follows:

	As at	
	30 June	31 December
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
Loan receivable classified as assets held for sale		
(31 December 2021: Loan receivable)	<u>581,134</u>	<u>599,209</u>

19. 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 Limited (“**Fame Select**”), the former major shareholder of the Company to set off the balance of the loan from and the related accrued interest due to Fame Select on a dollar-for-dollar basis against the total subscription price payable by Fame Select in respect of the subscription of the 2016 Convertible Bond.

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

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

The 2016 Convertible Bond contains a debt component and derivative component. The 2016 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for a fixed number of the Company’s own equity instruments on the basis that the 2016 Convertible Bond is denominated in HK\$, 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 (the “**Extended 2016 CB Maturity Date**”). The Amendment Agreement was passed by the ordinary resolution at the extraordinary general meeting of the Company held on 28 September 2018. The effective interest rate of the debt component was 8.01% per annum after the extension of the 2016 CB Maturity Date.

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

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

Due to the extension of the Extended 2016 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$402,000,000 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. The effective interest rate of the debt component is 22.36% per annum after the extension of the Extended 2016 CB Maturity Date.

On 13 May 2022, the 2016 Convertible Bond was acquired by Major Success, a company wholly-owned by Mr. Lo, an executive Director of the Company.

The fair values of the derivative financial instruments of 2016 Convertible Bond as at 30 June 2022 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**”).

2018 Convertible Bond

On 28 August 2018, the Company issued a convertible bond (“**2018 Convertible Bond**”) with a principal amount of HK\$297,000,000 (equivalent to approximately HK\$257,475,000 at the issuance date) to Star Hope Limited (“**Star Hope**”), a related company wholly-owned by Mr. Chau and Better Linkage Limited (“**Better Linkage**”), a related company wholly-owned by Mr. Lo, an executive Director of the Company, for the acquisition of the entire equity interest of Star Admiral Limited (“**Star Admiral**”) and shareholder’s loan owed by Star Admiral.

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

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

The 2018 Convertible Bond contains a debt component and derivative component. The 2018 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for fixed number of the Company's own equity instruments on the basis that the 2018 Convertible Bond is denominated in HK\$, which was the foreign currency of the Company as at 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 is 9.86% per annum. The derivative component is measured at fair values at the issuance date and in subsequent periods with changes in fair value recognised in profit or loss.

On 3 July 2020, the Company, Star Hope and Better Linkage entered into a supplemental deed to extend the 2018 CB Maturity Date to 28 August 2022 (or if such date is not a business date, the next business date, i.e. 29 August 2022). The supplemental deed became effective on 24 August 2020, the date on which all the conditions precedent of the supplemental deed have been fulfilled.

Due to the extension of the 2018 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$297,000,000 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 effective interest rate of the debt component is 26.87% per annum after the extension.

On 13 May 2022, the 2018 Convertible Bond was acquired by Major Success, a company wholly-owned by Mr. Lo, an executive Director of the Company.

The fair values of the derivative financial instruments of 2018 Convertible Bond as at 30 June 2022 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 calculations of fair values of the derivative financial instruments are as follows:

	30 June 2022	31 December 2021
2016 Convertible Bond		
Share price	HK\$0.056	HK\$0.130
Conversion price	HK\$0.260	HK\$0.260
Expected volatility (<i>Note (a)</i>)	57.06%	87.89%
Expected option life	0.44 Year	0.94 Year
Expected dividend yield (<i>Note (b)</i>)	Zero	Zero
Risk-free rate (<i>Note (c)</i>)	2.54%	0.54%

	30 June 2022	31 December 2021
2018 Convertible Bond		
Share price	HK\$0.056	HK\$0.130
Conversion price	HK\$0.900	HK\$0.900
Expected volatility (<i>Note (a)</i>)	32.04%	99.73%
Expected option life	0.16 Year	0.66 Year
Expected dividend yield (<i>Note (b)</i>)	Zero	Zero
Risk-free rate (<i>Note (c)</i>)	1.27%	0.54%

Notes:

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

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

	Debt component HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
2016 Convertible Bond			
At 1 January 2021 (Restated) (Audited)	272,460	791,621	1,064,081
Credit to profit or loss	–	(496,478)	(496,478)
Imputed interest expense (<i>Note 7</i>)	29,772	–	29,772
Exchange difference recognised in profit or loss	(3,160)	(8,348)	(11,508)
Exchange realignment	<u>3,147</u>	<u>8,312</u>	<u>11,459</u>
At 30 June 2021 (Restated) (Unaudited)	<u>302,219</u>	<u>295,107</u>	<u>597,326</u>
At 1 January 2022 (Audited)	333,569	12,952	346,521
Credit to profit or loss	–	(12,952)	(12,952)
Imputed interest expense (<i>Note 7</i>)	<u>36,430</u>	<u>–</u>	<u>36,430</u>
At 30 June 2022 (Unaudited)	<u>369,999</u>	<u>–</u>	<u>369,999</u>

	Debt component <i>HK\$'000</i>	Derivative financial instruments <i>HK\$'000</i>	Total <i>HK\$'000</i>
2018 Convertible Bond			
At 1 January 2021 (Restated) (Audited)	201,503	45,138	246,641
Credit to profit or loss	–	(42,192)	(42,192)
Imputed interest expense (<i>Note 7</i>)	24,518	–	24,518
Exchange difference recognised in profit or loss	(2,342)	(456)	(2,798)
Exchange realignment	<u>2,333</u>	<u>454</u>	<u>2,787</u>
At 30 June 2021 (Restated) (Unaudited)	<u>226,012</u>	<u>2,944</u>	<u>228,956</u>
At 1 January 2022 (Audited)	255,634	63	255,697
Credit to profit or loss	–	(63)	(63)
Imputed interest expense (<i>Note 7</i>)	<u>31,108</u>	<u>–</u>	<u>31,108</u>
At 30 June 2022 (Unaudited)	<u>286,742</u>	<u>–</u>	<u>286,742</u>
Total			
At 30 June 2022 (Unaudited)	<u>656,741</u>	<u>–</u>	<u>656,741</u>
At 31 December 2021 (Audited)	<u>589,203</u>	<u>13,015</u>	<u>602,218</u>

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

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

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

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

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

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

The fair value of the derivative financial instrument of the Summit Ascent CB as at 30 June 2022 and 31 December 2021 had been determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

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

	30 June 2022	31 December 2021
Summit Ascent CB		
Share price of Summit Ascent	HK\$0.05	HK\$0.15
Conversion Price	HK\$3.50	HK\$3.50
Expected volatility (<i>Note (a)</i>)	88.43%	77.38%
Expected option life	3.38 Years	3.88 Years
Expected dividend yield (<i>Note (b)</i>)	Zero	Zero
Risk-free rate (<i>Note (c)</i>)	3.06%	1.14%

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:

	Debt component <i>HK\$'000</i>	Derivative financial instrument <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021 (Restated) (Audited)	16,449	836	17,285
Credit to profit or loss	–	(350)	(350)
Imputed interest expense (<i>Note 7</i>)	598	–	598
Exchange realignment	<u>22</u>	<u>–</u>	<u>22</u>
At 30 June 2021 (Restated) (Unaudited)	<u>17,069</u>	<u>486</u>	<u>17,555</u>
	Debt component <i>HK\$'000</i>	Derivative financial instrument <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022 (Audited)	17,767	286	18,053
Credit to profit or loss	–	(280)	(280)
Imputed interest expense (<i>Note 7</i>)	646	–	646
Exchange realignment	<u>115</u>	<u>–</u>	<u>115</u>
At 30 June 2022 (Unaudited)	<u>18,528</u>	<u>6</u>	<u>18,534</u>

(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 occurrence of events stated in the agreement.

The fair values of the derivative financial instrument of the Put Option as at 30 June 2022 and 31 December 2021 were approximately HK\$4,162,000 and HK\$4,570,000 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:

	30 June 2022	31 December 2021
Put option		
Share price	PHP1.000	PHP1.120
Expected volatility <i>(Note (a))</i>	58.60%	66.41%
Expected option life <i>(Note (b))</i>	2.42 Years	2.5 Years
Expected dividend yield <i>(Note (c))</i>	Zero	Zero
Risk-free rate <i>(Note (d))</i>	4.44%	3.37%

Notes:

- (a) The expected volatility was determined by using the historical volatility of Suntrust's share price over a period commensurate with the remaining term.
- (b) The option period is assumed to be expiring in 2024 (31 December 2021: 2024), being the date of expected commencement of operation of the Main Hotel Casino. The expected option life used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.
- (c) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment during the expected option life of Suntrust.
- (d) Risk-free rate is estimated based on the yield-to-maturity in continuous compounding of the Philippines peso swap rates with a similar remaining tenure.

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

	<i>HK\$'000</i>
At 1 January 2021 (Restated) (Audited)	3,209
Credit to profit or loss	290
Exchange realignment	(26)
	<hr/>
At 30 June 2021 (Restated) (Unaudited)	<u>3,473</u>
At 1 January 2022 (Audited)	4,570
Charge to profit or loss	(110)
Exchange realignment	(298)
	<hr/>
At 30 June 2022 (Unaudited)	<u>4,162</u>

20. DISCONTINUED OPERATIONS

Cessation of businesses for travel related products and services and hotel and integrated resort general consultancy services

On 1 April 2022, the Directors decided to cease the Group's travel related products and services and hotel and integrated resort general consultancy services businesses (the "Ceased Businesses"). With effect from 1 April 2022, the Group ceased and discontinued the operations in travel related products and services and hotel and integrated resort general consultancy services businesses (the "Cessation").

(i) Results of the discontinued operations in relation to the Ceased Businesses have been included in the condensed consolidated statement of profit or loss and other comprehensive income:

The Cessation was effective from 1 April 2022 and was reported in the condensed consolidated financial statements for the six months ended 30 June 2022 as discontinued operations. Financial results relating to the discontinued operations in relation to the Ceased Businesses for the period are set below.

The financial performance and cash flow information presented reflects the discontinued operations in relation to the Ceased Businesses for the six months ended 30 June 2022.

	Travel related products and services		Hotel and integrated resort general consultancy services	
	For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Revenue	-	32,341	-	1,569
Cost of sales	-	(31,190)	-	-
Gross profit	-	1,151	-	1,569
Other income, gains and losses	230	524	-	13
Selling and distribution expenses	-	(5,993)	-	-
Administrative expenses	(326)	(17,462)	(157)	(16,412)
Other operating expenses	-	(17)	-	-
Finance costs	-	(1,769)	-	(20)
Loss before taxation	(96)	(23,566)	(157)	(14,850)
Income tax expense	-	(11)	-	(157)
Loss for the period from discontinued operations in relation to the Ceased Businesses	(96)	(23,577)	(157)	(15,007)
Profit (loss) and total comprehensive income (expense) for the period from discontinued operations in relation to the Ceased Businesses	66	(21,609)	(157)	(14,995)

	Travel related products and services		Hotel and integrated resort general consultancy services	
	For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Net cash flows (used in) from operating activities	(449)	41,265	(116)	4,176
Net cash flows from (used in) investing activities	1	42	-	(29)
Net cash flows used in financing activities	-	(63,183)	-	(216)
Net (decrease) increase in cash and cash equivalents	(448)	(21,876)	(116)	3,931
Basic loss per share from discontinued operations in relation to the Ceased Businesses attributable to shareholders of the Company (<i>HK cent</i>)	(0.001)	(0.350)	(0.002)	(0.230)
Diluted loss per share from discontinued operations in relation to the Ceased Businesses attributable to shareholders of the Company (<i>HK cent</i>)	(0.001)	(0.280)	(0.002)	(0.180)

(ii) **Loss for the period of the discontinued operations in relation to the Ceased Businesses**

Loss for the period of the discontinued operations in relation to the Ceased Businesses is stated after charging (crediting) the following:

	Travel related products and services For the six months ended 30 June		Hotel and integrated resort general consultancy services For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Depreciation of property, operating right and equipment	-	4,604	-	64
Depreciation of right-of-use assets	-	387	-	197
Total depreciation and amortisation	<u>-</u>	<u>4,991</u>	<u>-</u>	<u>261</u>
Staff costs, excluding Directors				
- salaries and wages	31	3,800	-	7,085
- retirements benefits scheme contributions	-	107	-	125
Total staff costs, excluding Directors	<u>31</u>	<u>3,907</u>	<u>-</u>	<u>7,210</u>
Short-term and variable lease payments (including COVID-19 related rent concessions of Nil (six months ended 30 June 2021: HK\$307,000)	-	(244)	-	-
Cost of sales				
- cost of travel related products sold	-	31,190	-	-

21. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE/DISPOSAL OF SUBSIDIARIES

(a) Disposal groups classified as held for sale

On 10 May 2022, 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 of wholly-owned subsidiaries of the Company including the Disposal Group A and Disposal Group B, at a total cash consideration of HK\$1 subject to the terms and conditions of the S&P Agreement. The 2022 Disposal was completed on 22 July 2022.

As at 30 June 2022, the fulfilment of the conditions precedent of the 2022 Disposal were in progress and Disposal Group A and Disposal Group B were classified as disposal groups held for sale and the Group's property development in the PRC segment was reported as discontinued operation.

Goal Explore is an investment holding company and a wholly-owned subsidiary of the Company. Its wholly-owned subsidiaries, Sky Alliance Investments Limited and Shenzhen Sky Alliance Property Company Limited (深圳聯天置業有限公司) are principally engaged in investment holding, Dongyang Xinguang is principally engaged in management and operation of malls in the PRC. Dongyang Xinguang will be transferred back to the Group before completion of the 2022 Disposal.

Boshing Investments is an investment holding company and a wholly-owned subsidiary of the Company. Its wholly-owned subsidiary, Chaohu Baosheng Tourism Development Company Limited (巢湖寶昇旅遊開發有限公司) is principally engaged in property development in Chaohu, Anhui Province, the PRC.

(i) *The major classes of assets and liabilities classified as held for sale as at 30 June 2022 are as follows:*

	Disposal Group A HK\$'000	Disposal Group B HK\$'000	Total HK\$'000	Eliminations HK\$'000	Assets and liabilities classified as held for sale HK\$'000
Assets					
Investment in a subsidiary	30,987	-	30,987	(30,987)	-
Property, operating right and equipment	-	43	43	-	43
Prepayments and deposits for non-current assets	-	9,513	9,513	-	9,513
Inventories	-	291,078	291,078	-	291,078
Trade and other receivables and prepayments	27,440	2,168	29,608	-	29,608
Loan receivable	581,134	-	581,134	-	581,134
Amounts due from group companies	246,000	-	246,000	(246,000)	-
Restricted bank deposits	-	1	1	-	1
Bank balances and cash	245	1	246	-	246
	<u>885,806</u>	<u>302,804</u>	<u>1,188,610</u>	<u>(276,987)</u>	<u>911,623</u>
Liabilities					
Trade and other payables	107,449	56,606	164,055	-	164,055
Other borrowings	929,569	-	929,569	-	929,569
Amounts due to group companies	331,553	330,001	661,554	(661,554)	-
	<u>1,368,571</u>	<u>386,607</u>	<u>1,755,178</u>	<u>(661,554)</u>	<u>1,093,624</u>
Net liabilities	<u>(482,765)</u>	<u>(83,803)</u>	<u>(566,568)</u>	<u>384,567</u>	<u>(182,001)</u>

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

Financial results of the Disposal Group A and Disposal Group B relating to the discontinued operations for the period are set below.

The financial performance and cash flow information presented reflects the discontinued operations for the six months ended 30 June 2022.

	Disposal Group A		Disposal Group B	
	For the six months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Other income, gains and losses	26,741	81	(745)	1
Administrative expenses	(786)	(251)	(650)	(973)
Other operating expenses	(16)	–	–	–
Finance costs	(77,013)	(22,729)	–	–
Loss for the period from discontinued operations	(51,074)	(22,899)	(1,395)	(972)
(Loss) profit and total comprehensive (expense) income for the period from discontinued operations	(29,571)	(24,014)	2,436	(1,910)
Net cash flows used in operating activities	(547)	(35,237)	–	(45)
Net cash flows from investing activities	1	5	–	–
Net cash flows from financing activities	–	103,324	–	–
Effect of foreign exchange rate changes	(20)	215	–	–
Net (decrease) increase in cash and cash equivalents	(566)	68,307	–	(45)
Basic loss per share from discontinued operations attributable to shareholders of the Company (HK cents)	(0.766)	(0.340)	(0.021)	(0.010)
Diluted loss per share from discontinued operations attributable to shareholders of the Company (HK cents)	(0.766)	(0.270)	(0.021)	(0.010)

(iii) Loss for the period of the discontinued operations

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

	Disposal Group A		Disposal Group B	
	For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Depreciation of property, operating right and equipment	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Staff costs, excluding Directors				
- salaries and wages	452	139	191	176
- retirements benefits scheme contributions	<u>118</u>	<u>28</u>	<u>34</u>	<u>34</u>
Total staff costs, excluding Directors	<u>570</u>	<u>167</u>	<u>225</u>	<u>210</u>
Short-term and variable lease payments	<u>-</u>	<u>-</u>	<u>29</u>	<u>57</u>

(b) Disposal of subsidiaries during the six months ended 30 June 2021

On 21 February 2021, the Company entered into a sale and purchase agreement with an independent third party (the “**Purchaser of Access Achievement**”). Pursuant to a sale and purchase agreement, the Company agreed to sell and the Purchaser of Access Achievement 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 of Access Achievement upon the completion of the disposal on 30 June 2021.

Access Achievement is 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.

(i) **The net liabilities at the date of the disposal of subsidiaries are as follows:**

	<i>HK\$'000</i>
	(Restated)
Net liabilities disposed of	
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)
	<u>(1,033,752)</u>
Net liabilities disposed of	<u>(1,033,752)</u>
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)
	<u>(201,736)</u>
Gain on disposal of subsidiaries	<u>201,736</u>

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

	<i>HK\$'000</i>
Cash consideration received	186,624
Bank balances and cash disposed of	(97)
	<u>186,527</u>
Total net cash inflow from the disposal	<u>186,527</u>

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

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

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

	For the six months ended 30 June 2021 HK\$'000 (Restated)
Revenue	
– Contracts with customers	3,172
– Leases	<u>19,694</u>
Total revenue	22,866
Cost of sales	<u>(6,792)</u>
Gross profit	16,074
Other income, gains and losses	610
Selling and distribution expenses	(842)
Administrative expenses	(10,054)
Other operating expenses	(7,773)
Change in fair value of investment properties	(11,988)
Reversal of provision for litigation	21,361
Finance costs	<u>(32,776)</u>
Loss before taxation	(25,388)
Income tax credit	<u>467</u>
Loss for the period from discontinued operations	(24,921)
Gain on disposal of subsidiaries	<u>201,736</u>
Profit for the period from discontinued operations	<u><u>176,815</u></u>
Exchange differences arising on translation from functional currency to presentation currency	<u>(9,997)</u>
Total comprehensive income for the period attributable to equity holders of the Company arose from discontinued operations	<u><u>166,818</u></u>

For the
six months
ended 30 June
2021
HK\$'000
(Restated)

Net cash flows used in operating activities	(6,899)
Net cash flows used in investing activities	(430)
Net cash flows used in financing activities	<u>(355)</u>
Net decrease in cash and cash equivalents	<u><u>(7,684)</u></u>

Basic earnings per share from discontinued operations attributable to shareholders of the Company (<i>HK cents</i>)	<u>2.65</u>
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Diluted earnings per share from discontinued operations attributable to shareholders of the Company (<i>HK cents</i>)	<u>2.15</u>
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(iii) Profit for the period from discontinued operations

Profit for the period from discontinued operations is stated after charging (crediting) the following:

For the
six months
ended 30 June
2021
HK\$'000
(Restated)

Depreciation of property, operating right and equipment	71
Depreciation of right-of-use assets	<u>891</u>

Total depreciation and amortisation	<u><u>962</u></u>
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Staff costs, excluding Directors	
– salaries and wages	5,362
– retirements benefits scheme contributions	<u>934</u>

Total staff costs, excluding Directors	<u><u>6,296</u></u>
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Short-term and lease payments	<u><u>4</u></u>
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Cost of sales	
– cost of services rendered	<u>6,792</u>

Gross rental income from investment properties	(19,694)
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Less: Direct operating expenses incurred for investment properties included in cost of sales	<u>4,728</u>
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(14,966)

22. 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\$43.3 million) is recorded as trade and other payables classified as liabilities held for sale as at 30 June 2022. (31 December 2021: approximately RMB37 million (equivalent to approximately HK\$45.3 million) was recorded as trade and other payables.) In connection with three (31 December 2021: three) 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\$9.8 million) (31 December 2021: RMB8.4 million (equivalent to approximately HK\$10.2 million)). The judgements are being enforced for execution and the Group had recorded full amount as trade and other payables classified as liabilities held for sale as at 30 June 2022 (31 December 2021: trade and other payables). 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 sale and purchase agreement in relation to the disposal of Access Achievement 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 of Access Achievement amounting to RMB155,290,000 (equivalent to approximately HK\$181,583,000) (31 December 2021: 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\$607,167,000) (31 December 2021: RMB519,249,000 (equivalent to approximately HK\$623,099,000)), in the aggregate amount of RMB674,539,000 (equivalent to approximately HK\$788,750,000) (31 December 2021: RMB674,539,000 (equivalent to approximately HK\$809,723,000)). In this regard, approximately RMB20,481,000 (equivalent to approximately HK\$23,948,000) (31 December 2021: 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 30 June 2022 and 31 December 2021.

23. CAPITAL COMMITMENTS

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

	As at	
	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted but not provided for	<u>3,254,000</u>	<u>3,600,183</u>

24. EVENTS AFTER THE REPORTING PERIOD

- (i) On 22 July 2022, all the conditions precedent under the S&P Agreement have been fulfilled and the completion of the 2022 Disposal took place on the same day in accordance with the terms and conditions of the S&P Agreement. Upon completion of the 2022 Disposal, the Group no longer holds any equity interest in the Disposal Group A and Disposal Group B and accordingly all of the companies under the Disposal Group A and Disposal Group B ceased to be subsidiaries of the Group and the respective financial results of the Disposal Group A and Disposal Group B will no longer be consolidated into those of the Group.
- (ii) A special resolution in relation to the change of company name was passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 15 August 2022. A Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 16 August 2022 certifying the change of the name of the Company from “Suncity Group Holdings Limited 太陽城集團控股有限公司” to “LET Group Holdings Limited”.
- (iii) Subsequent to the end of the reporting period and up to the date of this announcement, the exchange rate of the Russian ruble (“**RUB**”) has depreciated by approximately 20% against HK\$. Summit Ascent Group is mainly exposed to currency risk arising from RUB against HK\$, the functional currency of Summit Ascent Group and the Group. The carrying amounts of the Group’s RUB denominated monetary assets and liabilities attributable from Summit Ascent Group at the reporting date are approximately HK\$555,032,000 and HK\$70,544,000, respectively. Based on the sensitivity analysis including outstanding RUB denominated monetary items and adjusting their translation at the end of the reporting period, a decrease of approximately HK\$80,748,000 in post-tax profit for the period is indicated where RUB weaken 20% against HK\$.
- (iv) On 29 August 2022, the amount due to the immediate holding company (“**2018 Promissory Note**”) in principal amount of HK\$303,000,000 and interest thereon due on 28 August 2022 (or if that is not a business date, the first business date thereafter, i.e. 29 August 2022), and the 2018 Convertible Bond in the principal amount of HK\$297,000,000 due on 28 August 2022 (or if that is not a business date, the first business date thereafter, i.e. 29 August 2022) remain unpaid respectively, the non-payment constitutes event of defaults (“**PN Event of Default and 2018 CB Event of Default**”). The PN Event of Default and 2018 CB Event of Default have triggered a cross default in respect of the 2016 Convertible Bond in the principal amount of HK\$402,000,000 due on 7 December 2022. Up to the date of this announcement, the immediate holding company has not issued a waiver in respect of each of the PN Event of Default and 2018 CB Event of Default and the event of default under the 2016 Convertible Bond.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a loss attributable to equity holders of the Company of HK\$253.0 million for the six months ended 30 June 2022 (“**1H 2022**”), significantly reduced from profit attributable to equity holders of the Company of HK\$384.3 million for the corresponding period in 2021. Consolidated Adjusted EBITDA from continuing operations was approximately positive HK\$50.6 million versus approximately negative HK\$8.1 million for the six months ended 30 June 2021 (“**1H 2021**”).

The loss attributable to equity holders of the Company for 1H 2022 was mainly attributable to (i) the loss from discontinued operations of approximately HK\$52.7 million for the six months ended 30 June 2022, as compared to a profit from discontinued operations of HK\$114.4 million (as restated) for the six months ended 30 June 2021; (ii) the share of loss of a joint venture of approximately HK\$160.3 million; (iii) the impairment loss on equity loans to, loans to and amounts due from a joint venture of approximately HK\$47.3 million; and (iv) finance costs of approximately HK\$111.0 million.

In 1H 2022, Summit Ascent’s 77.5%-owned integrated resort located in the IEZ Primorye in the Russian Federation, Tigre de Cristal, contributed revenue from gaming and hotel operations of approximately HK\$177.9 million to the Group, with contribution of approximately HK\$198.2 million total gross gaming revenue (“**GGR**”) to the Group.

Group Key Financial Data

	1H 2022 HK\$’000	1H 2021 HK\$’000 (Restated)
Revenue:		
Operation of integrated resort in the Russian Federation		
– Tigre de Cristal:		
– Gaming operations	167,623	122,720
– Hotel operations	10,269	6,732
	177,892	129,452
Other segments:		
– Management and operation of malls	12,553	15,167
– Property development	–	–
	12,553	15,167
Total revenue from continuing operations	190,445	144,619
Consolidated Adjusted EBITDA from continuing operations	50,558	(8,100)

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

	1H 2022 HK\$'000	1H 2021 HK\$'000 (Restated)
(Loss) profit for the period	(234,014)	343,259
Add (deduct):		
Loss (profit) for the period from discontinued operations	52,722	(114,360)
Income tax (credit) expense	(332)	11,807
Change in fair value of derivative financial instruments	(13,185)	(539,310)
Gain on disposal of an associate	–	(594)
Loss (gain) on disposal/write-off of property, operating right and equipment	308	(184)
Impairment loss on equity loans to a joint venture	18,226	–
Impairment loss on loans to a joint venture	9,846	–
Impairment loss on amounts due from a joint venture	19,275	–
Share of loss of an associate	–	520
Share of loss of a joint venture	160,331	167,909
Finance costs	111,009	123,220
Interest income and imputed interest income on loans to a joint venture	(46,920)	(43,373)
Other operating expenses	12,361	2,563
Depreciation and amortisation	42,784	50,484
Net exchange gains	(81,853)	(10,041)
Consolidated Adjusted EBITDA from continuing operations	<u>50,558</u>	<u>(8,100)</u>

Revenue

Revenue from continuing operations in 1H 2022 was approximately HK\$190.4 million, increased by approximately HK\$45.8 million or 31.7% when compared to approximately HK\$144.6 million in 1H 2021. The increase was mainly attributable to the growth of revenue from Summit Ascent Group in 1H 2022.

- i) **Operation of integrated resort in the Philippines** – through an indirect 51% owned subsidiary of the Company, Suntrust, the Group is currently developing a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines (the “**Main Hotel Casino**” or the “**Westside City Project**”) of which Suntrust would be the sole and exclusive operator and manager to operate and manage the Main Hotel Casino upon commencement of operation of the Main Hotel Casino in 2024. In 1H 2022, the construction works of pile cap, ground floor and Levels 1 and 2 have been completed and the basement of the Main Hotel Casino were in progress. No revenue was recognised during the period.

- ii) **Operation of integrated resort in the Russian Federation** – Summit Ascent, the 69.66% owned subsidiary of the Company, contributed revenue from gaming and hotel operations in the IEZ Primorye in the Russian Federation through its approximately 77.5% owned subsidiary of approximately HK\$177.9 million to the Group during 1H 2022 (1H2021: HK\$129.5 million).
- iii) **Management and operation of malls** – The revenue for concessionaire sales and provision of retail management and related services from the management and operation of the Group’s leased assets, namely Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 30 June 2022 were approximately 82% and 78%, respectively.
- iv) **Property development** – The Group engaged in development and sales of properties and hotel premises in Japan, and had two property development projects located in Japan as at 30 June 2022. During the six months ended 30 June 2022, both projects were in development planning stage, hence no revenue was generated from this segment during the period.

Other income, gains and losses

The increase in other income, gains and losses during 1H 2022 was mainly due to (i) the net exchange gains recognised in 1H 2022 of approximately HK\$81.9 million (1H 2021: net exchange gains of HK\$10.0 million) which was primarily due to the translation of assets and liabilities which denominated in foreign currencies during the period and (ii) the increase in interest income and imputed interest income from loans to a joint venture advanced by the Group.

Selling and distribution expenses

Selling and distribution expenses decreased slightly in 1H 2022, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses.

Administrative expenses

Administrative expenses remained stable during 1H 2022 and 1H 2021, which comprised mainly salaries and benefits of employees, legal and professional fees, and depreciation and amortisation.

Other operating expenses

The increase in other operating expenses in 1H 2022 was mainly attributable to legal and professional fees and stamp tax in the Philippines incurred for the issuance of the 2022 Summit Ascent Subscribed CB (defined as below) by Suntrust during 1H 2022.

Gain on disposal of an associate

During 1H 2021, the Group disposed of its remaining 24.27% equity interest in First Oceanic Property Management, Inc. (“**FOPM**”) at the consideration of PHP153,728,294 (equivalent to approximately HK\$24.7 million) and recognised a gain of approximately HK\$0.6 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 30 June 2022 were assessed by an independent professional valuer.

Share of loss of an associate

On 10 December 2019, FOPM, a wholly-owned subsidiary of Suntrust before the FOPM Shares Subscription (as defined below), issued 150,000,000 new shares to a related company of a non-controlling shareholder of Suntrust at PHP1.0 each (the “**FOPM Shares Subscription**”). Upon completion of FOPM Shares Subscription, FOPM and its subsidiary ceased as subsidiaries of the Group and FOPM became 24.27% owned by the Group. The retained interest in FOPM was recognised as investment in an associate. As at 31 December 2020, the Group held approximately 24.27% equity interest in FOPM. The Group recognised the share of loss of an associate of approximately HK\$0.5 million for 1H 2021, which represented the share of loss of FOPM in 1H 2021 before the disposal of remaining approximately 24.27% equity interest in FOPM in April 2021.

Share of loss of a joint venture

The amount represented the share of loss of the Group's joint venture, which is owned by Star Admiral (an indirect wholly-owned subsidiary of the Company). The principal asset of Star Admiral is approximately 34% equity interest in the integrated resort development project located in Hoi An South, Quang Nam Province, Vietnam ("**Hoiana**"). Hoiana was opened for preview on 28 June 2020. As a tourist-dependent property, Hoiana was in loss making position and its performance was adversely impacted by the COVID-19 pandemic during 1H 2022. During 1H 2022, the Group recorded share of loss of a joint venture of approximately HK\$160.3 million as compared to HK\$167.9 million for the corresponding period in 2021. As the joint venture is still in a net liability position with accumulated losses, and the carrying amount of the interest in the joint venture is reported as zero as at 30 June 2022, the Group has discontinued recognition of share of loss of the joint venture.

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

As at 31 December 2021 and 30 June 2022, 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) ("**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 which are interest-free, unsecured and no fixed repayment term.

In addition, 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 ("**Advances B**"). Advances B are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities.

Furthermore, Star Admiral has advanced loan in the aggregate principal amount of US\$30,000,000 (equivalent to approximately HK\$232,500,000 at the drawdown date) to GYE ("**Advance C**") in July 2020. 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 Advance C together with interest accrued thereon by the due date (i.e. 28 February 2022) and such amount became immediately payable. 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. Up to 30 June 2022, no repayment of the principal together with interest accrued thereon (if any) was made by GYE in respect of Advance C.

Advance A, B and C were deployed to Hoiana by way of capital contribution and/or shareholders' loan by GYE as investment fund contribution provided by the Group. All the investors of Hoiana, that is, the Group and Alpha Era Investments Limited (“**Alpha Era**”) each has a 50% interest in GYE which holds indirect 68% interest in Hoiana, and an independent investor which has an indirect 32% interest in Hoiana, have contributed such investment fund in pro-rata basis.

Other than Advances A, which was acquired by the Group as part of the acquisition of the equity of Star Admiral (in in turns owns 50% equity interest in GYE) in August 2018, Advances B and C were advanced by the Group to GYE in an amount pro-rata to the Group's 50% interest in GYE in accordance with the shareholders' agreement in respect of GYE. Advances B and C were made by the Group to GYE in discharge of its obligations to fund the capital requirements of GYE/Hoiana in accordance with the shareholders' agreement in respect of GYE. Otherwise the Group's indirect interest in Hoiana would be diluted by the other shareholder of GYE (i.e. Alpha Era) who provided funding to Hoiana. Advances B and C were advanced to GYE given the investment of the Group in Hoiana through its investment in GYE on basis of the Group's understanding of the business prospect of Hoiana which remained positive at the time when these loans were advanced. Therefore, making these advances to GYE in which the Group has equity stake is altogether different from lending to a third party borrower when extensive due diligence and credit assessment would otherwise be performed.

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

During the year ended 31 December 2021, GYE failed to repay the interest on Advance C to the Group and this indicated an actual or expected significant deterioration in the operating results of the joint venture. The Group's underlying investment in the joint venture (i.e. GYE), is the Hoiana project in which GYE has an approximately 68% indirect interest. That is, the Group has an indirect 34% interest in the Hoiana project. In fact, Advance C advanced by the Group to GYE was further injected by GYE to Hoiana by way of shareholder's loan.

The ability of GYE to effect repayment of Advances A, B and C depends much on the financial performance of Hoiana, which is the sole investment and revenue source from which GYE may make repayment of these loans. However, the unprecedented impact of the COVID-19 and its variants on the financial performance of the Hoiana project (the “**COVID-19 Impact**”) is out of the expectation of everyone, including the followings:

- Due to the continual travel restrictions and quarantine measures implemented in Vietnam and the persistent impact of the COVID-19 in 2021, the full opening of Hoiana has been further delayed from 2H 2021 to a later date yet to be determined and Hoiana has not been in full operation during 2021 as remaining construction of the hotels and facilities was heavily impacted by the restrictions in Vietnam under COVID-19 since the preview opening of Hoiana on 28 June 2020;

- International flights to Vietnam were suspended most of the time and the number of tourists to Vietnam has remained low since the preview opening of Hoiana on 28 June 2020 and up till now. Foreign flights were only resumed since March 2022. The occupancy rate of the hotel and casino forming part of the Hoiana project has remained low and the casino of the Hoiana project which only allows admission by foreigners has had limited patrons when international flights were suspended during the pandemic period. One of the hotel buildings in Hoiana, the All Suites Hotel, started operation from July 2020 only achieved approximately 2% occupancy rate during 2021 as the main focus of Hoiana, i.e. the Casino, was opened only to non-locals; and
- The hotel forming part of the Hoiana project has been operated as a quarantine hotel from June 2021 to October 2021 and the operating hours of the Hoiana project had been restricted during 2021 in compliance with the guidelines issued by the local government of Vietnam.

The COVID-19 Impact began to emerge only from late 2020 and in the course of 2021 after the advancements of Advances A, B and C, the last of which was advanced in July 2020, it was out of expectation that COVID-19 would last for over two years from 2020 up till 2022. As a brief timeline for reference:

- The first wave of COVID-19 hit Vietnam during March 2020 and the first entry suspension for all foreigners was imposed on 21 March 2020. The first wave of COVID-19, according to the Ministry of Health of Vietnam, marked an end on 16 April 2020 when airlines resumed normal schedule for domestic flights. Advance B was advanced to GYE in January and March of 2020 when COVID-19 cases started to surge in and had not yet hit Vietnam at a predominant level. Advance C was advanced to GYE in July 2020 while the first wave seemed to be under control and travelling was not as restricted as least domestic flights, were in normal operations. For completeness sake, Advance A was acquired by the Group as part of the acquisition of the equity of Star Admiral (which in turn owns 50% equity interest in GYE) in August 2018.
- The surge of the second wave of COVID-19 cases in Vietnam commenced in July 2020 and Vietnam was in lockdown on 28 July 2020. The lockdown lasted for 2 months until the end of September 2020.
- Then, COVID-19 Impact began to emerge, where: (i) the third wave of COVID-19 in Vietnam began on 28 January 2021 and Vietnam was lockdown from 15 February 2021 up to 1 March 2021; and (ii) the fourth wave of COVID-19 in Vietnam commenced in April 2021 with restrictions to foreigners started to relax in or about February 2022.

- During the pandemic period, international flights were suspended most of the time. The Danang International Terminal Investment and Operation Joint Stock Company only conducted its first international commercial flight to Singapore in the morning of 27 March 2022. The Hoiana project includes a casino which only allows admission by foreigners has had limited patrons during the times when international flights were suspended.

All in all, the COVID-19 Impact hits hard on the financial results as well as the cash flows of Hoiana materially and adversely, and ended up with GYE failing to pay interest on Advance C during the year of 2021 and subsequently failing to repay the principal of Advance C together with interest accrued thereon on the repayment due date of 28 February 2022. Recoverability of Advances A, B and C due from GYE depends pretty much on the financial results of Hoiana which would in turn be dependent upon a successful control of COVID-19 and its variants and relaxation of travel restrictions and quarantine measures, all of them are policies not under the control of the Group or the other investors of Hoiana.

The joint venture (i.e. GYE) had a net liability position as at 31 December 2021 and 30 June 2022, and Hoiana had negative operating cashflows for the two years ended 31 December 2021. Given the adverse impact of COVID-19 on the financial results of the Hoiana project is not expected to be watered down in 2022 or for that matters, in the near future, the Group considered that the joint venture and the Hoiana project would not have sufficient operating cash inflow to enable it to repay Advance C notwithstanding that the Group does believe that the Hoiana project could generate positive cash inflows in the long run soon after the COVID-19 pandemic is over.

Having considered (i) the financial and business forecast of Hoiana for the period from 2022 to 2024 prepared by the management of the Hoiana project at the end of 2021 which projected a significant downward adjustment to the future revenue and cash inflows of the Hoiana's operation to reflect the uncertainties of continuing and unprecedented hit of COVID-19 on the tourism and gaming businesses in Southeast Asia and the latest regulations on gaming promoters in the Asia market ended up in decline in VIP gaming business in Southeast Asia market in 2021; (ii) the loss continuously incurred by Hoiana for the years ended 31 December 2020 and 2021; (iii) the net liability position and the liquidity of the Hoiana project and the joint venture as at 31 December 2021 and 30 June 2022, and (iv) the persistent impact of COVID-19 outbreak on the tourism industry and the operations of the joint venture, the Company and the joint venture partners anticipated that it is most unlikely that Hoiana could generate sufficient cash inflow in the near future to effect repayment of the loans. In addition, GYE has failed to repay Advance C on the due date for repayment on 28 February 2022, which constituted an event of default and Advance C has become interest bearing at 25% per annum with effect from 1 March 2022.

In view of this, the management of the Group considers that there was significant increase in credit risks and probability of default on repayment of the loans, the Company 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 and the six months ended 30 June 2022. 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 periods.

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 as at 31 December 2021 and 30 June 2022 are determined by reference to the valuation carried out by an independent professional valuer.

During year ended 31 December 2021, 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.

During the six months ended 30 June 2022, 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\$18.2 million, HK\$9.8 million and HK\$19.3 million respectively (six months ended 30 June 2021: Nil).

Impairment loss on property, operating right and equipment

During the year ended 31 December 2021, 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 projections. 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.

The underlying reasons/business factors leading to the change in fair values of Summit Ascent Group's property, operating right and equipment in relation to Tigre de Cristal during the year ended 31 December 2021, include:

(a) *Decrease in rolling chip business*

Summit Ascent Group's rolling chip business primarily targets non-Russian foreign visitors and is the key growth engine in the cash flow projections regarding the fair value assessment of the Summit Ascent Group's property, operating right and equipment in relation to Tigre de Cristal, contributed 54.2% of Summit Ascent Group's total gross gaming revenue in 2019, but dropped to 20.9% and 0% in 2020 and 2021 respectively since the COVID-19 outbreak.

(b) *COVID-19 impact on the global economy*

After 2 years since the World Health Organization (the "WHO") declared that COVID-19 was a pandemic, the global economy is poised to stage its recovery. However, the outlook is subject to considerable uncertainty: a more persistent pandemic, a wave of corporate bankruptcies, financial stress, or even social unrest could derail the recovery. Global inflation, which has increased along with the economic recovery, is anticipated to continue to rise. Recovery is now expected to start later and be slower than previously foreseen.

(c) *COVID-19 impact on the tourism industry*

Tourism-dependent businesses, like the rolling chip business of Tigre de Cristal, will likely suffer the negative impacts of the COVID-19 pandemic for much longer than other industries. Labour and contact-intensive services being key to the tourism and travel sectors are disproportionately affected by the pandemic and will continue to struggle until people feel safe to travel again. Tourism activities are likely to be among the last to restart, and on a phased basis. Even when these businesses do open, they will be under new operating procedures and extensive hygiene and health measures. The impact of COVID-19 could bring long-term and structural changes to the tourism industry.

(d) *COVID-19 impact on the gaming industry*

The pandemic has severely affected the business environment of the gaming industry, particularly the land-based casinos like Tigre de Cristal. The atmosphere becomes weird when everyone wears a mask in the integrated resort, which may reduce customers' purchasing behavior and satisfaction. Concerns have also been raised about gamblers moving online to riskier forms of gambling during lockdown, which could be temporary or permanent in nature. When COVID-19 hits, we have been remodeling Tigre de Cristal to concentrate on mass table business and electronic gaming business, which primarily target the local Russian market, and have upgraded the marketing campaigns accordingly to attract locals rather than the usual foreign tourists.

(e) *Travel restrictions and quarantine measures as a result of COVID-19*

Whilst various quarantine and lockdown measures within the Russian Federation have been relaxed during FY2021, Tigre de Cristal is still being adversely impacted due to the imposition of significant restricted travel and quarantine measures in many other Asian countries which is reducing foreign visitors to Tigre de Cristal.

All the above-mentioned factors were starting to happen prior to the further acquisition in Summit Ascent Group in the fourth quarter of 2020. However, there were several factors which further worsened in 2021:

(a) *The outbreak of COVID-19 variant in 2021*

Since the Omicron variant of COVID-19 was named by the WHO on 26 November 2021, it has moved at lightning speed and caused record peaks in cases around the world. COVID-19 vaccines had not given as much protection against the disease as had been hoped and a rise in vaccinated people becoming infected with COVID-19 has cast doubt over the lasting efficacy of the vaccines.

(b) *Later than expected resumption of international flights*

Resumption of regular international flights among the Asian countries has yet to be taken. China, one of the target feeder markets of the casinos in Asia including Tigre de Cristal, continues its zero-COVID policy after 2 years since the onset of the pandemic, which has been among the strictest approaches anywhere in the world. Travel to and from China is highly restricted with weeks-long hotel quarantines on return and flight options severely limited, which created a black hole for global tourism. The dramatic drop in Chinese outbound tourism numbers in terms of both departures and expenditure will have a lasting impact on Tigre de Cristal's rolling chip business. As of 31 December 2021, the valuation date of the valuation report of Summit Ascent in relation to property, operating right and equipment for 2021 (the "**2021 SA Valuation Report**"), the Chinese government showed little sign of changing its zero-COVID policy in 2022 or anytime soon, which is significantly different from our assumptions used in the valuation report of Summit Ascent in relation to property, operating right and equipment for 2020 (the "**2020 SA Valuation Report**").

(c) *Delay in the Phase II development of Tigre de Cristal*

The COVID-19 outbreak continues to hinder the progress of the pre-construction phase, including design, procurement of construction materials tendering and associated payments, of the Phase II development of Tigre de Cristal.

(d) *The shift of focus on mass market to reduce reliance on rolling chip business*

When COVID-19 hit, we remodelled Tigre de Cristal to concentrate on mass table business and electronic gaming business, which primarily targets the local Russian market, and we upgraded marketing campaigns accordingly to attract locals rather than the usual tourists.

(e) *Uncertainties in the Asian gaming industry*

In September 2021, the Macau government kicked off the procedure for the revision of the gaming law aiming at tightening its control on the licensed casinos and gaming promoters. In December 2021, certain casinos in Macau decided to close the VIP gaming rooms run by gaming promoters while certain gaming promoters suspended operations because partnerships with casinos were halted. Without the bespoke marketing efforts and services of the gaming promoters including, but not limited to, arrangement of the travel visa, transportation, accommodation, complimentary items/services and rebate, the total number of high rollers in Asia may decrease.

Due to the ongoing COVID-19 pandemic, these unfavourable factors have probably changed from short-term to long-term impacts on the Summit Ascent Group. The management has to revisit the assumptions previously used in the 2020 SA Valuation Report and the forecasted revenues used in the 2021 SA Valuation Report were adjusted downward to reflect these factors accordingly. For valuation purposes, the forecasted revenues used in the 2020 SA Valuation Report and the 2021 SA Valuation Report are adopted with the average revenue growth rates of 100.66% and 21.65% respectively.

Loan receivable

During the six months ended 30 June 2022, the Company has been in active negotiation with the debtor of the loan receivable with amount of approximately HK\$581,134,000 (i.e. Shenzhen Sky Alliance Loan) as at 30 June 2022, in which an amount of approximately HK\$469,772,000 was due on 31 March 2022. The Shenzhen Sky Alliance Loan represents part of the consideration payable to the Group by the Purchaser of Access Achievement, of which, certain of the Group's operations in the PRC has completed the disposal on 30 June 2021, and is retained by the Purchaser of Access Achievement. The amount should have been released to the Group on 31 March 2022 upon satisfaction of the condition to release but no payment was made by the Purchaser of Access Achievement despite a demand letter was issued by the Group on 1 April 2022.

By way of background, as a term of the disposal of Access Achievement to the Purchaser of Access Achievement, the Company has provided an indemnity in favour of the Purchaser of Access Achievement against, among others, litigation and contingent liabilities of the disposed PRC operations existing before the completion. Although the relevant plaintiffs have withdrawn their claims against the disposed PRC operations in a litigation, the Purchaser of Access Achievement considered that the relevant plaintiffs can still re-commence legal proceedings against the disposed PRC operation within the three-year limitation period in the PRC. The Purchaser of Access Achievement therefore refused to make repayment of part of the Shenzhen Sky Alliance Loan in the amount of RMB401,749,000 on the due date of 31 March 2022 on the basis that if the relevant plaintiffs re-commence legal proceedings against the disposed PRC operations and the disposed PRC operations suffer any loss as a result, the Purchaser of Access Achievement cannot set off the loss suffered by the disposed PRC operations (which the Company shall indemnify) against the Shenzhen Sky Alliance Loan payable by the Purchaser of Access Achievement's group.

The Company is of the view that the Purchaser of Access Achievement's group has to make repayment of part of the Shenzhen Sky Alliance Loan in the amount of RMB401,749,000 (equivalent to approximately HK\$469,772,000) on its due date of 31 March 2022 as the relevant plaintiffs have already withdrawn their claims against the disposed PRC operations, there were no outstanding liabilities due to the Purchaser of Access Achievement's group arising from such claims under the indemnity as at 31 March 2022 and no amount should be set off against the Shenzhen Sky Alliance Loan as at 31 March 2022.

As such, on 1 April 2022, the Group issued a demand letter to the Purchaser of Access Achievement for repayment of the Shenzhen Sky Alliance Loan. A discussion between the legal counsel of the Group and the Purchaser of Access Achievement's group was held on 11 April 2022 but without reaching any concrete agreement. The Group has sought advice from its PRC legal counsel and has been advised that there is a high chance that the Group can succeed in case legal proceedings are to be instituted by the Group against the Purchaser of Access Achievement's group, but the whole legal process would take a relatively long time. Up to 30 June 2022, only RMB17,500,000 (equivalent to approximately HK\$21,102,000) has been settled according to the repayment schedule under the loan agreement of the Shenzhen Sky Alliance Loan.

As at 31 December 2021 and 30 June 2022, the Group has one other borrowing of RMB300,000,000 which is secured by the Shenzhen Sky Alliance Loan and guaranteed by the Company with interest of 1.5% per month and another borrowing of RMB180,000,000 which is guaranteed by the Company with interest of 1.5% per month. In light of the time-consuming nature of any legal actions to be taken by the Group against the Purchaser of Access Achievement for the Shenzhen Sky Alliance Loan and the outstanding amount of Shenzhen Sky Alliance Loan only bear default interest of 1% per month as compared to interest of 1.5% per month of the aforementioned borrowings of the Group, therefore, during the 1H 2022, the Group was in negotiations with an owner of the lender (the “**Lender**”) of the other borrowing of RMB300,000,000 in respect of, among others, for disposal of the relevant subsidiaries which hold the interest in the Shenzhen Sky Alliance Loan and owe the aforementioned other borrowings of RMB480,000,000 in aggregate.

On 10 May 2022, the Company entered into a sale and purchase agreement (the “**S&P Agreement**”) with a related company of the Lender which is an independent third party of the Company (the “**Purchaser**”). Being part of the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest of Goal Explore and its subsidiaries save for Dongyang Xinguang, being part of the Disposal Group A (as defined in Note 3), the entire equity interest of Shenzhen Sky Alliance and the Shenzhen Sky Alliance Loan will be disposed after the completion of the 2022 Disposal (as defined in Note 3). In July 2022, all the conditions precedent under the S&P Agreement have been fulfilled and the completion of the 2022 Disposal took place on the same day in accordance with the terms and conditions of the S&P Agreement. Upon completion of the 2022 Disposal, the Shenzhen Sky Alliance and the Shenzhen Sky Alliance Loan will no longer be consolidated into those of the Group. Accordingly, all the Group’s other borrowings will be discharged, it will then be up to the Purchaser to follow up with repayment of the Shenzhen Sky Alliance with the Purchaser of Access Achievement’s group.

Finance costs

Finance costs from continuing operations for 1H 2022 comprise mainly (i) imputed interest expenses on convertible bonds, (ii) interests and imputed interest expenses on promissory note, (iii) interest on lease liabilities; and (iv) interest and imputed interest expense on loans from non-controlling shareholders of subsidiaries. The slight decrease in finance costs during 1H 2022 was mainly attributable to the capitalisation of interest liabilities incurred by Suntrust for the construction of the Main Hotel Casino.

Income tax expense

Income tax expense comprises current tax and the decrease for 1H 2022 was mainly due to the prior period Philippines capital gains tax levied on gain on disposal of remaining 24.27% equity interest in FOPM and Philippines withholding tax on gross interest income earned by Summit Ascent Group on intragroup borrowings advanced to Suntrust during 1H 2021. During 1H 2022, the Group recorded a tax credit of approximately HK\$7.0 million due to the overprovision of the Philippines withholding tax in the prior period.

SEGMENT ANALYSIS

In 1H 2022, (i) revenue from gaming and hotel operations in the Russian Federation; and (ii) revenue from management and operation of malls accounted for 93.4% (six months ended 30 June 2021: 89.5%) and 6.6% (six months ended 30 June 2021: 10.5%) of total revenue from continuing operations of the Group respectively. No revenue was generated from property development segment in 1H 2022.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash, pledged bank deposits and restricted bank deposits, in aggregate, as at 30 June 2022 amounted to approximately HK\$1,504.5 million (31 December 2021: HK\$1,573.0 million).

Bank balances and cash and restricted bank deposits which were reported as assets held for sale, in aggregate, as at 30 June 2022 amounted to approximately HK\$0.2 million (31 December 2021: Nil).

The Group had total other borrowings classified as liabilities held for sale of approximately HK\$929.6 million as at 30 June 2022 (31 December 2021: other borrowings of approximately HK\$972.3 million) of which approximately HK\$786.9 million were repayable on demand or within one year and approximately HK\$142.7 million were repayable in the second year. The Group's other 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 ended 31 December 2021.

Amount due to immediate holding company represents the issuance of a HK\$ denominated promissory note ("**2018 Promissory Note**") due to the immediate holding company of approximately HK\$297.7 million as at 30 June 2022 (31 December 2021: amount due to a related company of HK\$262.9 million), which is unsecured, interest bearing at 2% per annum and repayable on 28 August 2022. As at the date of this announcement, the principal of 2018 Promissory Note and interest thereon remain unpaid. The non-payment constitutes an event of default of 2018 Promissory Note ("**PN Event of Default**").

The Group has loans from non-controlling shareholders of subsidiaries of approximately HK\$228.7 million as at 30 June 2022 (31 December 2021: HK\$237.3 million), in which (i) an amount of approximately HK\$75.9 million which is denominated in JPY, secured by parcels of land (including 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\$152.8 million which is denominated in USD, 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\$675.3 million (31 December 2021: HK\$607.0 million) and approximately HK\$0.006 million (31 December 2021: HK\$13.3 million), respectively. As at the date of this announcement, the principal of 2018 Convertible Bond remains unpaid. The non-payment constitutes an event of default of 2018 Convertible Bond (“**2018 CB Event of Default**”). The PN Event of Default and 2018 CB Event of Default have triggered a cross default in respect of 2016 Convertible Bond.

As at the date of this announcement, the immediate holding company has not issued a waiver in respect of each of the PN Event of Default, and 2018 CB Event of Default and the event of default under the 2016 Convertible Bond. The Board and other members of its senior management are reviewing the current situation and is considering a range of solutions to address it, including an extension of the repayment of 2018 Promissory Note, 2018 Convertible Bond and 2016 Convertible Bond, and/or waiver on defaults from the immediate holding company. In addition, the Company is also exploring a range of other solutions, such as refinancing or assets disposal.

The gearing ratio, expressed as a percentage of total other borrowings classified as liabilities held for sale, promissory note, loans from non-controlling shareholders of subsidiaries, convertible bonds and derivative financial instruments liabilities divided by consolidated total equity of the Group as at 30 June 2022 as approximately 48.7% (31 December 2021: 43.4%).

As at 30 June 2022, the Group had current assets of approximately HK\$2,750.6 million (31 December 2021: HK\$2,716.7 million) and current liabilities of approximately HK\$2,268.4 million (31 December 2021: HK\$2,017.4 million).

As at 30 June 2022, the aggregate perpetual securities facilities with principal amount of up to HK\$6,000.0 million, 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 30 June 2022, other borrowings classified as liabilities held for sale of approximately HK\$350.8 million (31 December 2021: other borrowings of approximately HK\$366.9 million) were secured by the Group's loan receivable classified as assets held for sale of approximately HK\$581.1 million as at 30 June 2022 (31 December 2021: loan receivable of approximately HK\$599.2 million).

As at 30 June 2022, pledged bank deposits of approximately HK\$1.5 million (31 December 2021: HK\$1.5 million) were pledged for the license and suppliers in relation to Sun Travel Ltd. ("**Sun Travel**")

As at 30 June 2022, loans from non-controlling shareholders of a subsidiary of approximately HK\$75.9 million (31 December 2021: HK\$89.7 million) were secured by parcels of land under property, operating right and equipment of the Group of approximately HK\$293.7 million (31 December 2021: HK\$321.7 million).

As at 30 June 2022, 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 30 June 2022, 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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The functional currency of the Company and the presentation currency of condensed consolidated financial statements of the Company are in HK\$. The income and expenses, assets and liabilities, 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 30 June 2022.

In respect of Summit Ascent, the significant fluctuation in the exchange rate of RUB due to the Russia-Ukraine conflict since late February 2022 would lead to a significant fluctuation in the Group's asset values denominated in RUB when the condensed consolidated financial statements of the Group are presented in HK\$.

CONTINGENT LIABILITIES

For details of contingent liabilities, please refer to Note 22.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 10 May 2022, 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 of wholly-owned subsidiaries of the Company including (i) Goal Explore and its subsidiaries save for Dongyang Xinguang (collectively referred to as the “**Disposal Group A**”) and (ii) Boshing Investments and its subsidiaries (collectively referred to as the “**Disposal Group B**”), at a total cash consideration of HK\$1 subject to the terms and conditions of the S&P Agreement (the “**2022 Disposal**”).

As at 30 June 2022, the fulfilment of the conditions precedent for the 2022 Disposal were in progress and Disposal Group A and Disposal Group B were classified as disposal groups held for sale and the Group’s property development in the PRC segment was reported as discontinued operation. On 22 July 2022, all the conditions precedent under the S&P Agreement have been fulfilled. The 2022 Disposal was completed on 22 July 2022. Further details of the 2022 Disposal were disclosed in the announcements of the Company dated 10 May 2022 and 22 July 2022.

Save for the 2022 Disposal above, the Group had no significant investments, material acquisitions and disposals of subsidiaries during 1H 2022.

TREASURY POLICIES AND CAPITAL STRUCTURE

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

EMPLOYEES

As at 30 June 2022, the Group had a staff force of approximately 1,116 (31 December 2021: 1,103) employees, of this, most were situated in the Russian Federation. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group’s employees includes basic salaries, bonuses and long-term incentives (such as share option scheme). Total staff costs, including directors, incurred for the six months ended 30 June 2022 was approximately HK\$78.3 million (six months ended 30 June 2021: HK\$112.5 million).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 1H 2022 (six months ended 30 June 2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

For details of events after the reporting period, please refer to Note 24.

BUSINESS REVIEW

During the six months ended 30 June 2022, 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) property development in Japan; and (iv) management and operation of malls in the PRC.

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

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

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

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

On 1 June 2020, Suntrust (as issuer) and Summit Ascent Investments Limited, a wholly-owned subsidiary of Summit Ascent (“**SA Investments**”) (as subscriber), entered into a subscription agreement, pursuant to which, SA Investments conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately HK\$796.0 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 “**2020 Summit Ascent Subscribed CB**”). Further details of the 2020 Summit Ascent Subscribed CB were disclosed in the circular of Summit Ascent dated 14 August 2020.

In December 2020, both the Fortune Noble Subscribed CB and the 2020 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 2020 Summit Ascent Subscribed CB would be applied by Suntrust for the development of the Main Hotel Casino. As at 30 June 2022, the subscription proceeds of the Fortune Noble Subscribed CB and the 2020 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\$2,661.1 million) in relation to the (i) construction of basement, podium and tower of the Main Hotel Casino and (ii) construction work of the pile cap, excavation and lateral support and additional pile cap area of the Main Hotel Casino (the “**Construction Agreements**”). The terms of the Construction Agreements remain unchanged save as revised by the Supplemental Agreement. Further details of the Supplemental Agreement were disclosed in the circular of the Company dated 11 February 2021.

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

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.

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.

On 10 June 2022, all the conditions precedent under the Subscription Agreement have been fulfilled and the convertible bonds in the aggregate principal amount of PHP6.4 billion (the “**2022 Summit Ascent Subscribed CB**”) were issued by Suntrust to SA Investments. Part of the Indebted Amount in the amount of approximately US\$127.7 million as at 10 June 2022 to the extent of US\$120.9 million was set-off against the US\$ equivalent of the subscription amount in the amount of approximately US\$120.9 million pursuant to the Set-Off Deed in accordance with the terms of the Subscription Agreement. Further details of the completion of the Subscription Agreement and the Set-off Deed were disclosed in the joint announcement of the Company and Summit Ascent dated 13 June 2022.

As at 30 June 2022, the construction works of the pile cap, ground floor and Levels 1 and 2 have been completed and the basement of the Main Hotel Casino were in progress. The Main Hotel Casino is expected to commence operation in 2024. During 1H 2022, Suntrust had recorded a loss because of its pre-operating activities under the development phase.

(ii) Tigre de Cristal

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

Tigre de Cristal recorded a positive Adjusted EBITDA of approximately HK\$60 million in the 1H 2022, versus a positive Adjusted EBITDA of approximately HK\$17 million in the 1H 2021.

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\$168 million during 1H 2022, increased by approximately HK\$46 million or 37.7% year-on-year comparing to 1H 2021.

Due to the COVID-19 pandemic, no rolling chip activities has been noted in the 1H 2022 and 1H 2021.

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased remarkably by 49.4% to approximately HK\$354 million in the 1H 2022, compared to approximately HK\$237 million in the 1H 2021. Net win from mass table business increased by 54.5% to approximately HK\$85 million in the 1H 2022, compared to approximately HK\$55 million in the 1H 2021. Net win rate percentage (represented net win as a percent of mass table drop) increased slightly from 23.2% in the 1H 2021 to 24.0% in the 1H 2022.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$2,181 million in the 1H 2022, increased significantly by 39.5% compared to approximately HK\$1,563 million in the 1H 2021. The electronic gaming business recorded net win of approximately HK\$83 million, increased by 22.1% compared to approximately HK\$68 million in the 1H 2021. The net win rate percentage decreased to 3.8% in the 1H 2022 from 4.4% in the 1H 2021.

Hotel Operations

Revenue from hotel operations, despite largely dependent on foreign tourists, steadily increased to approximately HK\$10.3 million in the 1H 2022 or by 53% compared to the 1H 2021. Average hotel occupancy rates increased to approximately 57% (six months ended 30 June 2021: 44%) during weekends and approximately 28% (six months ended 30 June 2021: 21%) during weekdays in the 1H 2022.

Key Financial Data of Tigre de Cristal

	For the six months ended 30 June	
	2022	2021
	HK\$'million	HK\$'million
Revenue:		
Net Gaming	168	122
Hotel/F&B/Others	10	7
Total Net Revenue	<u>178</u>	<u>129</u>
Adjusted EBITDA	<u>60</u>	<u>17</u>
Adjusted EBITDA margin	34%	13%

Gaming Statistics

	Q1 2022	Q2 2022	1H 2022	1H 2021
<i>(In HK\$ million)</i>				
Total GGR ⁽ⁱ⁾	<u>86</u>	<u>112</u>	<u>198</u>	<u>139</u>
Rolling Chip Volume	–	–	–	–
Gross Win Rate %	N/A	N/A	N/A	N/A
Gross Win	–	–	–	–
Mass Table Drop	159	195	354	237
Net Win Rate %	22.6%	25.1%	24.0%	23.2%
Net Win	36	49	85	55
Electronic Gaming Volume	991	1,190	2,181	1,563
Net Win Rate %	3.8%	3.8%	3.8%	4.4%
Net Win	38	45	83	68

- (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 30 June 2022, 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 COVID-19 pandemic had persistent impacts on the operation of Hoiana during 1H 2022.

In 1H 2022, Hoiana's total net revenue was approximately US\$7.2 million, increased by 7.0% compared to approximately US\$6.8 million in the 1H 2021.

Hoiana recorded a negative Adjusted EBITDA of approximately US\$25.8 million in the 1H 2022, versus a negative EBITDA of approximately US\$20.6 million in the 1H 2021.

Key Financial Data of Hoiana

	For the six months ended 30 June 2022 US\$'000	For the six months ended 30 June 2021 US\$'000
Revenue:		
Net Gaming	4,536	5,177
Hotel/F&B/Others	2,713	1,598
Total Net Revenue	<u>7,249</u>	<u>6,775</u>
Adjusted EBITDA	<u>(25,773)</u>	<u>(20,557)</u>
Adjusted EBITDA margin	N/A	N/A

Gaming Statistics

	Q1 2022	Q2 2022	1H 2022	1H 2021
<i>(In US\$'000)</i>				
Total GGR ⁽ⁱ⁾	<u>1,679</u>	<u>12,778</u>	<u>14,457</u>	<u>12,998</u>
Rolling Chip Volume	105,034	273,872	378,906	271,926
Gross Win Rate %	0.1%	3.7%	2.7%	3.3%
Gross Win	99	10,187	10,286	8,883
Mass Table Drop	2,200	4,894	7,094	17,669
Gross Win Rate %	28.8%	21.0%	23.4%	15.2%
Gross Win	634	1,029	1,663	2,694
Electronic Gaming Volume	21,315	40,075	61,390	19,302
Gross Win Rate %	4.4%	3.9%	4.1%	7.4%
Gross Win	946	1,562	2,508	1,421

- (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.

Management and operation of malls

On 19 November 2020, the Group acquired the entire interest of Dongyang Xinguang, Dongyang Xinguang has become a wholly-owned subsidiary of the Group. Dongyang Xinguang is currently engaged in the management and operation of malls located in Zhejiang Province, the PRC, in which Dongyang Xinguang is the lessee in relation to a lease on the Phase 1 Shopping Mall of Xinguang Tiandi (新光天地一期購物廣場) and Phase 2 Living Mall of Xinguang Tiandi (新光天地二期生活廣場). Phase 1 Shopping Mall and Phase 2 Living Mall comprise 620 units with a total floor area of 65,241.98 m² for a term of twenty (20) years commencing on 1 January 2015 and ending on 31 December 2034. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 30 June 2022 were approximately 82% and 78%, respectively.

Property development

As at 30 June 2022, the Group had two property development projects in Japan.

Property development in Japan

- (a) As at 30 June 2022, the Group owns 51% of the issued share capital of MSRDC Corporation Limited (“MSRD”), which held a plot of land with a total site area of 108,799 m² located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRDC intends to build 40 villas and a hotel tower of more than 100 rooms on the land.
- (b) On 30 September 2020, the Group entered into sale and purchase agreement with an independent third party in acquisition of land parcels with a total site area of 220,194 m² 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.

MARKET OVERVIEW

Russia

Russia’s GDP rose 3.5% year-on-year in the first quarter of 2022 to RUB34.6 trillion (approximately US\$396.5 billion)¹. The growth was predominantly driven by the removal of COVID-19 restrictions, high demand for goods and services in March in anticipation of the consequences of external sanctions pressure². Total visitation to Primorsky Krai from January 2022 to June 2022 was approximately 396,000³, of which these figures were primarily driven by domestic tourism. Starting from June 2022 the Russian government has opened its borders for foreign tourists which were previously closed due to the pandemic⁴. Negative PCR tests are still required, yet upon the submission of a negative PCR test, no quarantine is required.

Russia-Ukraine conflict and its Effects on Our Business

Although the Group’s integrated resort Tigre de Cristal is operating in the Russian Far East and has been self-sustaining without any bank borrowings, the Western sanctions resulting from the Russia-Ukraine conflict may cause significant long-term damage to the Russian economy and its tourism industry. The Board has been closely monitoring the market conditions, including a possible geopolitical realignment, supply disruptions, and food and energy insecurity, and will continue to assess the impact on the financial position and operations of the Group and make further announcements if and when it is necessary or required.

¹ Federal State Statistics Service

² Federal State Statistics Service

³ Federal State Statistics Service

⁴ The Government of the Russian Federation

The Philippines

In the Philippines, GDP rose 8.2% year-on-year in the first quarter of 2022⁵. Since March 2022, integrated resorts in Manila were allowed to operate at their full capacity. In the first half of 2022, PAGCOR reported that GGR by Philippines' licensed casinos in Entertainment City has already recovered to almost 79% of pre-COVID GGR levels, to a total of PHP63.9 billion (approximately US\$1.15 billion)⁶. Given limited flight availability and the continuous presence of travel restrictions, entertainment facilities in the Philippines primarily benefited from local demand. The government ran the "It's More Fun With You" campaign to boost domestic tourism. Although total visitation in the first half of 2022 in the Philippines only recovered 22% compared to 2019 with a total of 814,000 tourists, domestic tourists accounted for almost 40% of the total figure⁷, signifying the importance of local tourism during the period when international tourism has not fully resumed yet.

Vietnam

Vietnam's GDP rose 6.4% year-on-year in the first half of 2022⁸. After the government allowed quarantine-free entry into the country in May 2022, there were a total of 602,000 foreign arrivals in the first half of 2022, although this has only reflected 7.1% of that of 2019's total arrival figures. Given the impact of COVID-19, the Ministry of Finance has proposed the government extend the casino pilot programme until 2024 due to the impact of the pandemic, and to add two more casinos in Da Nang City and Khan Hoa province to the trial list that allows Vietnamese to enter the casinos under certain conditions⁹.

PROSPECT

Development Update

Tigre de Cristal, Russia

Tigre de Cristal offers only 121 hotel rooms currently, and the average hotel occupancy rate was maintained at 88% during weekends and 63% during weekdays in 2019 (12% and 19% during weekends and weekdays respectively in 2020; 55% and 25% during weekends and weekdays respectively in 2021), which considerably limited the growth in the number of foreign visitors. Thus, Tigre de Cristal Phase II is principally developed to improve its accommodation capacity and non-gaming amenities to serve the potential high rollers who want to stay overnight inside the IEZ Primorye.

⁵ The Philippine Statistics Authority

⁶ PAGCOR Industry Statistics

⁷ Department of Tourism, the Philippines

⁸ General Statistics Office

⁹ Socialist Republic of Vietnam Government News

The COVID-19 outbreak continues to hinder the progress of the pre-construction phase, including design, procurement of construction materials tendering and associated payments, of the development of Tigre de Cristal Phase II. Taking into account the ongoing adverse effects of COVID-19 and the economic uncertainties, we consider that the number of foreign visitors, especially the high rollers, and the forecasted revenues will not significantly rebound in 2022 or 2023 as previously predicted. While proceeding with the development of Tigre de Cristal Phase II is not an immediate priority of the Group, we are targeting an opening no earlier than 2025.

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 the Group's partner Westside/Travellers. They will also build additional hotel rooms, a shopping mall, a Grand Opera House, restaurants, a theatre district and an additional of approximately 2,000 car park spaces.

Hoiana, Vietnam

In Hoiana, 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.

Outlook

Entering the third anniversary of COVID travel restrictions, plus sanctions on Russia not yet undone, there is not a lot to add about how depressing the sector currently is. Nevertheless, the Group remains cautiously optimistic about our long-term strategic positioning in the Asian entertainment space.

Firstly, with the management buyout finalised and the renaming of the company to “LET Group Holdings Limited” completed, management would like to send a clear signal to the public that the Group is still dedicated to building and operating integrated resorts in Asia, albeit we will be more selective in choosing the location with the soundest business prospects. The Group’s vision has not been altered. We are devoted to creating state-of-the-art leisure and entertainment venues for the discerning middle-class in Asia so that we live up to our name “L”, “E”, and “T” – “*Leisure*”, “*Entertainment*” and “*Taste*”. The Group is fully committed to complying with local books of Law in the countries where we invested in.

The number one task for a holding company with multiple locations in a challenging business environment is to reprioritise our projects according to their potential returns on investments, based on where our assets are located in their respective business operating environments. Across the Group, we managed costs judiciously and have been successful in cutting budgets without compromising on service standards. We also monitor the latest developments in international policies closely as they may affect the Group’s strategic investment decisions. Predominately speaking, the Group is a firm believer that the rise of the Asian middle-class is an irreversible trend. These discerning individuals are constantly seeking high-quality entertainment options, though short-term travel logistics and geopolitical realignment may inevitably impact the flow of tourists which may affect our top line. Hence, a diversified strategy in the North, South and East of Asia helps the Group to mitigate international affairs risks while allowing the Group to deploy resources to the jurisdiction with the highest and best returns.

Out of all the countries the Group has invested in, the Philippines has shown the greatest potential to be the next Asian entertainment metropolis. Pre-COVID, the Philippines’ entertainment market has been growing at a CAGR of over 20% since the Entertainment City was allowed to operate its first integrated resort in 2013. In the first half of 2022, PAGCOR reported that GGR by licensed casinos in the Entertainment City has already recovered to approximately 79% of the GGR reported in the same period in 2019. Philippines’ phenomenal position in the sector based on its GGR recovery pace, its pre-COVID growth track record, its supportive policies, its local demand, its high barrier to entry and its encouraging tax regime are the foundation of our belief that having a foothold in the Entertainment City opens the door to success in future Asian entertainment. The Philippines is undoubtedly a valuable market not to be missed. Thus, we have never stopped a single day in the construction of Westside City Project. Over 1,500 construction workers are working on-site, fully concentrating on erecting the structure upwards. By the time when Westside City Project opens its doors in 2024, it will be the newest and the most stylish addition to the integrated resorts in Manila. Westside City Project is well-positioned to capture the local mass and slots businesses, high-end businesses from abroad, as well as capturing the imminent spill-over premium demand that other Asian jurisdictions may no longer be able to cater to.

Our Russian business benefited from a strong home market in the first half of 2022; however, economic sanctions against Russia have not yet been unravelled. In the first half of 2022, not only did Tigre de Cristal deliver a positive Adjusted EBITDA, but its mass table drop and electronic gaming volume have already reached 101% and 133% respectively compared to pre-pandemic 2019 levels. These solid operating results signify a near-complete recovery of the domestic Russian demand for leisure and entertainment, a stamped approval of the appeal of Tigre de Cristal as a premium integrated resort in the eyes of Russian customers. Although international tourists may be out of the realm for Tigre de Cristal for now, a thriving local Russian business has already helped Tigre de Cristal to stay afloat. Nevertheless, uncertainties such as volatile exchange rates, banned international payments and the absence of international tourists still linger. Adjusted EBITDA and profits earned at the Tigre de Cristal level could only stay in the Russian Federation and may not be able to meaningfully contribute real dollars to the Group level. We will continue to assess the impact of economic sanctions against the Russian Federation on the financial position and operations of the Group.

The Group will continue to offload assets to aid survival by focusing on the most profitable business segments only, and may consider selling land in Japan as well as other assets. In Vietnam, Hoiana benefits from possessing the development rights of a large piece of land of over 985 hectares in Hoi An province. While we continue to plan and build future phases of the resort, we may also consider selling land to experienced developers so that we can co-develop planned villas, shopping precincts and other amenities altogether. There are now more quality hotel rooms in supply in Hoiana as the official launch of New World Hoiana Hotel took place in July 2022. With international flights gradually returning to Vietnam based on the country's "Live with COVID" strategy, and the appeal of Hoiana as one of the finest integrated resorts in the country, we remain cautiously optimistic that Hoiana's operating results would meaningfully improve in the near future.

The Group believes that the future of Asian entertainment will thrive best in locations with supportive government regulations, tourist-friendly border policies and encouraging tax regimes. This is exactly why we see the Philippines as the country where we can identify the highest potential to generate outstanding returns with the lowest international affairs risks, out of the portfolio of other countries the Group has invested in. We endeavour to commit our resources to creating world-class integrated resorts for the rising middle-class in Asia in the years to come.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2022 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 the former Chairman and Chief Executive Officer, 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 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. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva, as executive Directors of the Company. However, Mr. Lo Kai Bong, Mr. Au Chung On John 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 the current vacancy of the chairman of the Company, the chairman did not attend the annual general meeting held on 27 June 2022 and the extraordinary general meeting held on 15 August 2022. In addition, Mr. Tou Kin Chuen, the chairman of audit committee of the Company and an independent non-executive Director, did not attend the extraordinary general meeting held on 15 August 2022.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) with written terms of reference to set out its authority and duties. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the “**Securities Code**”) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2022.

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

APPROVAL OF INTERIM REPORT

The unaudited condensed consolidated financial statements in the interim report have been reviewed by Crowe (HK) CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and the interim report was approved and authorised for issue by the Board on 29 August 2022.

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

The following is an extract of the independent auditor’s report on review of the Group’s condensed consolidated financial statements for the six months ended 30 June 2022:

“BASIS FOR DISCLAIMER OF CONCLUSION

Multiple Uncertainties Relating to Going Concern

As set out in Note 2 to the condensed consolidated financial statements, the Group incurred a net loss of approximately HK\$234,014,000 and net operating cash outflow of approximately HK\$65,752,000 for the six months ended 30 June 2022. The Group had committed capital expenditure of approximately HK\$3,254,000,000 as at 30 June 2022.

In addition, the Group had amount due to the immediate holding company in the principal amount of HK\$303,000,000 and convertible bonds in the principal amount of HK\$297,000,000 which were due on 28 August 2022 (or if that is not a business day, the first business day thereafter, i.e. 29 August 2022), and convertible bonds in the principal amount of HK\$402,000,000 due on 7 December 2022. As at the date of this announcement, each of the amount due to the immediate holding company in the principal amount of HK\$303,000,000 and interest thereon, and convertible bonds in the principal amount of HK\$297,000,000 remain unpaid respectively, the non-payment constitutes events of default. Such events of default have triggered a cross default in respect of another convertible bonds in the principal amount of HK\$402,000,000 due on 7 December 2022.

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 of the Company 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 condensed consolidated financial statements. The validity of the going concern assumptions on which the condensed consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including i) realising the Group's non-current assets, including the parcels of land in Japan, to obtain new sources of fund; ii) agreeing with the immediate holding company of the Group including extension of repayment, and/or waiver on defaults from the immediate holding company will so that it will not demand immediate repayment of the overdue convertible bonds and, amount due to the immediate holding company and interest thereon or take further actions against the Group; iii) successfully taking active measures to control operating expenses; and iv) being able to obtain new sources of debt or equity financing.

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 condensed consolidated financial statements.

DISCLAIMER OF CONCLUSION

We do not express a conclusion on the interim financial information of the Group. Because of the matters as described in the Basis for Disclaimer of Conclusion section of our report, it is not possible for us to form a conclusion on the interim financial information.”

By order of the Board
LET Group Holdings Limited
Chiu King Yan
Company Secretary

Hong Kong, 29 August 2022

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