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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

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

**(Stock Code: 1383)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Total revenue from continuing operations increased by 87% to approximately HK\$340,437,000 (2020: approximately HK\$181,858,000)
- Gross profit from continuing operations increased by 232% to approximately HK\$90,110,000 (2020: approximately HK\$27,174,000)
- Loss for the year attributable to equity holders of the Company of approximately HK\$258,265,000 in 2021 (2020: profit for the year attributable to equity holders of the Company approximately HK\$884,781,000)
- Basic loss per share attributable to shareholders of the Company of HK7.91 cents in 2021 (2020: Basic earnings per share attributable to shareholders of the Company of HK11.94 cents)

The board of directors (the “**Board**”) of Suncity Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
<b>Revenue</b>	5	<b>340,437</b>	181,858
Cost of sales		<u>(250,327)</u>	<u>(154,684)</u>
<b>Gross profit</b>		<b>90,110</b>	27,174
Other income, gains and losses	6	<b>114,221</b>	151,429
Selling and distribution expenses		<b>(21,726)</b>	(8,079)
Administrative expenses		<b>(269,674)</b>	(189,211)
Other operating expenses		<b>(16,121)</b>	(16,491)
Change in fair value of convertible bonds	18(a)	–	240,183
Change in fair value of derivative financial instruments	18	<b>825,835</b>	1,530,268
Loss on remeasurement of existing interest in an associate upon business combination		–	(122,404)
Gain on bargain purchase on acquisition of subsidiaries		–	348,283
Gain on disposal of an associate		<b>594</b>	–
Impairment loss on interest in an associate		–	(53,295)
Impairment loss on equity loans to a joint venture		<b>(119,717)</b>	–
Impairment loss on loans to a joint venture		<b>(194,212)</b>	–
Impairment loss on amounts due from a joint venture		<b>(22,906)</b>	–
Impairment loss on property, operating right and equipment		<b>(287,119)</b>	–
Share of losses of associates		<b>(520)</b>	(24,092)
Share of loss of a joint venture		<b>(437,952)</b>	(277,483)
Finance costs	7	<u>(283,876)</u>	<u>(329,053)</u>
<b>(Loss) profit before taxation</b>		<b>(623,063)</b>	1,277,229
Income tax expense	9	<u>(23,149)</u>	<u>(3,596)</u>
<b>(Loss) profit for the year from continuing operations</b>	8	<u>(646,212)</u>	<u>1,273,633</u>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (Restated)
<b>Discontinued operations</b>			
Profit (loss) for the year from discontinued operations	<i>20(b)</i>	<u>176,815</u>	<u>(402,067)</u>
<b>(Loss) profit for the year</b>		<u><b>(469,397)</b></u>	<u>871,566</u>
<b>Other comprehensive (expense) income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation from functional currency to presentation currency		<u>62,910</u>	<u>270,142</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(286,536)</b>	(271,652)
Share of other comprehensive expense of a joint venture and an associate, net of related income tax		<b>(900)</b>	(3,745)
Release of reserve upon remeasurement of existing interest in an associate upon business combination		-	(27,132)
Release of reserve upon disposal of an associate		<u>(76)</u>	<u>-</u>
		<u><b>(287,512)</b></u>	<u>(302,529)</u>
<b>Other comprehensive expense for the year</b>		<u><b>(224,602)</b></u>	<u>(32,387)</u>
<b>Total comprehensive (expense) income for the year</b>		<u><b>(693,999)</b></u>	<u>839,179</u>
<b>(Loss) profit for the year attributable to:</b>			
- Equity holders of the Company:			
- Shareholders of the Company		<b>(527,492)</b>	795,745
- Holder of perpetual securities	<i>21</i>	<u>269,227</u>	<u>89,036</u>
		<b>(258,265)</b>	884,781
- Non-controlling interests		<u><b>(211,132)</b></u>	<u>(13,215)</u>
		<u><b>(469,397)</b></u>	<u>871,566</u>

	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i> (Restated)
<b>Total comprehensive (expense) income for the year attributable to:</b>		
– Equity holders of the Company:		
– Shareholders of the Company	<b>(711,186)</b>	761,471
– Holder of perpetual securities	<b>21</b> <u>269,227</u>	<u>89,036</u>
	<b>(441,959)</b>	850,507
– Non-controlling interests	<u>(252,040)</u>	<u>(11,328)</u>
	<u><b>(693,999)</b></u>	<u>839,179</u>
<b>Total comprehensive (expense) income for the year attributable to equity holders of the Company arose from:</b>		
– Continuing operations	<b>(608,777)</b>	1,309,735
– Discontinued operations	<b>20(b)</b> <u>166,818</u>	<u>(459,228)</u>
	<u><b>(441,959)</b></u>	<u>850,507</u>
<b>(Loss) earnings per share attributable to shareholders of the Company:</b>		
Basic ( <i>HK cents</i> )		
– For (loss) profit for the year	<b>(7.91)</b>	11.94
– For (loss) profit from continuing operations	<b>(10.56)</b>	17.97
Diluted ( <i>HK cents</i> )		
– For loss for the year	<b>(15.52)</b>	(12.09)
– For loss from continuing operations	<b>(17.68)</b>	(7.39)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	<i>Notes</i>	<b>As at 31 December</b>		As at
		<b>2021</b>	2020	1 January
		<b>HK\$'000</b>	HK\$'000	HK\$'000
			(Restated)	(Restated)
<b>Current liabilities</b>				
Trade and other payables	17	287,375	323,421	233,253
Amounts due to related companies		262,905	229,169	344,573
Amount due to a former director/director		484	–	5,584
Loans from non-controlling shareholders of a subsidiary		–	99,351	94,669
Amounts due to non-controlling shareholders of a subsidiary		–	3,168	747
Contract liabilities		8,189	152,717	141,993
Receipt in advance		–	1,053	1,165
Rent and other deposits		6,003	12,734	6,856
Provisions for potential claims		–	26,811	25,189
Provision for litigation		–	33,032	31,034
Bank and other borrowings	19	823,101	326,160	416,881
Lease liabilities		9,840	10,887	2,539
Convertible bonds	18(a)	589,203	–	649,398
Derivative financial instruments	18(a) and (b)	13,301	837,595	2,395,864
Current tax liabilities		17,003	12,784	374,090
		<b>2,017,404</b>	<b>2,068,882</b>	<b>4,723,835</b>
<b>Net current assets (liabilities)</b>		<b>699,255</b>	<b>1,605,560</b>	<b>(3,664,128)</b>
<b>Total assets less current liabilities</b>		<b>6,314,427</b>	<b>8,661,982</b>	<b>(125,719)</b>

		<b>As at 31 December</b>		As at 1 January
		<b>2021</b>	2020	2020
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000	HK\$'000
			(Restated)	(Restated)
<b>Non-current liabilities</b>				
Bank and other borrowings	19	<b>149,217</b>	1,233,546	542,532
Other payables	17	<b>69,216</b>	68,651	10,106
Lease liabilities		<b>1,009,184</b>	978,994	737
Amount due to a director		–	5,584	–
Amount due to a related company		–	–	35,865
Amount due to non-controlling shareholders of a subsidiary		<b>5,013</b>	–	–
Loans from a related company		–	–	814,456
Loans from non-controlling shareholders of subsidiaries		<b>237,262</b>	138,517	–
Convertible bonds	18(a) and (b)	<b>17,767</b>	490,412	–
Deferred tax liabilities		–	279,779	374,331
		<b><u>1,487,659</u></b>	<u>3,195,483</u>	<u>1,778,027</u>
<b>Net assets (liabilities)</b>		<b><u>4,826,768</u></b>	<u>5,466,499</u>	<u>(1,903,746)</u>
<b>Capital and reserves</b>				
Share capital		<b>666,797</b>	666,697	666,697
Perpetual securities	21	<b>5,766,263</b>	5,461,036	–
Reserves		<b><u>(2,993,926)</u></b>	<u>(2,313,220)</u>	<u>(2,845,231)</u>
<b>Equity (deficit) attributable to equity holders of the Company</b>		<b>3,439,134</b>	3,814,513	(2,178,534)
<b>Non-controlling interests</b>		<b><u>1,387,634</u></b>	<u>1,651,986</u>	<u>274,788</u>
<b>Total equity (deficit)</b>		<b><u>4,826,768</u></b>	<u>5,466,499</u>	<u>(1,903,746)</u>

Notes:

## 1. GENERAL INFORMATION

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

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

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 Hong Kong Dollar (“**HK\$**”) after the completion of disposal of the operations in the PRC carried out by Access Achievement Limited (“**Access Achievement**”, together with its subsidiaries, the “**Disposal Group**”) on 30 June 2021, the directors of the Company (the “**Directors**”) consider that it is more appropriate to use HK\$ as the functional currency of the Company. The presentation currency of the Company is also changed to HK\$ to be in line with the change in functional currency. The change in functional and presentation currencies in presenting the 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 consolidated financial statements of the Group from RMB to HK\$, the assets and liabilities as at 1 January 2020 and 31 December 2020 are translated into HK\$ at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective years. Share capital, share premium and reserves are translated at the exchange rate at the date when the amount were determined (i.e. historical exchange rates).

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



## 2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### Application of amendments to HKFRSs

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time for the preparation of the consolidated financial statements:

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

The nature and impact of the revised HKFRSs are described below:

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

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

## **2.2 New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SIGNIFICANT EVENTS IN THE YEAR

- (a) On 21 February 2021, the Company entered into a sale and purchase agreement (the “**S&P Agreement**”) with an independent third party (the “**Purchaser**”). Pursuant to the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest of Access Achievement, a direct wholly-owned subsidiary of the Company, at a cash consideration of RMB155,290,000 (equivalent to approximately HK\$186,624,000) (the “**Disposal**”). The Disposal was completed on 30 June 2021 with a gain of approximately RMB167,864,000 (equivalent to approximately HK\$201,736,000) recognised by the Group. Details of the Disposal are set out in Note 20. Upon the completion of the Disposal, the Group ceased and discontinued its operations in property development and property leasing business in Shenzhen, the PRC.
- (b) The social distancing and travel-related measures implemented by governments to combat the spread of COVID-19 in the Group’s operating and customer markets have deterred, disrupted and inhibited international travel in general. As a result, the overall businesses of the Group, especially the Group’s travel related products and services in Macau and the hotel and gaming business in the IEZ Primorye in Russian Federation continued to be adversely impacted by the ongoing and evolving nature of the COVID-19 pandemic. Together with the loss of a key supplier of hotel accommodation products, the Group’s travel related businesses were suspended since 1 December 2021 and the aircraft was disposed on 30 December 2021.

#### 5. REVENUE AND SEGMENT INFORMATION

##### Segment Information

Information reported to the executive Directors, 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 Integrated Entertainment Zone of the Primorye Region in the Russian Federation through a non-wholly owned subsidiary, Summit Ascent;
- (3) Travel related products and services – Sales of travel related products, provision of travel agency services and aircraft chartering services;
- (4) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services;

- (5) Property development – Development and sales of office premises, residential properties and hotel premises in Chaohu, Anhui Province, the PRC and Japan; and
- (6) Management and operation of malls – Management and operation of malls in the PRC through a wholly-owned subsidiary, Dongyang Xinguang Pacific Industrial Company Limited (“**Dongyang Xinguang**”).

**(b) Discontinued operations**

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

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



Segment	Continuing operations								Discontinued operations																																
	Operation of integrated resort in the Philippines				Operation of integrated resort in the Russian Federation				Hotel and integrated resort general consultancy services				Property development				Management and operation of malls				Property development				Property leasing				Sub-total												
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Restated)	(Restated)							
Geographical markets																																									
The PRC	-	-	-	-	-	-	-	-	28,789	1,503	-	-	-	-	-	-	-	-	-	-	-	-	-	3,172	6,606	3,172	6,606	31,961	8,109	-	-	-	-	-	-	42,132	117,042				
Macau	-	-	-	-	-	-	-	-	42,132	117,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1,683			
Cambodia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,308	13,945		
Vietnam	-	-	-	-	-	-	-	-	24	6,382	3,284	7,563	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	265,519	47,685		
The Russian Federation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	688	-		
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	688	-			
Revenue from contracts with customers	-	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	-	-	28,789	1,503	340,437	181,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	343,609	188,464		
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,694	35,786		
Total revenue	-	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	-	-	28,789	1,503	340,437	181,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	363,303	224,250		
Timing of revenue recognition																																									
At a point in time	-	-	-	-	259,041	47,094	702	1,596	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	259,743	48,690	
Over time	-	-	-	-	64,778	591	42,143	122,208	3,284	8,866	-	-	28,789	1,503	80,694	133,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83,866	139,774	
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,694	35,786
Total revenue	-	-	-	-	265,519	47,685	42,845	123,804	3,284	8,866	-	-	28,789	1,503	340,437	181,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	363,303	224,250	

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

## **Performance obligations for contracts with customers**

### ***Sales of properties***

The Group sells properties held for sale directly to buyers through its own sales office and through real estate agents respectively.

The income from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. The Group receives certain percentage of the contract value as pre-sale deposits from buyers when they sign the sale and purchase agreements. The pre-sale deposits are recognised as contract liabilities throughout the property construction period until the buyer obtains control of the completed property.

### ***Provision of property management services***

The Group provides property management services to tenants of its investment properties. The property management services fee includes fees for management services in the PRC. The tenants are required to prepay the property management services fee one month in advance. Property management services income is recognised over time when the tenants simultaneously receive and consume the benefits from the Group's performance. Such services income is recognised over the term of the lease contract.

### ***Revenue from management and operation of malls***

The Group operates and manages of malls with its leased assets, namely Phase 1 Shopping Mall of Xinguang Tiandi and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC. Revenue for concessionaire sales, the Group recognises commission income over time which it is entitled and is based on certain percentage of sales made by the concessionaires in accordance with the terms of contracts. Revenue for provision of retail management and related services, it represents space areas offering, management and promotional fee from customers and the revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation when the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

### ***Sales of travel related products***

The Group sells travel related products including hotel accommodation products and travel packages directly to the customers through its physical point-of-sale counters and online platform and recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance (i.e. when the customer check in at the hotel and enjoy the benefits from using such hotel room among the period reserved) and when the control of goods and services is transferred either over time or at a point in time, as appropriate. The Group either requires advanced payments from its customers or grant 30-day credit to customers from the invoice date.



Income from sales of travel packages is recognised when the performance obligations in the travel packages are satisfied. The travel packages include several performance obligations such as sales of hotel accommodation products and event tickets and provision of limousine services. Each performance obligation in the travel packages is considered to be a distinct goods or service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. Transaction price is allocated between sales of hotel accommodation products and event tickets and provision of limousine services on a relative standalone selling price basis. Revenue relating to the sale of hotel accommodation products is recognised over the period reserved for the hotel rooms. Revenue relating to the sales of event tickets is recognised at the occurrence of the events. Revenue relating to the provision of limousine services is recognised at the time of using the limousine services. The Group grants 30-day credit to customers from the invoice date.

#### ***Provision of travel agency services***

The Group has acted as an agent for the provision of travel agency services including but not limited to reservation of helicopter/private jet, flight and limousine services, sales of ferry tickets and event tickets. The travel agency services income is recognised at a net amount after deducting related cost of sales upon performance of the services. It is generally satisfied at a point in time when the control is transferred to the customer, which is at the time when the booking service confirmed with the customer. The normal credit period is 30 days upon the invoice date, which is approximate to the date of revenue recognition.

#### ***Provision of aircraft chartering services***

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

#### ***Revenue from gaming and hotel operations***

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

For the rooms and food and beverage, revenue is recognised when the Group's performance obligations are satisfied, either over time or at a point in time, as appropriate.

***Provision of hotel and integrated resort general consultancy services***

Hotel and integrated resort general consultancy services represent the provision of general consultancy services to the customers who are developing hotel and integrated resort projects in Vietnam and Cambodia. The duration of the contract period is initially for one year, with extension subject to mutual agreement. Such income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance, which is recognised based on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of services.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	<b>Sales of properties</b>	<b>Revenue from gaming and hotel operations</b>	<b>Management and operation of malls</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31 December 2021</b>				
Within one year	<u>–</u>	<u>4,323</u>	<u>3,866</u>	<u>8,189</u>
<b>As at 31 December 2020 (Restated)</b>				
Within one year	<u>149,948</u>	<u>2,769</u>	<u>–</u>	<u>152,717</u>

For the sales of properties, the amounts disclosed above represent the Group's expectation on the timing of transferring the legal ownership to its customers.

## Segment revenue and results

Segment	Continuing operations										Discontinued operations																
	Operation of integrated resort in the Philippines		Operation of integrated resort in the Russian Federation		Travel related products and services		Hotel and integrated resort general consultancy services		Property development		Management and operation of malls		Sub-total		Property development		Property leasing		Sub-total		Total						
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020			
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
Segment revenue from external customers	-	-	265,519	47,685	42,845	123,804	3,284	8,866	-	-	28,789	1,503	181,858	-	-	22,866	42,392	22,866	42,392	363,303	363,303	224,250	224,250	(496,865)	(652,200)		
Segment (loss) profit	(25,587)	(31,498)	(351,749)	(19,709)	(48,393)	(33,056)	(24,714)	(15,602)	(5,166)	(38,116)	5,792	(758)	(138,739)	(28,549)	(43,731)	(18,139)	(470,820)	(46,688)	(514,551)	(496,865)	(496,865)	(652,200)	(652,200)	(496,865)	(652,200)		
Change in fair value of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	181,858	-	-	-	-	-	-	-	-	-	-	-	-	240,183	
Change in fair value of derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	(138,739)	(28,549)	(43,731)	(18,139)	(470,820)	(46,688)	(514,551)	(496,865)	(496,865)	(652,200)	(652,200)	(496,865)	(652,200)		
Loss on remeasurement of existing interest in an associate upon business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on bargain purchase on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(122,404)	
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348,283	
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	201,736	
Impairment loss on interest in an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	594	
Impairment loss on equity loans to a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(53,295)	
Impairment loss on loans to a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(119,717)	
Impairment loss on amounts due from a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(194,212)	
Share of losses of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,906)	
Share of loss of a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	(24,092)	(620)	(437,952)	(277,483)	-	-	-	-	-	-	-	-	-	(520)	
Reversal of provision for litigation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(437,952)	
Unallocated other income, gains and losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,361	
Unallocated finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)	
<b>(Loss) profit before taxation</b>	-	-	(623,063)	1,277,229	(623,063)	1,277,229	(23,149)	(3,596)	(646,212)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	
Income tax (expense) credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467
<b>(Loss) profit for the year</b>	-	-	(646,212)	1,273,633	(646,212)	1,273,633	(646,212)	(3,596)	(646,212)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	(3,596)	1,273,633	(646,212)	

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

## Segment assets and liabilities

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

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b><i>Segment assets</i></b>		
Operation of integrated resort in the Philippines	4,481,730	3,612,277
Operation of integrated resort in the Russian Federation	1,830,318	3,141,124
Travel related products and services	87,722	149,916
Hotel and integrated resort general consultancy services	3,798	4,993
Property development	831,823	727,079
Property leasing and management and operation of malls	<u>99,093</u>	<u>1,551,533</u>
Total segment assets	7,334,484	9,186,922
Unallocated assets:		
Interests in associates	–	24,770
Interest in a joint venture	175,659	731,302
Loans to a joint venture	166,726	320,306
Amounts due from a joint venture	16,891	10,896
Property, operating right and equipment	571	351,332
Right-of-use assets	998	2,139
Derivative financial instrument	4,570	3,209
Loan receivable	599,209	–
Bank balances and cash	6,659	50,902
Deferred tax assets	–	78
Others	<u>26,064</u>	<u>49,008</u>
Consolidated total assets	<u><u>8,331,831</u></u>	<u><u>10,730,864</u></u>

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	<i>HK\$'000</i>
		(Restated)
<b><i>Segment liabilities</i></b>		
Operation of integrated resort in the Philippines	<b>1,091,176</b>	936,293
Operation of integrated resort in the Russian Federation	<b>224,138</b>	223,686
Travel related products and services	<b>8,872</b>	71,296
Hotel and integrated resort general consultancy services	<b>3,196</b>	3,304
Property development	<b>144,820</b>	1,387,889
Property leasing and management and operation of malls	<b>85,047</b>	631,003
<b>Total segment liabilities</b>	<b>1,557,249</b>	3,253,471
Unallocated liabilities:		
Current tax liabilities	<b>17,003</b>	12,784
Deferred tax liabilities	–	279,779
Convertible bonds	<b>606,970</b>	490,412
Derivative financial instruments	<b>13,301</b>	837,595
Lease liabilities	<b>1,000</b>	2,097
Loans from non-controlling shareholders of a subsidiary	–	99,351
Amounts due to non-controlling shareholders of a subsidiary	–	3,168
Amounts due to related companies	<b>262,905</b>	229,169
Amount due to a former director/director	<b>484</b>	5,584
Bank and other borrowings	<b>972,318</b>	–
Provision for litigation	–	33,032
Others	<b>73,833</b>	17,923
<b>Consolidated total liabilities</b>	<b>3,505,063</b>	<b>5,264,365</b>

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

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

## 6. OTHER INCOME, GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Bank interest income	10,084	7,500
Interest income on loans to a joint venture	37,077	22,719
Imputed interest income on loans to a joint venture	38,650	27,326
Imputed interest income on loan receivable	14,668	–
Imputed interest income on value-added tax (“VAT”) arrangements	472	–
	<hr/>	<hr/>
Total interest income	100,951	57,545
 (Loss) gain on disposal/write-off of property, operating right and equipment	 (1,966)	 726
Loss on disposal of intangible assets	(60)	–
Net exchange gain	10,971	90,931
Others	4,325	2,227
	<hr/>	<hr/>
	<b>114,221</b>	<b>151,429</b>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Imputed interest expense on convertible bonds ( <i>Note 18(a) and (b)</i> )	116,481	69,970
Imputed interest expense on promissory note	54,575	33,798
Imputed interest expense on loans from a related company	9,603	111,992
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	8,215	1,788
Imputed interest expense on VAT arrangements	–	4,066
Interest on promissory note	6,060	6,027
Interest on loans from a related company	2,284	59,125
Interest on loans from non-controlling shareholders of a subsidiary	2,239	2,313
Interest on bank borrowings	1,684	2,428
Interest on bank overdraft	403	–
Interest on other borrowings	78,694	36,691
Interest on lease liabilities	40,814	855
	<hr/>	<hr/>
Total finance costs	321,052	329,053
Less: capitalised in construction in progress included in property, operating rights and equipment ( <i>Note</i> )	(37,176)	–
	<hr/>	<hr/>
Finance costs expensed	<b>283,876</b>	<b>329,053</b>

*Note:* The borrowing costs have been capitalised at 4.0% per annum (2020: Nil).

## 8. LOSS (PROFIT) FOR THE YEAR FROM CONTINUING OPERATIONS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Loss (profit) for the year from continuing operations has been arrived at after charging (crediting) the following:		
Depreciation of property, operating right and equipment	97,488	22,590
Depreciation of right-of-use assets	134,499	3,704
Amortisation of intangible assets	<u>21</u>	<u>3</u>
Total depreciation and amortisation	232,008	26,297
Less: capitalised in construction in progress included in property, operating right and equipment	<u>(121,722)</u>	<u>–</u>
Total depreciation and amortisation expensed	<u><u>110,286</u></u>	<u><u>26,297</u></u>
Total depreciation and amortisation expensed is presented in the consolidated statement of profit or loss as		
– Cost of sales	76,134	13,065
– Administrative expenses	<u>34,152</u>	<u>13,232</u>
	<u><u>110,286</u></u>	<u><u>26,297</u></u>
Auditor's remuneration	<u><u>10,363</u></u>	<u><u>5,115</u></u>
Directors' remuneration	17,014	25,862
Staff costs, excluding Directors and consultants		
– salaries and wages	161,480	63,348
– share-based compensation benefits	965	2,409
– retirements benefits scheme contributions	<u>26,036</u>	<u>5,872</u>
Staff costs, excluding Directors and consultants	<u>188,481</u>	<u>71,629</u>
Total staff costs	205,495	97,491
Less: capitalised in construction in progress included in property, operating right and equipment	<u>(8,322)</u>	<u>(3,960)</u>
Total staff costs expensed	<u><u>197,173</u></u>	<u><u>93,531</u></u>

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (Restated)
Impairment loss recognised in respect of intangible assets	<u>–</u>	<u>60</u>
Impairment loss recognised in respect of other receivables, prepayments and deposits	<u>1,840</u>	<u>–</u>
Impairment loss recognised in respect of trade receivables	<u>1,950</u>	<u>2,275</u>
Impairment loss recognised in respect of an amount due from a related company	<u>5,819</u>	<u>–</u>
Short-term and variable lease payments (including COVID-19 related rent concessions of HK\$307,000 (2020: HK\$386,000))	<u>1,307</u>	<u>1,654</u>
Cost of sales		
– cost of travel related products sold	42,743	117,131
– cost of services rendered	10,100	305
– operating expenses of gaming and hotel operations	<u>197,484</u>	<u>37,248</u>
	<u>250,327</u>	<u>154,684</u>



## 9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Current</b>		
– PRC Enterprise Income Tax (“EIT”)	1,150	(331)
– Macau Complementary Income Tax (“CIT”)	11	–
– Philippines capital gains tax	3,687	–
– Philippines withholding tax	17,949	3,759
– Russian corporate tax	141	29
– Other jurisdictions tax	211	132
	<u>23,149</u>	<u>3,589</u>
<b>Underprovision in prior years</b>		
– Macau CIT	–	7
	<u>23,149</u>	<u>3,596</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 considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

### (b) 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 both years.

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

**(c) PRC withholding income tax**

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries for those registered as foreign-investment enterprises under the laws of the PRC from 1 January 2008 onwards. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

As at 31 December 2021, no deferred taxation has been provided for in the consolidated financial statements as no accumulated profits is generated by PRC subsidiaries of the Group registered as foreign-investment enterprises (31 December 2020: Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB368,350,000 (equivalent to approximately HK\$437,678,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.).

**(d) Overseas income tax**

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

**(e) Macau CIT**

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for both years.

**(f) Philippines Corporate Income Tax ("PCIT")**

PCIT is calculated at 30% of the estimated profits for both years. No provision for PCIT has been made for the year as the Philippines subsidiaries incurred losses for the year.

**(g) Philippines capital gains tax**

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

**(h) Philippines withholding tax**

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

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

**(i) Japan corporate income tax**

Corporate tax in Japan is calculated on the estimated assessable profit for both years at the rates of taxation prevailing in Japan in which the Group operates. No provision for Japan corporate income tax has been made for the year as the Japan subsidiaries incurred losses for the year.

**(j) Russian corporate tax**

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

Russian tax, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently.

Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to be reviewed by the authorities in respect of taxes are three calendar years preceding the year of review. Under certain circumstances such review may cover longer periods.

**(k) LAT**

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

**10. DIVIDENDS**

The Board does not recommend the payment of a final dividend for each of the years ended 31 December 2021 and 2020.

## 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>(Loss) earnings</b>		
(Loss) profit for the year attributable to shareholders of the Company for the purpose for calculating basic (loss) earnings per share		
– Continuing operations	(704,307)	1,197,812
– Discontinued operations	<u>176,815</u>	<u>(402,067)</u>
	(527,492)	795,745
Effect of dilutive potential ordinary shares:		
– Adjustment to the share of loss of Suntrust based on dilution of its loss per share	(18,693)	–
– Adjustment to the share of profit of Summit Ascent based on dilution of its earnings per share	–	(549)
– Adjustment on the change in fair value of convertible bonds in relation to the extension of 2016 Convertible Bond and 2018 Convertible Bond	–	(240,183)
– Change in fair value of conversion option derivatives of 2016 Convertible Bond (2020: 2016 Convertible Bond and 2018 Convertible Bond)	(778,633)	(1,529,249)
– Imputed interest expense on 2016 Convertible Bond (2020: 2016 Convertible Bond and 2018 Convertible Bond)	61,122	69,822
– Exchange gain in relation to 2016 Convertible Bond (2020: 2016 Convertible Bond and 2018 Convertible Bond)	<u>(11,508)</u>	<u>(128,691)</u>
Loss for the purpose of calculating diluted loss per share	<u>(1,275,204)</u>	<u>(1,033,105)</u>
Attributable to:		
– Continuing operations	(1,452,019)	(631,038)
– Discontinued operations	<u>176,815</u>	<u>(402,067)</u>
	<u>(1,275,204)</u>	<u>(1,033,105)</u>
	<b>Number of shares</b>	
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	6,667,917,951	6,666,972,746
Effect of dilutive potential ordinary shares		
– 2016 Convertible Bond	1,546,153,846	1,546,153,846
– 2018 Convertible Bond	<u>–</u>	<u>329,999,999</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>8,214,071,797</u>	<u>8,543,126,591</u>

For the year ended 31 December 2021, the conversion of 2018 Convertible Bond have an anti-dilutive effect on the basic loss per share from continuing operations presented.

For the year ended 31 December 2021 and 2020, the calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the assumed exercise of those share options has an anti-dilutive effect on the basic loss per share from continuing operations.

For the year ended 31 December 2021, the exercise of the outstanding share options issued by Summit Ascent and conversion of outstanding convertible bonds issued by Summit Ascent have anti-dilutive effect on the basic loss per share from continuing operations presented.

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

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Land use right in the PRC ( <i>Note (a)</i> )	9,951	9,667
Long-term prepayments ( <i>Note (b)</i> )	13,533	13,533
Deposits for purchase of property, operating right and equipment ( <i>Note (c)</i> )	211,628	11,517
Deposit for acquisition of land parcels ( <i>Note (d)</i> )	<u>–</u>	<u>40,526</u>
	235,112	75,243
Less: Allowance for impairment	<u>(8,980)</u>	<u>(7,267)</u>
	<u><b>226,132</b></u>	<u><b>67,976</b></u>

### Notes:

- (a) The amount represents prepayment for the land use right for a property project in the PRC.
- (b) Long-term prepayments represent prepayments for connection to the utility infrastructure network located in the IEZ Primorye in the Russian Federation.
- (c) The balance mainly represents the advance deposits paid to the main contractor for the construction of a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines, which is currently under development by Suntrust (the “**Main Hotel Casino**”).
- (d) Deposit for acquisition of land parcels represents a refundable deposit for the acquisition of land parcels located at Niseko, Hokkaido, Japan. The acquisition of the land parcels was completed in January 2021.

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

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Cost of unlisted investment	414,998	414,998
Share of post-acquisition losses and other comprehensive expenses	(415,136)	(390,911)
Exchange difference	<u>138</u>	<u>71</u>
	–	24,158
Equity loans to a joint venture ( <i>Note (a)</i> )	507,086	507,086
Allowance for impairment ( <i>Note (d)</i> )	(119,717)	–
Deemed capital contribution ( <i>Note (b) and (c)</i> )	208,141	208,141
Share of post-acquisition losses and other comprehensive expenses in excess of the cost of investment	(414,627)	–
Exchange difference	<u>(5,224)</u>	<u>(8,083)</u>
Interest in a joint venture	<u>175,659</u>	<u>731,302</u>
Loans to a joint venture		
– Current ( <i>Note (b)</i> )	233,943	218,611
– Allowance for impairment ( <i>Note (d)</i> )	<u>(144,343)</u>	<u>–</u>
	<u>89,600</u>	<u>218,611</u>
– Non-current ( <i>Note (c)</i> )	126,995	101,695
– Allowance for impairment ( <i>Note (d)</i> )	<u>(49,869)</u>	<u>–</u>
	<u>77,126</u>	<u>101,695</u>
Loans to a joint venture	<u>166,726</u>	<u>320,306</u>
Amounts due from a joint venture		
– Current	32,498	7,598
– Allowance for impairment ( <i>Note (d)</i> )	<u>(20,040)</u>	<u>–</u>
	<u>12,458</u>	<u>7,598</u>
– Non-current	7,299	3,298
– Allowance for impairment ( <i>Note (d)</i> )	<u>(2,866)</u>	<u>–</u>
	<u>4,433</u>	<u>3,298</u>
Amounts due from a joint venture	<u>16,891</u>	<u>10,896</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 31 December 2021 and 2020. The loan has not yet been repaid by 28 February 2022 and is interest bearing at 25% per annum with effect from 1 March 2022.

As the interest rate charged on the loan to a joint venture is below prevailing market interest rate, aggregated imputed interest of approximately HK\$25,957,000 of the loan upon initial recognition was calculated based on the difference between the prevailing market interest rate and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2021 and 2020. The prevailing market interest rate of the loan is 29.54% per annum.

- (c) During the year ended 31 December 2020, the Group advanced loans in aggregate principal amount of US\$34,045,000 (equivalent to approximately HK\$263,849,000 at the drawdown date) to a joint venture. The loans are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities and therefore are classified as non-current assets as at 31 December 2021 and 2020.

As the interest rates charged on the loans to a joint venture are below prevailing market interest rates, aggregated imputed interest of approximately HK\$182,184,000 of the loans upon initial recognition were calculated based on the difference between the prevailing market interest rates and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2021 and 2020. The prevailing market interest rates of the loans are ranged from 25.63% to 28.90% per annum.

- (d) After considering the quantitative and qualitative information that is reasonable and supportive forward-looking information and the financial position of the joint venture, the management of the Group considered that the credit risk on the loans to and the amounts due from the joint venture significantly increased during the year. In view of this, the management of the Group started to assess the expected credit losses ("ECL") on the loans to and the amounts due from the joint venture changing from 12-month ECL to lifetime ECL during the year ended 31 December 2021. In view of the probability of default of the joint venture is no longer insignificant as at 31 December 2021, allowances for impairment the equity loans to a joint venture of approximately HK\$119,717,000 (2020: Nil), loans to a joint venture of approximately HK\$194,212,000 (2020: Nil) and amounts due from a joint venture of approximately HK\$22,906,000 (2020: Nil) are recognised for the year ended 31 December 2021.

#### 14. LOAN RECEIVABLE

The maturity profile of the loan receivable is as follows:

	<u>As at 31 December</u>	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year (shown under current assets)	485,550	–
More than one year and not more than two years (shown under non-current assets)	113,659	–
	<u>599,209</u>	<u>–</u>

On 30 June 2021, as part of the Disposal, a loan and guarantee agreement (the “**Loan Agreement**”) was entered into among Shenzhen Sky Alliance Property Company Limited (“**Shenzhen Sky Alliance**”), an indirect wholly-owned subsidiary of the Company, Shenzhen Zirui Real Estate Development Limited (“**Shenzhen Zirui**”), a wholly-owned subsidiary of Access Achievement, and Mr. Chiu King Yan (“**Mr. Chiu**”), the agent of Shenzhen Sky Alliance. A property mortgage agreement (the “**Property Mortgage Agreement**”) was subsequently entered into between Mr. Chiu as the agent of Shenzhen Sky Alliance and Shenzhen Zirui, as the guarantor on 30 June 2021. Pursuant to the Loan Agreement and the Property Mortgage Agreement, the outstanding principal amount of RMB519,249,000 (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.

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>
	<u>519,249</u>

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

As at 31 December 2021, RMB17,500,000 (equivalent to approximately HK\$21,102,000) has been settled according to the above schedule.



## 15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>As at 31 December</b>	
	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (Restated)
Trade receivables ( <i>Note (a)</i> )		
– contracts with customers	<b>6,033</b>	23,602
– leases	<b>–</b>	8,618
	<b>6,033</b>	32,220
Allowance for impairment	<b>(4,225)</b>	(2,275)
	<b>1,808</b>	29,945
Other receivables	<b>41,936</b>	26,788
Consideration receivables from disposal of property, operating right and equipment ( <i>Note (b)</i> )	<b>77,981</b>	–
Other deposits	<b>6,338</b>	6,704
Indirect tax recoverable ( <i>Note (c)</i> )	<b>93,089</b>	17,324
Prepayments	<b>27,621</b>	28,784
	<b>248,773</b>	109,545

### Notes:

- (a) Amount represents the trade receivables from rental income, hotel and integrated resort general consultancy services and travel agency services. For the proceeds receivables in respect of rental income from lease of investment properties, no credit periods are granted. For the hotel and integrated resort general consultancy services, a credit period ranging from 0 to 15 days is granted. For the travel agency services, the Group generally allows a credit period of 30 days to its customers.

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

	<b>As at 31 December</b>	
	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (Restated)
Within 30 days	<b>642</b>	20,418
31–90 days	<b>161</b>	2,923
91–180 days	<b>321</b>	3,069
Over 180 days	<b>684</b>	3,535
	<b>1,808</b>	29,945

- (b) Amount represents consideration from the disposal of an aircraft. Details of which are disclosed in the announcements of the Company dated 15 December 2021 and 20 December 2021.
- (c) Amount represents mainly input VAT paid by Suntrust Group for the construction of the Main Hotel Casino.

## 16. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits represent deposits for the following purposes:

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Securities for banking facilities	–	8
Securities for mortgage loan facilities granted by the banks to buyers of the Group's properties	–	355
Securities for the travel agency business to the suppliers and license granted by the local regulatory bodies	<u>1,534</u>	<u>6,534</u>
	<u><u>1,534</u></u>	<u><u>6,897</u></u>
Amounts represented as:		
– Current	1,534	363
– Non-current ( <i>Note</i> )	<u>–</u>	<u>6,534</u>
	<u><u>1,534</u></u>	<u><u>6,897</u></u>

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

As at 31 December 2021, pledged bank deposits are subjected to floating interest rates ranged from 0.2% to 0.3% (31 December 2020: 0.2% to 1.5%) per annum.

As at 31 December 2021, in connection with a litigation in relation to a construction contract and supplemental agreement with a service provider, a bank account of the Group with balance of RMB960 (equivalent to approximately HK\$1,000) was subject to court seizure.

As at 31 December 2020, restricted bank deposits represented:

- (i) deposits of income generated by certain pledged investment properties in a specified bank account as requested by a bank for satisfying the repayment of the bank borrowings and its withdrawal required prior approval by the bank amounted to approximately RMB1,165,000 (equivalent to approximately HK\$1,384,000);
- (ii) in connection with a litigation in relation to a building management service contract with a service provider, a bank account of the Group with balance of approximately RMB981,000 (equivalent to approximately HK\$1,166,000) was subject to court seizure during the period from 14 July 2020 to 13 July 2021. The seizure of bank account was subsequently released in June 2021 by the court since the mediation arrangement had been affirmed by the court on 17 June 2021. Pursuant to the mediation arrangement, an amount of RMB1,670,000 (equivalent to approximately HK\$1,984,000) shall be paid to the plaintiff as settlement; and
- (iii) certain bank balances frozen by the relevant local bureau in the PRC amounted to approximately RMB858,000 (equivalent to approximately HK\$1,019,000) (the “**Frozen Bank Accounts**”). One of such Frozen Bank Accounts as at 31 December 2020 held by the Disposal Group with a balance of approximately RMB251 (equivalent to approximately HK\$298) was released in February 2021. The remaining Frozen Bank Accounts with a balance of approximately RMB858,000 (equivalent to approximately HK\$1,019,000) were held by a subsidiary of the Company, which was deregistered during the year ended 31 December 2021.

## 17. TRADE AND OTHER PAYABLES

	<u>As at 31 December</u>	
	2021	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Trade payables ( <i>Note</i> )	47,467	67,913
Interest payables	34,058	71,471
Payable in respect of transfer of connection right to local electricity supply network	10,687	10,686
Liabilities for VAT arrangements	34,945	44,798
Retention payables	35,688	–
Other tax payables	8,585	8,996
Provision for indemnity ( <i>Note 22(b)</i> )	21,653	–
Construction cost payables	96,350	13,581
Other payables and accruals	67,158	174,627
	<u>356,591</u>	<u>392,072</u>
Amounts presented as:		
– Current	287,375	323,421
– Non-current	69,216	68,651
	<u>356,591</u>	<u>392,072</u>

*Note:* The credit period of trade payables ranges from 30 to 180 days.

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

	<u>As at 31 December</u>	
	2021	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
0–90 days	1,713	5,848
Over 90 days	45,754	62,065
	<u>47,467</u>	<u>67,913</u>

## 18. 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 major shareholder of the Company to set off the balance of the loan from immediate holding company and the related accrued interest due to Fame Select on a dollar-for-dollar basis against the total subscription price payable by Fame Select in respect of the subscription of the 2016 Convertible Bond.

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

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

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

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

On 8 May 2018, the Company and Fame Select entered into an amendment agreement (the “**Amendment Agreement**”) to extend the 2016 CB Maturity Date to 7 December 2020 (“**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 is 8.01% per annum after extension.

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

Due to the Partial 2016 Convertible Bond Conversion, the carrying amount of the debt component has been reduced from approximately HK\$502,867,000 to approximately HK\$334,867,000 and the carrying amount of the derivative financial instruments have been reduced from approximately HK\$1,558,596,000 to approximately HK\$1,099,220,000 on 8 November 2018 (i.e. date of Partial 2016 Convertible Bond Conversion) based on the present value of the principal amount plus accrued coupon interest over the expected life of the remaining 2016 Convertible Bond after the Partial 2016 Convertible Bond Conversion. The change in carrying amount of the debt component of HK\$168,000,000 and of the derivative financial instruments of approximately HK\$459,376,000 are transferred to equity.

On 15 October 2020, the Company and Fame Select entered into a supplemental deed to further extend the Extended 2016 CB Maturity Date to 7 December 2022. The supplemental deed became effective on 7 December 2020, the date on which all the conditions precedent of the supplemental deed have 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) based on the present value of the principal amount. The change in fair value of debt component of approximately HK\$126,681,000 was recognised in profit or loss. The effective interest rate of the debt component is 22.36% per annum after the extension of the Extended 2016 CB Maturity Date.

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

### ***2018 Convertible Bond***

On 28 August 2018, the Company issued a convertible bond (“**2018 Convertible Bond**”) with a principal amount of HK\$297,000,000 to Star Hope Limited (“**Star Hope**”) and Better Linkage Limited (“**Better Linkage**”) for the acquisition of the entire equity interest of Star Admiral Limited and shareholder’s loan owed by Star Admiral Limited.

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

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

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

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

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

Due to the extension of the 2018 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$297,000,000 to approximately HK\$184,018,000 on 24 August 2020 (i.e. date of extension) based on the present value of the principal amount. The change in fair value of debt component of approximately HK\$113,502,000 was recognised in profit or loss. The effective interest rate of the debt component is 26.87% per annum after extension.

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

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

**2016 Convertible Bond**

	<b>2021</b>	2020
Share price	<b>HK\$0.13</b>	HK\$0.69
Conversion price	<b>HK\$0.26</b>	HK\$0.26
Expected volatility ( <i>Note (a)</i> )	<b>87.89%</b>	61.50%
Expected option life	<b>0.94 year</b>	1.94 years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.54%</b>	0.31%

**2018 Convertible Bond**

	<b>2021</b>	2020
Share price	<b>HK\$0.13</b>	HK\$0.69
Conversion price	<b>HK\$0.90</b>	HK\$0.90
Expected volatility ( <i>Note (a)</i> )	<b>99.73%</b>	62.58%
Expected option life	<b>0.66 year</b>	1.66 years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.54%</b>	0.32%

*Notes:*

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

The movements of the debt component and derivative financial instruments of the 2016 Convertible Bond and the 2018 Convertible Bond are shown as follows:

	<b>Debt component</b>	<b>Derivative financial instruments</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2016 Convertible Bond</b>			
At 1 January 2020 (Restated)	371,740	2,129,138	2,500,878
Charge to profit or loss including adjustment on extension recognised in profit or loss	(126,681)	(1,302,102)	(1,428,783)
Exchange difference recognised in profit or loss	(22,856)	(86,484)	(109,340)
Exchange realignment	16,690	57,795	74,485
Imputed interest expense ( <i>Note 7</i> )	<u>29,606</u>	<u>–</u>	<u>29,606</u>
At 7 December 2020 (date of extension) (Restated)	268,499	798,347	1,066,846
Credit to profit or loss	–	(6,412)	(6,412)
Exchange difference recognised in profit or loss	(505)	(1,485)	(1,990)
Exchange realignment	724	1,171	1,895
Imputed interest expense ( <i>Note 7</i> )	<u>3,742</u>	<u>–</u>	<u>3,742</u>
At 31 December 2020 and 1 January 2021 (Restated)	272,460	791,621	1,064,081
Credit to profit or loss	–	(778,633)	(778,633)
Exchange difference recognised in profit or loss	(3,160)	(8,348)	(11,508)
Exchange realignment	3,147	8,312	11,459
Imputed interest expense ( <i>Note 7</i> )	<u>61,122</u>	<u>–</u>	<u>61,122</u>
<b>At 31 December 2021</b>	<b><u>333,569</u></b>	<b><u>12,952</u></b>	<b><u>346,521</u></b>



	<b>Debt component</b>	<b>Derivative financial instruments</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2018 Convertible Bond</b>			
At 1 January 2020 (Restated)	277,658	266,726	544,384
Credit to profit or loss, including adjustment on extension recognised in profit or loss	(113,502)	(161,298)	(274,800)
Exchange difference recognised in profit or loss	(931)	(984)	(1,915)
Exchange realignment	1,369	1,641	3,010
Imputed interest expense ( <i>Note 7</i> )	<u>19,424</u>	<u>–</u>	<u>19,424</u>
At 24 August 2020 (date of extension) (Restated)	184,018	106,085	290,103
Credit to profit or loss	–	(59,437)	(59,437)
Exchange difference recognised in profit or loss	(11,094)	(4,352)	(15,446)
Exchange realignment	11,529	2,842	14,371
Imputed interest expense ( <i>Note 7</i> )	<u>17,050</u>	<u>–</u>	<u>17,050</u>
At 31 December 2020 and 1 January 2021 (Restated)	201,503	45,138	246,641
Credit to profit or loss	–	(45,073)	(45,073)
Exchange difference recognised in profit or loss	(2,342)	(456)	(2,798)
Exchange realignment	2,333	454	2,787
Imputed interest expense ( <i>Note 7</i> )	<u>54,140</u>	<u>–</u>	<u>54,140</u>
<b>At 31 December 2021</b>	<b><u>255,634</u></b>	<b><u>63</u></b>	<b><u>255,697</u></b>
<b>Total</b>			
<b>At 31 December 2021</b>	<b><u>589,203</u></b>	<b><u>13,015</u></b>	<b><u>602,218</u></b>
At 31 December 2020 (Restated)	<u>473,963</u>	<u>836,759</u>	<u>1,310,722</u>

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

During the year ended 31 December 2020, a non-wholly owned subsidiary of the Company, Summit Ascent, issued convertible bonds denominated in United States dollars (“US\$”) for 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 contained two components, a debt component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the holders the right at any time to convert the Summit Ascent CB into ordinary shares of Summit Ascent (“**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 Summit Ascent CB as at 31 December 2021 is determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

The fair value of the Summit Ascent CB as at 31 December 2020 is 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 value of the convertible bonds and the derivative financial instrument are as follows:

	2021	2020
<b>Summit Ascent CB</b>		
Share price of Summit Ascent	<b>HK\$0.15</b>	HK\$0.75
Conversion price	<b>HK\$3.50</b>	HK\$3.50
Expected volatility ( <i>Note (a)</i> )	<b>77.38%</b>	60.45%
Expected remaining life	<b>3.88 Years</b>	4.88 Years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>1.14%</b>	0.41%

*Notes:*

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

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

	<b>Debt component</b> <i>HK\$'000</i>	<b>Derivative financial instrument</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Initial recognition on issuance of convertible bonds on 16 November 2020 (Restated)	16,295	1,708	18,003
Credit to profit or loss	–	(872)	(872)
Exchange difference	6	–	6
Imputed interest expense ( <i>Note 7</i> )	<u>148</u>	<u>–</u>	<u>148</u>
At 31 December 2020 and 1 January 2021 (Restated)	16,449	836	17,285
Credit to profit or loss	–	(550)	(550)
Exchange difference	99	–	99
Imputed interest expense ( <i>Note 7</i> )	<u>1,219</u>	<u>–</u>	<u>1,219</u>
<b>At 31 December 2021</b>	<b><u>17,767</u></b>	<b><u>286</u></b>	<b><u>18,053</u></b>

(c) **Put option**

On 28 October 2019, the Group has entered into an agreement with Westside City Resorts World Inc. (“**Westside**”) and Travellers International Hotel Group Inc. (“**Travellers**”), related companies of a non-controlling shareholder of Suntrust. Pursuant to the agreement, the Group is entitled, at its sole discretion, to exercise a put option in relation to its equity interest in Suntrust with consideration of approximately HK\$169,382,000 plus interest of 3.5% per annum to Westside and Travellers upon events stated in the agreement.

The fair value of the derivative financial instrument of the put option as at 31 December 2021 and 31 December 2020 were approximately HK\$4,570,000 and HK\$3,209,000, respectively, which are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

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

**Put option**

	2021	2020
Share price	<b>PHP1.120</b>	PHP1.670
Expected volatility <i>(Note (a))</i>	<b>66.41%</b>	58.80%
Expected option life <i>(Note (b))</i>	<b>2.50 Years</b>	3.00 Years
Expected dividend yield <i>(Note (c))</i>	<b>Zero</b>	Zero
Risk-free rate <i>(Note (d))</i>	<b>3.37%</b>	2.18%

*Notes:*

- (a) The expected volatility was determined by using the historical volatility of Suntrust share price over a period commensurate with the remaining term.
- (b) The option period is assumed to be expiring in 2024 (2020: 31 December 2023), being the date of expected commencement of operation of the Main Hotel Casino. The expected option life used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.
- (c) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment 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 movement of the fair value of the derivative financial instrument of the put option are as follows:

	<i>HK\$'000</i>
At 1 January 2020 (Restated)	2,924
Credit to profit or loss	147
Exchange difference	<u>138</u>
At 31 December 2020 and 1 January 2021 (Restated)	3,209
Credit to profit or loss	1,579
Exchange difference	<u>(218)</u>
<b>At 31 December 2021</b>	<b><u><u>4,570</u></u></b>

## 19. BANK AND OTHER BORROWINGS

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Bank borrowings		
– Secured	–	447,371
Other borrowings		
– Secured	366,928	288,041
– Unsecured	605,390	824,294
	<u>972,318</u>	<u>1,112,335</u>
	<u>972,318</u>	<u>1,559,706</u>

### (a) Bank borrowings

The maturity profile of bank borrowings is as follows:

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Within one year	–	92,676
More than one year but not exceeding two years	–	45,399
More than two years but not exceeding five years	–	136,462
Over five years	–	172,834
	–	<u>447,371</u>
Less: Repayable on demand due to breach of loan covenants	–	(47,529)
Amounts due for settlement within one year (shown under current liabilities)	–	<u>(45,147)</u>
	–	<u>(92,676)</u>
Amounts due for settlement after one year	–	<u>354,695</u>

During the year, bank borrowing of approximately RMB51,507,000 (equivalent to approximately HK\$61,201,000) guaranteed by Mr. Chau was repaid.

During the year, the Group obtained bank overdrafts of up to HK\$80,000,000. Bank overdrafts were secured by fixed deposits and interest bearing at 1.5% per annum plus overnight HIBOR. Such bank overdrafts were repaid during the year.

**(b) Other borrowings**

The maturity profile of other borrowings is as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Within one year	<b>823,101</b>	233,484
More than one year but not exceeding two years	<b>149,217</b>	878,851
	<b>972,318</b>	1,112,335
Less: Amounts due for settlement within one year	<b>(823,101)</b>	(233,484)
	<b>149,217</b>	878,851

(c) During the year, there were new other borrowings of approximately HK\$839,738,000 (2020: approximately HK\$538,087,000) raised from four (2020: seven) non-financial institutions. One new other borrowing of HK\$150,000,000 is secured and guaranteed by Mr. Chau, the former chairman and a former director of the Company, with interest bearing at 18.29% per annum and repayable within 4 months. Two new other borrowings in the aggregate amount of RMB92,000,000 (equivalent to approximately HK\$110,937,000 at the drawdown date) are unsecured and guaranteed by the Company and with interest bearing at 12% per annum and repayable within 3 months. All these three new other borrowings were repaid during the year. One new other borrowing of RMB300,000,000 (equivalent to approximately HK\$366,928,000) is secured by the loan receivable of approximately HK\$599,209,000 and guaranteed by the Company, with interest bearing at 1.5% per month and repayable on 31 March 2022. The Group was unable to repay interest thereon of RMB13,500,000 (equivalent to approximately HK\$16,681,000) due in February 2022 and pursuant to a supplemental agreement entered into in March 2022, the lender agreed to defer the payment of the overdue interest to 31 March 2022. One new other borrowing of RMB180,000,000 (equivalent to approximately HK\$220,157,000) is unsecured and guaranteed by the Company and with interest bearing at 1.5% per month and repayable on 30 April 2022.

(d) The Group's assets pledged as securities for the Group's bank and other borrowings are as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Loan receivable	<b>599,209</b>	–
Investment properties	–	1,408,745
Pledged bank deposits	–	8
Property, operating right and equipment	–	83,207
Inventories	–	204,538
	<b>599,209</b>	1,696,498

## 20. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

On 21 February 2021, the Company entered into the S&P Agreement with the Purchaser. Pursuant to the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in Access Achievement, a direct wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (equivalent to approximately HK\$186,624,000). Control and ownership of Access Achievement passed to the Purchaser upon the completion of the Disposal on 30 June 2021.

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

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

	<i>HK\$'000</i>
<b>Net liabilities disposed of</b>	
Property, operating right and equipment	346
Investment properties	1,412,823
Right-of-use assets	2,707
Deferred tax assets	79
Inventories	401,698
Trade and other receivables and prepayments	18,630
Pledged bank deposits	368
Restricted bank deposits	3,007
Bank balances and cash	97
Trade and other payables	(127,852)
Amounts due from the Group	1,771,613
Amounts due to the Group	(3,357,042)
Contract liabilities	(151,661)
Receipt in advance	(1,065)
Rent and other deposits	(7,238)
Provision for potential claims	(27,117)
Bank and other borrowings	(681,408)
Lease liabilities	(2,815)
Current tax liabilities	(6,500)
Deferred tax liabilities	(282,422)
	<hr/>
Net liabilities disposed	<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)
	<hr/>
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	<u>(97)</u>
Total net cash inflow from disposal	<u><u>186,527</u></u>

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

The disposal of Access Achievement was completed on 30 June 2021 and was reported in the consolidated financial statements for the year ended 31 December 2021 as discontinued operations. Financial information relating to the discontinued operations for the period up to the completion date of the Disposal is set below.

The financial performance and cash flow information presented reflects the discontinued operations for the year ended 31 December 2021.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Revenue</b>		
– Contracts with customers	3,172	6,606
– Leases	<u>19,694</u>	<u>35,786</u>
<b>Total revenue</b>	<b>22,866</b>	42,392
Cost of sales	<u>(6,792)</u>	<u>(6,072)</u>
<b>Gross profit</b>	<b>16,074</b>	36,320
Other income, gains and losses	610	2,491
Selling and distribution expenses	(842)	(690)
Administrative expenses	(10,054)	(23,995)
Other operating expenses	(7,773)	(3,911)
Change in fair value of investment properties	(11,988)	(467,874)
Reversal of provision for litigation	21,361	–
Finance costs	<u>(32,776)</u>	<u>(59,822)</u>
Loss before taxation	(25,388)	(517,481)
Income tax credit	<u>467</u>	<u>115,414</u>
<b>Loss for the year from discontinued operations</b>	<b>(24,921)</b>	(402,067)
Gain on disposal of subsidiaries ( <i>Note 20(a)</i> )	<u>201,736</u>	<u>–</u>



	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Profit (loss) for the year from discontinued operations</b>	<u>176,815</u>	<u>(402,067)</u>
Exchange differences arising on translation from functional currency to presentation currency	<u>(9,997)</u>	<u>(57,161)</u>
<b>Total comprehensive income (expense) for the year attributable to equity holders of the Company arose from discontinued operations</b>	<u><u>166,818</u></u>	<u><u>(459,228)</u></u>
Net cash flows used in operating activities	(6,899)	(366,683)
Net cash flows used in investing activities	(430)	(1,839)
Net cash flows (used in) from financing activities	<u>(355)</u>	<u>371,854</u>
<b>Net (decrease) increase in cash and cash equivalents of the Disposal Group</b>	<u><u>(7,684)</u></u>	<u><u>3,332</u></u>
Basic earnings (loss) per share from discontinued operations attributable to shareholders of the Company ( <i>HK cents</i> )	<u>2.65</u>	<u>(6.03)</u>
Diluted earnings (loss) per share from discontinued operations attributable to shareholders of the Company ( <i>HK cents</i> )	<u><u>2.15</u></u>	<u><u>(4.71)</u></u>

(c) **Loss for the year from discontinued operations**

Loss for the year from discontinued operations is stated after charging (crediting) the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Depreciation of property, operating right and equipment	71	136
Depreciation of right-of-use assets	<u>891</u>	<u>1,686</u>
Total depreciation and amortisation	<u><u>962</u></u>	<u><u>1,822</u></u>
Staff costs		
– salaries and wages	5,362	9,718
– retirements benefits scheme contributions	<u>934</u>	<u>265</u>
Total staff costs	<u><u>6,296</u></u>	<u><u>9,983</u></u>
Impairment loss recognised in respect of other receivables	<u>–</u>	<u>2,818</u>
Short-term and lease payments (including COVID-19 related rent concessions of nil (2020: HK\$440,000))	<u>4</u>	<u>(440)</u>
Cost of sales		
– cost of services rendered	<u><u>6,792</u></u>	<u><u>6,072</u></u>
Gross rental income from investment properties	(19,694)	(35,786)
Less: Direct operating expenses incurred for investment properties included in cost of sales	<u>4,728</u>	<u>2,678</u>
	<u><u>(14,966)</u></u>	<u><u>(33,108)</u></u>

## 21. PERPETUAL SECURITIES

HK\$'000

### Principal

Initial recognition on issuance of the First Tranche Perpetual Securities on 18 August 2020 ( <i>Note (a)</i> )	3,887,000
Subsequent issuances during the year ( <i>Note (b)</i> )	<u>1,485,000</u>
At 31 December 2020 and 1 January 2021 (Restated)	<u>5,372,000</u>
Subsequent issuances during the year ( <i>Note (b)</i> )	<u>36,000</u>
<b>At 31 December 2021</b>	<b><u><u>5,408,000</u></u></b>

### Distribution

At 1 January 2020	–
Provision for the year ( <i>Note (c)</i> )	<u>89,036</u>
At 31 December 2020 and 1 January 2021 (Restated)	<u>89,036</u>
Provision for the year ( <i>Note (c)</i> )	<u>269,227</u>
<b>At 31 December 2021</b>	<b><u><u>358,263</u></u></b>

### Total

<b>At 31 December 2021</b>	<b><u><u>5,766,263</u></u></b>
At 31 December 2020 (Restated)	<u><u>5,461,036</u></u>

On 18 August 2020, the Company and Star Hope entered into the subscription agreement, pursuant to which the Company agreed to issue, and the Star Hope agreed to subscribe for, the HK\$6,000 million 5.00% perpetual securities of the Company (the “**Perpetual Securities**”).

The Perpetual Securities confer on their holder a right to receive distribution at 5% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or defer (in whole or in part) any distribution accrued on the Perpetual Securities at its sole and absolute discretion. The Company may elect to redeem (in whole or in part) the Perpetual Securities at 100% of the outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the Perpetual Securities or change of control of the Company.

### Notes:

- (a) The first tranche Perpetual Securities was issued on the date of the subscription agreement to effect repayment of a pro tanto amount of the existing amount due to Star Hope of approximately HK\$3,887 million on 18 August 2020 (the “**First Tranche Perpetual Securities**”).

The carrying amounts of the loans from Star Hope of approximately HK\$1,910,962,000, together with the amount due to Star Hope (i.e. interest payable) of approximately HK\$93,572,000, being the aggregate amount of approximately HK\$2,004.53 million has been used to settle the above consideration payable. The capital contribution previously recognised through the loans from the related company provided by Star Hope amounting to approximately HK\$1,882.47 million was derecognised from capital reserve and transferred to the Perpetual Securities. The Perpetual Securities are classified as an equity instrument of the Company.

- (b) After the issuance of the First Tranche Perpetual Securities, the Company issued further tranches of Perpetual Securities with an aggregate principal amount of HK\$36 million during the year ended 31 December 2021 (2020: HK\$1,485 million).
- (c) During the year ended 31 December 2021, distribution provision in relation to Perpetual Securities issued is approximately HK\$269 million (2020: approximately HK\$89 million).

## **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\$45.3 million) (31 December 2020: approximately RMB37 million) (equivalent to approximately HK\$44.0 million) is recorded as trade and other payables in the consolidated financial statements of the Group as at 31 December 2021. In connection with three (31 December 2020: Nil) of the litigations, court judgements were received and the Group is obliged to pay the compensation to a plaintiff of approximately RMB8.4 million (equivalent to approximately HK\$10.2 million) (31 December 2020: Nil). The judgements are being enforced for execution and the Group had recorded full amount as trade and other payables as at 31 December 2021. Save for the above, based on the fact that the legal proceedings of the remaining litigations were still in progress and with reference to the legal opinion obtained from the Company's PRC lawyer, management considers that the likelihood for further outflow of resources of the Group was remote.
- (b) On 30 June 2021, pursuant to the S&P Agreement in relation to the Disposal and a deed of indemnity entered into by the Company, the Purchaser and Access Achievement, the Company will indemnify the Purchaser against certain tax, litigation and contingent liabilities which, except for litigation liabilities, in aggregate cannot exceed the sum of (i) the consideration of the Disposal amounting to RMB155,290,000 (equivalent to approximately HK\$186,624,000); and (ii) the principal amount of the Shenzhen Sky Alliance Loan amounting to RMB519,249,000 (equivalent to approximately HK\$623,099,000), in the aggregate amount of RMB674,539,000 (equivalent to approximately HK\$809,723,000). In this regard, approximately RMB17,703,000 (equivalent to approximately HK\$21,653,000) was recorded as provision for indemnity included in "other payables" in the consolidated financial statements as at 31 December 2021.

- (c) As at 31 December 2020, the Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by buyers of the Group's properties as follows:

	<u>As at 31 December</u>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Guarantees given by the Group to banks for mortgage facilities granted to buyers	<u>–</u>	<u>740</u>

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

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

- (d) As at 31 December 2020, bank balances of approximately RMB299,000 (equivalent to approximately HK\$355,000) were pledged with banks as guarantee deposits for the mortgage loan facilities granted by the banks to buyers of the Group's properties.

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

### 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 consolidated financial statements as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Contracted but not provided for	<u>3,600,183</u>	<u>4,763,350</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

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

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

In FY2021, 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\$265.5 million to the Group, with contribution of approximately HK\$286.1 million total gross gaming revenue (“GGR”) to the Group.

## Group Key Financial Data

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

## Gaming Statistics

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

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



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

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

## Revenue

Revenue from continuing operations in FY2021 was approximately HK\$340.4 million, increased by approximately HK\$158.5 million or 87% when compared to approximately HK\$181.9 million in FY2020. The increase was mainly attributable to the contribution from Summit Ascent Group for the full year since the acquisition in the fourth quarter of 2020.

- (i) **Operation of integrated resort in the Philippines** – through an indirect 51% owned subsidiary of the Company, Suntrust, the Group is currently developing a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines (the “**Main Hotel Casino**” or the “**Westside City Project**”) of which Suntrust would be the sole and exclusive operator and manager to operate and manage the Main Hotel Casino upon commencement of operation of the Main Hotel Casino (which is expected to commence operation in 2024). In FY2021, the construction work of the pile cap has been completed while the construction works of the basement and ground floor of the Main Hotel Casino have been substantially completed. No revenue was recognised during the year.
- (ii) **Operation of integrated resort in the Russian Federation** – Summit Ascent, the 69.66% owned subsidiary of the Company, contributed revenue from gaming and hotel operations in the IEZ Primorye in the Russian Federation through its approximately 77.5% owned subsidiary of approximately HK\$265.5 million to the Group during FY2021 (2020: HK\$47.7 million).
- (iii) **Travel related products and services** – Revenue mainly represented the sales of hotel accommodation products, travel agency services income and aircraft chartering service fee income. Due to the COVID-19 pandemic and the suspension of operation with effect from 1 December 2021, there has been a significant impact on the Group’s travel and tourism related business in FY2021. The Group recorded a substantial decrease in revenue from this segment by approximately HK\$81.0 million to approximately HK\$42.8 million in FY2021 (2020: HK\$123.8 million).
- (iv) **Hotel and integrated resort general consultancy services** – The Group has entered into several technical service agreements and a casino management agreement with integrated resorts since 2017, generating revenue of approximately HK\$3.3 million in FY2021 (2020: HK\$8.9 million).
- (v) **Management and operation of malls** – The revenue for concessionaire sales and provision of retail management and related services from the management and operation of the Group’s leased assets, namely Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as of 31 December 2021 were approximately 87% and 77%, respectively (31 December 2020: 87% and 77% respectively).

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

The decrease in other income, gains and losses during FY2021 was mainly due to (i) lower net exchange gain recognised in FY2021 of approximately HK\$11.0 million (FY2020: net exchange gain of HK\$90.9 million) and partially offset by (ii) the increase in interest income and imputed interest income from loans to a joint venture advanced by the Group from the first to third quarters of 2020, which has a full year effect in FY2021.

### **Selling and distribution expenses**

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

### **Administrative expenses**

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

### **Other operating expenses**

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

### **Change in fair value of convertible bonds**

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

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

It mainly represented the change in fair value of derivative components carried in the 2016 Convertible Bond and the 2018 Convertible Bond. The fair values of the derivative financial instruments as at 31 December 2021 were assessed by an independent professional valuer.

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

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

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

During FY2021, the Group disposed of its remaining 24.27% equity interest in First Oceanic Property Management, Inc. (“**FOPM**”) at the consideration of PHP153,728,294 (equivalent to approximately HK\$24.7 million) and recognised a gain of approximately HK\$0.6 million.

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

During FY2020, the Group performed impairment review on the interest in an associate, Summit Ascent, which had become a non wholly-owned subsidiary of the Company since October 2020. As the recoverable amount was less than the carrying amount, the Group had recognised an impairment on interest in an associate of approximately HK\$53.3 million by reference to the valuation carried out by an independent professional valuer accordingly.

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

During FY2021, the Group has recognised impairment losses on the equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture of approximately HK\$119.7 million, HK\$194.2 million and HK\$22.9 million respectively after taking into consideration of the latest business forecast, financial position and probability of default of the joint venture and its subsidiaries. The impairment losses recognised based on ECL assessment by reference to the valuation carried out by an independent professional valuer.

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

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

## **Share of losses of associates**

Upon the completion of further acquisition of approximately 24.68% equity interest in Summit Ascent on 23 April 2019 (the "**Summit Ascent 2019 Acquisition**"), the interest of the Group in Summit Ascent increased from approximately 3.29% to approximately 27.97%, where those shares held were classified as investment in an associate. In October 2020, the Group had further acquired additional equity interest in Summit Ascent up to approximately 69.66% immediately after the Summit Ascent Rights Issue. Summit Ascent ceased to be an associate of the Group and became a non-wholly owned subsidiary of the Company since then. During FY2020, the Group recognised the share of loss of an associate of approximately HK\$26.1 million in respect of the equity interest in Summit Ascent prior to Summit Ascent Rights Issue.

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

During FY2021, the Group recognised the share of loss of an associate of approximately HK\$0.5 million in respect of the equity interest in FOPM before the disposal of remaining approximately 24.27% equity interest in FOPM in April 2021.

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

The amount represented the share of loss of the Group's joint venture, which is owned by Star Admiral (an indirect wholly-owned subsidiary of the Company). The principal asset of Star Admiral is approximately 34% equity interest in the integrated resort development project located in Hoi An South, Quang Nam Province, Vietnam ("**Hoiana**"). Hoiana was opened for preview on 28 June 2020. As a tourist-dependent property, Hoiana was in loss making position and its performance was adversely impacted by the COVID-19 pandemic during FY2021. Due to the increase of operating expenses and finance costs in FY2021, the Group has recognised the share of loss of a joint venture of approximately HK\$438.0 million (2020: HK\$277.5 million).

## **Finance costs**

Finance costs for FY2021 comprise mainly (i) interests on interest-bearing bank and other borrowings, (ii) imputed interest expenses on convertible bonds, (iii) interests and imputed interest expenses on promissory note and loan from a related company, (iv) interest on lease liabilities; and (v) interest and imputed interest expense on loans from non-controlling shareholders of subsidiaries. The slightly decrease in finance costs during FY2021 was mainly attributable to the capitalisation of interest on lease liabilities incurred by Suntrust for the construction of the Main Hotel Casino.

## **Income tax expense**

Income tax expense comprises current tax and the increase for FY2021 was mainly due to the Philippines capital gains tax levied on gain on disposal of remaining 24.27% equity interest in FOPM and Philippines withholding taxes on gross interest income earned by Summit Ascent Group on intragroup convertible bonds and borrowings advanced to Suntrust in FY2020 and FY2021 respectively.

## **SEGMENT ANALYSIS**

In FY2021, (i) revenue from gaming and hotel operations in the Russian Federation; (ii) travel related products and services revenue and aircraft chartering services revenue; (iii) hotel and integrated resort general consultancy services income; (iv) revenue from management and operation of malls accounted for 78.0% (2020: 26.2%), 12.6% (2020: 68.1%), 1.0% (2020: 4.9%), and 8.4% (2020: 0.8%) of total revenue from continuing operations of the Group respectively.

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

Bank balances and cash, pledged bank deposits and restricted bank deposits, in aggregate, as at 31 December 2021 amounted to approximately HK\$1,573.0 million (31 December 2020: HK\$2,644.5 million).

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

During the year ended 31 December 2021, the Group obtained bank overdrafts of up to HK\$80 million. Bank overdrafts were secured by fixed deposits and interest bearing at 1.5% per annum plus overnight HIBOR. Such bank overdrafts were repaid during the year.

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

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

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

The Group had loans from non-controlling shareholders of subsidiaries of approximately HK\$237.3 million as at 31 December 2021 (31 December 2020: HK\$237.9 million), in which (i) an amount of approximately HK\$89.7 million which is secured by parcels of land (included in property, operating right and equipment), interest bearing at 2.4% and repayable on 21 July 2023, and (ii) an amount of approximately HK\$147.6 million which is unsecured, interest-free and will not be repaid unless there are sufficient free cash flows generated from the operations to make the repayment.

The Group had convertible bonds and derivative financial instruments liabilities of approximately HK\$607.0 million (31 December 2020: HK\$490.4 million) and approximately HK\$13.3 million (31 December 2020: HK\$837.6 million), respectively.

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

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

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

## CHARGE ON ASSETS

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

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

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

As at 31 December 2021, the indirect equity interest of approximately 34% in Hoi An South Development Limited ("**HASD**") were pledged to a bank for the banking facilities granted to HASD.

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

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The functional currency of the Company and the presentation currency of the consolidated financial statements of the Company are in Hong Kong Dollars. The income and expenses, assets and liabilities, interests in associates and interest in a joint venture of the Company and its subsidiaries which denominated in currencies other than the functional currency are converted into HK\$ for financial reporting purpose. Fluctuations in exchange rates may have an impact on the Group's financial position and results. The Group monitors the exposure to fluctuations in exchange rates and takes appropriate measures to mitigate and manage the risk on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 31 December 2021.

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



## **CONTINGENT LIABILITIES**

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

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

On 21 February 2021, the Company entered into the S&P Agreement with the Purchaser. Pursuant to the S&P Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in Access Achievement, a directly wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (equivalent to approximately HK\$186,624,000). The Disposal was completed on 30 June 2021 with a gain of approximately RMB167,864,000 (equivalent to approximately HK\$201,736,000). Details of which are set out in Note 20. Upon the completion of the Disposal, the Group ceased and discontinued its operations in property development and property leasing in Shenzhen, the PRC. Save for the Disposal above, the Group had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2021.

## **TREASURY POLICIES AND CAPITAL STRUCTURE**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had a staff force of approximately 1,103 (as at 31 December 2020: 1,291) employees. Of this, most were stationed in the Russian Federation and the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as share option scheme). Total staff costs, including directors, incurred for the year ended 31 December 2021 was approximately HK\$205.5 million (2020: HK\$97.5 million).

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

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

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

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

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

## **FINAL DIVIDEND**

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

## **EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period that had significant impacts on the Group after FY2021 and up to the date of this announcement.

## **BUSINESS REVIEW**

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

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

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

The Company, through its wholly-owned subsidiary, Fortune Noble Limited (“**Fortune Noble**”), acquired 51% equity interest in Suntrust on 28 October 2019. Pursuant to the operations and management/services agreement dated 4 May 2020 entered into between Westside as appointer and Suntrust as appointee in relation to the appointment of Suntrust as the sole and exclusive operator and manager to operate and manage the Main Hotel Casino as contemplated under the co-development agreement entered into between Suntrust and Westside on 28 October 2019 (the “**Co-Development Agreement**”), Suntrust will be the sole and exclusive operator and manager of the Main Hotel Casino. The investment in Suntrust marked the first step towards establishing the Group’s footprint in the integrated resort and entertainment market in the Philippines and allowing the Group to tap into this growing market. Further details of the co-development of Westside City Project at Entertainment City were disclosed in the announcements of the Company dated 29 October 2019, 25 November 2019, 20 January 2020, 23 February 2020, 30 March 2020, 4 May 2020, 15 June 2020 and 23 July 2020 as well as the circular of the Company dated 26 March 2020.

On 29 May 2020, Suntrust and Fortune Noble have entered into the subscription agreement (the “**CB Subscription Agreement**”) of the PHP7.3 billion (equivalent to approximately HK\$1.1 billion) zero coupon convertible bonds of Suntrust to be issued by Suntrust to Fortune Noble for an initial term of 5 years (the “**Fortune Noble Subscribed CB**”). Upon full exercise of the rights to convert the Fortune Noble Subscribed CB into common shares of Suntrust at the initial conversion price of PHP1.1 each into shares of Suntrust (the “**Suntrust Conversion Shares**”), Suntrust will become 74.42% owned by the Group (on the basis of 7,250,000,000 shares of Suntrust in issue as at the date of the CB subscription Agreement and assuming no change in that number other than by the issuance of the Suntrust Conversion Shares). Further details of the Fortune Noble Subscribed CB were disclosed in the announcement of the Company dated 29 May 2020.

On 1 June 2020, Suntrust (as issuer) and Summit Ascent Investments Limited (“**SA Investments**”), a wholly-owned subsidiary of Summit Ascent (as subscriber), entered into a subscription agreement, pursuant to which, SA Investments conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately HK\$847.0 million) with a 6% coupon rate (or 8% per annum if held until their maturity) for an initial term of 5 years, which are convertible into common shares of Suntrust (the “**Summit Ascent Subscribed CB**”). Further details of the Summit Ascent Subscribed CB were disclosed in the circular of Summit Ascent dated 14 August 2020.

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

On 18 December 2020, Suntrust entered into a supplemental agreement (the “**Supplemental Agreement**”) with the main contractor of the Main Hotel Casino, Megawide Construction Corporation (“**Megawide**”), to revise the letters of award dated 13 November 2020 by expanding the scope of work of Megawide as main contractor and increasing the contract sum payable by PHP20,000,000,000 (equivalent to approximately HK\$3,211.0 million) in relation to the (i) construction of basement, podium and tower of the Main Hotel Casino and (ii) construction work of the pile cap, excavation and lateral support and additional pile cap area of the Main Hotel Casino (the “**Construction Agreements**”). The terms of the Construction Agreements remain unchanged save as revised by the Supplemental Agreement. Further details of the Supplemental Agreement were disclosed in the circular of the Company dated 11 February 2021.

On 23 February 2021, Suntrust, as borrower entered into a loan agreement (the “**SA Loan Agreement**”) with SA Investments as lender, pursuant to which SA Investments shall provide a loan in the principal amount of US\$120.0 million (equivalent to approximately HK\$930.0 million) (the “**SA Loan**”) to Suntrust. The SA Loan is unsecured, interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the SA Loan, which is extendable not more than three months. The SA Loan was advanced to Suntrust in May 2021. The loan proceeds from the SA Loan will be applied by Suntrust for the development of the Main Hotel Casino. Further details of the SA Loan were disclosed in the announcements of Summit Ascent dated 23 February 2021 and 20 April 2021, respectively and the circular of Summit Ascent dated 26 March 2021.

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

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

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

**(ii) Tigre de Cristal**

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

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

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

### *Gaming operations*

Net gaming revenue of Tigre de Cristal, which consists of three main sources namely the rolling chip business, mass table business and electronic gaming business, was approximately HK\$248 million during FY2021, increased by approximately HK\$45 million or 22% year-on-year comparing to FY2020.

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

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

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

### *Hotel Operations*

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

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

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

## Gaming Statistics

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

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

### (iii) Hoiana

As at 31 December 2021, the Group held approximately 34% indirect equity interest in Hoiana through the investment in a joint venture. The Certificate for the Eligibility for Casino Business in relation to the casino operation of Hoiana in Vietnam was granted in May 2020, and the preview took place on 28 June 2020. Hoiana features an integrated resort with a casino that holds gaming tables, electronic gaming machines, Asian delights and other international cuisine with more than 1,000 hotel rooms and an eighteen-hole golf course. The operation of Hoiana during the pandemic had significant impacts on its business performance.

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



## Key Financial Data of Hoiana

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

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

## Gaming Statistics

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

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

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

## **Management 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) comprising 620 units with a total floor area of 65,241.98 m<sup>2</sup> for a term of twenty (20) years commencing on 1 January 2015 and ending on 31 December 2034. The occupancy rates of the Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 31 December 2021 were approximately 87% and 77%, respectively.

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

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

## **Travel related products and services**

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

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

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

## **Property development**

As at 31 December 2021, the Group had three property development projects in the PRC and Japan.

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

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

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

As at 31 December 2021, the Group owns 51% of the issued share capital of MSRD Corporation Limited ("MSRD"), which held a plot of land with a total site area of 108,799 m<sup>2</sup> located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRD intends to build 40 villas and a hotel of more than 100 rooms on the land.

On 30 September 2020, the Group entered into sale and purchase agreement with an independent third party in acquisition of land parcels with a total site area of 220,194 m<sup>2</sup> located at Niseko, Hokkaido, Japan and the acquisition of the land parcels was completed in January 2021. Subject to the final development plan to be approved by the Group, the Group intends to build over 50 villas and 20 townhouses and a hotel with over 40 rooms on the land.

## REVIEW AND OUTLOOK

### Market Overview

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

#### *Russia*

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

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

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

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

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

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

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

### ***The Philippines***

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

### ***Vietnam***

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

<sup>3</sup> Philippine Statistics Authority

<sup>4</sup> Reuters

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

<sup>6</sup> Nikkei Asia

<sup>7</sup> General Statistics Office

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

<sup>9</sup> Xinhua

## **Development Update**

### ***Tigre de Cristal, Russia***

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

### ***Westside City Project, Philippines***

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

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

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

Westside City Project will be integrated with the shopping malls, theatres, restaurants, and shopping streets, etc. to be built by Suncity's partner Westside/Travellers. 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

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

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

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

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

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

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

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES** A16, 45(2)

During the year, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.



## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

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

## 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 the code on corporate governance practices (the “**Code**”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2021 except the following deviations:

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Following the resignation of (i) Mr. Chau Cheok Wa (“**Mr. Chau**”) as an executive Director and the chairman of the Company on 1 December 2021 and (ii) Ms. Yeung So Lai as an executive Director and the chief executive officer of the Company (the “**Chief Executive Officer**”) on 31 March 2017, the Company has not appointed an individual to take up the vacancy of the Chairman and Chief Executive Officer, and the roles and functions of the Chairman and Chief Executive Officer have been performed by all the executive Directors collectively.

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

Under code provision C.2, of the 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 Code.

Under code provision C.3.3 of the Code, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chau, the former executive Director resigned on 1 December 2021, and Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva, as executive Directors of the Company. However, Mr. Chau was, and 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 Code, the chairman of the Board should attend the annual general meeting of the Company and invite the chairman of the committees to attend. However, due to his other business commitment, Mr. Chau, the former chairman of the Board, did not attend the annual general meeting held on 3 June 2021.

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

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the “**Securities Code**”) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

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

### **AUDIT COMMITTEE**

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control systems. The consolidated results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Tou Kin Chuen (Chairman), Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John. All of them are independent non-executive Directors.

## **SCOPE OF WORK OF CROWE (HK) CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.suncitygroupholdings.com](http://www.suncitygroupholdings.com)). The Company's 2021 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2021 will be published on or before 30 April 2022.

## **EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT**

The Auditor has issued disclaimer of opinion ("**Disclaimer of Opinion**") in the independent auditor's report on the 2021 Audited Financial Statements, extracts of which are set out below:

### **"Disclaimer of Opinion**

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

## **Basis for disclaimer of opinion**

### ***Multiple Uncertainties Relating to Going Concern***

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

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

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

The directors have been undertaking measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its borrowings, details of which are set out in note 3 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including i) agree with the Group's existing lenders for the renewal of or extension for repayments of all borrowings; ii) agree with the convertible bonds holders for the extension of repayment dates; iii) able to obtain new sources of financing or successful negotiation with debtors for prompt settlements; iv) realizing the Group's non-current assets, including the parcels of land in Japan, to obtain new sources of financing; and v) successfully taking active measures to control operating expenses.

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

## **DISCLAIMER OF OPINION OF THE AUDITOR ON THE 2021 AUDITED FINANCIAL STATEMENTS**

### **Details of the Disclaimer of Opinion and Management’s View on the Disclaimer of Opinion**

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

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

### **Measures to Address the Disclaimer of Opinion**

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

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

## **Board’s View of the Effectiveness of the Above Measures**

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

## **Audit Committee’s View on the Disclaimer of Opinion**

The members of the audit committee of the Company (the “**Audit Committee**”) had critically reviewed the Disclaimer of Opinion, the management’s position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor’s rationale and understood their consideration in arriving their opinion. After careful deliberation, the Audit Committee agreed with the management’s position based on the reasons above. Moreover, the Audit Committee requested the management to take all necessary actions to address the effect on the Disclaimer of Opinion so that no such Disclaimer of Opinion will be issued in the forthcoming audited financial statements.

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

Hong Kong, 29 March 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.*