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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

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

**(Stock Code: 1383)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **FINANCIAL HIGHLIGHTS**

- Total revenue decreased by 69.5% to RMB93,748,000 (six months ended 30 June 2019: RMB307,043,000)
- Gross profit decreased by 45.8% to RMB27,965,000 (six months ended 30 June 2019: RMB51,636,000)
- Loss for the period attributable to owners of the Company of RMB118,594,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: loss for the period attributable to owners of the Company of RMB1,254,190,000)
- Basic loss per share of RMB1.78 cents for the six months ended 30 June 2020 (six months ended 30 June 2019: Basic loss per share of RMB18.81 cents)

The board (the “**Board**”) of directors (the “**Directors**”) of Suncity Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company:

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

*For the six months ended 30 June 2020*

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue</b>			
- Contracts with customers		77,441	286,486
- Leases		16,307	20,557
Total revenue	5	93,748	307,043
<b>Cost of sales</b>		<b>(65,783)</b>	<b>(255,407)</b>
Gross profit		27,965	51,636
Other income, gains and losses	6	(54,713)	(39,415)
Selling and distribution expenses		(2,953)	(3,187)
Administrative expenses		(72,027)	(46,826)
Other operating expenses		(11,990)	(1,784)
Change in fair value of investment properties	12	(333,200)	(56,800)
Change in fair value of financial assets at fair value through profit or loss		-	20,681
Gain on disposal of subsidiaries		-	9,245
Impairment on interest in an associate	14(a)	(47,363)	-
Change in fair value of derivative financial instruments	19	588,159	(1,073,871)
Share of (loss) profit of associates		(15,532)	399
Share of loss of a joint venture		(90,132)	(28,068)
Finance costs	7	(192,608)	(93,707)
<b>Loss before taxation</b>		<b>(204,394)</b>	<b>(1,261,697)</b>
Income tax credit	8	81,186	7,331
<b>Loss for the period</b>	9	<b>(123,208)</b>	<b>(1,254,366)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		20,224	20,643
Share of other comprehensive expense of a joint venture, net of related income tax		(1,284)	(2,598)
		18,940	18,045
<b>Total comprehensive expense for the period</b>		<b>(104,268)</b>	<b>(1,236,321)</b>

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to:</b>			
– Owners of the Company		<b>(118,594)</b>	(1,254,190)
– Non-controlling interests		<b>(4,614)</b>	(176)
		<u><b>(123,208)</b></u>	<u>(1,254,366)</u>
<b>Total comprehensive expense for the period attributable to:</b>			
– Owners of the Company		<b>(102,291)</b>	(1,236,176)
– Non-controlling interests		<b>(1,977)</b>	(145)
		<u><b>(104,268)</b></u>	<u>(1,236,321)</u>
<b>Loss per share:</b>			
– Basic ( <i>RMB cents</i> )	<i>11</i>	<u><b>(1.78)</b></u>	<u>(18.81)</u>
– Diluted ( <i>RMB cents</i> )	<i>11</i>	<u><b>(7.36)</b></u>	<u>(18.81)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		363,562	299,976
Right-of-use assets		2,491	2,656
Investment properties	12	1,268,200	1,601,400
Prepayments and deposits for non-current assets	13	535,667	8,921
Pledged bank deposits		5,965	11,771
Interests in associates	14(a)	462,114	514,519
Interest in a joint venture	14(b)	809,444	727,780
Loans to a joint venture	14(b)	83,980	–
Amount due from a joint venture	14(b)	1,192	–
Deferred tax assets		66	66
Derivative financial instrument	19(b)	3,616	2,619
		<b>3,536,297</b>	<b>3,169,708</b>
<b>Current assets</b>			
Inventories		583,458	595,039
Trade and other receivables and prepayments	15	45,068	73,202
Amounts due from directors		–	32
Amount due from a non-controlling shareholder of a subsidiary		3,888	3,768
Pledged bank deposits		305	304
Restricted bank deposits	16	1,254	23,542
Bank balances and cash	16	1,659,774	253,397
		<b>2,293,747</b>	<b>949,284</b>
<b>Current liabilities</b>			
Trade and other payables	17	253,017	208,953
Amounts due to related companies		282,849	308,668
Amount due to a director		5,101	5,002
Loans from non-controlling shareholders of a subsidiary		87,053	84,804
Amounts due to non-controlling shareholders of a subsidiary		1,729	669
Contract liabilities		127,197	127,197
Receipt in advance		899	1,043
Rent and other deposits		6,141	6,141
Provisions for potential claims		22,564	22,564
Provision for litigation		27,800	27,800
Bank and other borrowings	18	525,008	373,442
Lease liabilities		1,543	2,274
Convertible bonds	19(a)	621,168	581,731
Derivative financial instruments	19(a)	1,596,974	2,146,215
Current tax liabilities		12,483	335,109
		<b>3,571,526</b>	<b>4,231,612</b>
<b>Net current liabilities</b>		<b>(1,277,779)</b>	<b>(3,282,328)</b>
<b>Total assets less current liabilities</b>		<b>2,258,518</b>	<b>(112,620)</b>

		<b>30 June 2020</b>	31 December 2019
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	18	745,246	486,000
Interest payables		13,654	9,052
Lease liabilities		1,150	661
Amount due to a related company		69,528	32,128
Loans from a related company		1,714,903	729,589
Deferred tax liabilities		254,074	335,326
		<u>2,798,555</u>	<u>1,592,756</u>
<b>Net liabilities</b>		<u><b>(540,037)</b></u>	<u><b>(1,705,376)</b></u>
<b>Capital and reserves</b>			
Share capital		582,811	582,811
Reserves		<u>(1,367,214)</u>	<u>(2,534,530)</u>
<b>Deficit attributable to owners of the Company</b>		<b>(784,403)</b>	<b>(1,951,719)</b>
<b>Non-controlling interests</b>		<u><b>244,366</b></u>	<u><b>246,343</b></u>
<b>Total deficit</b>		<u><b>(540,037)</b></u>	<u><b>(1,705,376)</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal place of business of the Company is located at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in (i) property development; (ii) property leasing; (iii) provision of hotel and integrated resort general consultancy service; (iv) provision of travel related products and services; and (v) operation of integrated resort.

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

### 2. BASIS OF PREPARATION

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

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

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, and is also severely impacting the business environment in the People's Republic of China (the "**PRC**") as well as Macau and directly and indirectly affect the operations of the Group. The Group's associate temporarily closed its casino operation from late March 2020 to July 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. In addition, the spread of the COVID-19 had further worsen the business of travel related products and services in Macau as well as the property leasing business in the PRC. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and recognition of impairment of relevant assets as disclosed in the relevant notes.

### 4. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

## Application of amendments to HKFRSs

During the six months ended 30 June 2020, the Group has applied, for the first time, the following amendments to HKFRSs and Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)

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

### 4.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

### 4.2 Impact on early adoption on Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 June 2020, certain monthly lease payments for the leases of the Group’s offices have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the six months ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB354,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 June 2020.

## 5. REVENUE AND SEGMENT INFORMATION

### Segment Information

Information reported to the Executive Directors of the Company, being the chief operating decision maker (“CODM”) for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

- (1) Property development – Development and sales of office premises, residential and retail properties in the PRC;
- (2) Property leasing – Leasing of retail and residential properties and provision of property management services in the PRC;
- (3) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services;
- (4) Travel related products and services – Sales of travel related products and provision of travel agency services; and
- (5) Operation of integrated resort – Development and operation of an integrated resort through a non-wholly owned subsidiary, Suntrust Home Developers, Inc. (“SunTrust”) at the Entertainment City, Manila, the Philippines.

### Disaggregation of revenue

Segment	Six months ended 30 June 2020 (Unaudited)				
	Property development <i>RMB’000</i>	Property leasing <i>RMB’000</i>	Hotel and integrated resort general consultancy services <i>RMB’000</i>	Travel related products and services <i>RMB’000</i>	Total <i>RMB’000</i>
<b>Types of goods or services</b>					
Sales of travel related products					
– Hotel accommodation products	–	–	–	66,629	66,629
– Others	–	–	–	55	55
Travel agency services income	–	–	–	1,049	1,049
Property management services income	–	2,820	–	–	2,820
Hotel and integrated resort general consultancy services income	–	–	6,888	–	6,888
Revenue from contracts with customers	–	2,820	6,888	67,733	77,441
Leases	–	16,307	–	–	16,307
<b>Total revenue</b>	<b>–</b>	<b>19,127</b>	<b>6,888</b>	<b>67,733</b>	<b>93,748</b>



## Six months ended 30 June 2019 (Unaudited)

Segment	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Hotel and integrated resort general consultancy services <i>RMB'000</i>	Travel related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>					
Sales of properties					
– Apartments	18,901	–	–	–	18,901
Sales of travel related products					
– Hotel accommodation products	–	–	–	254,780	254,780
– Others	–	–	–	77	77
Travel agency services income	–	–	–	2,819	2,819
Property management services income	–	2,829	–	–	2,829
Hotel and integrated resort general consultancy services income	–	–	7,080	–	7,080
Revenue from contracts with customers	18,901	2,829	7,080	257,676	286,486
Leases	–	20,557	–	–	20,557
<b>Total revenue</b>	<b>18,901</b>	<b>23,386</b>	<b>7,080</b>	<b>257,676</b>	<b>307,043</b>

## Geographical Information

Six months ended 30 June 2020 (Unaudited)

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Hotel and integrated resort general consultancy services <i>RMB'000</i>	Travel related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Geographical markets by customers' locations</b>					
The PRC	-	2,820	-	-	2,820
Macau	-	-	-	62,533	62,533
Cambodia	-	-	1,183	-	1,183
Vietnam	-	-	5,705	5,200	10,905
Revenue from contracts with customers	-	2,820	6,888	67,733	77,441
Leases	-	16,307	-	-	16,307
Total revenue	-	19,127	6,888	67,733	93,748
<b>Timing of revenue recognition</b>					
A point in time	-	-	-	1,049	1,049
Over time	-	2,820	6,888	66,684	76,392
Revenue from contracts with customers	-	2,820	6,888	67,733	77,441
Leases	-	16,307	-	-	16,307
Total revenue	-	19,127	6,888	67,733	93,748

Six months ended 30 June 2019 (Unaudited)

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Hotel and integrated resort general consultancy services <i>RMB'000</i>	Travel related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Geographical markets by customers' locations</b>					
The PRC	18,901	2,829	–	–	21,730
Macau	–	–	–	244,135	244,135
Cambodia	–	–	1,686	–	1,686
Vietnam	–	–	5,394	13,541	18,935
Revenue from contracts with customers	18,901	2,829	7,080	257,676	286,486
Leases	–	20,557	–	–	20,557
Total revenue	<u>18,901</u>	<u>23,386</u>	<u>7,080</u>	<u>257,676</u>	<u>307,043</u>
<b>Timing of revenue recognition</b>					
A point in time	18,901	–	–	2,819	21,720
Over time	–	2,829	7,080	254,857	264,766
Revenue from contracts with customers	18,901	2,829	7,080	257,676	286,486
Leases	–	20,557	–	–	20,557
Total revenue	<u>18,901</u>	<u>23,386</u>	<u>7,080</u>	<u>257,676</u>	<u>307,043</u>

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

## Segment revenue and result

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

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Hotel and integrated resort general consultancy services <i>RMB'000</i>	Travel related products and services <i>RMB'000</i>	Operation of integrated resort <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended 30 June 2020</b>						
<b>(Unaudited)</b>						
Segment revenue from external customers	—	19,127	6,888	67,733	—	93,748
Segment loss	(37,160)	(335,051)	(3,714)	(9,827)	(6,572)	(392,324)
Change in fair value of derivative financial instruments ( <i>note 19</i> )						588,159
Impairment on interest in an associate ( <i>note 14(a)</i> )						(47,363)
Share of loss of associates						(15,532)
Share of loss of a joint venture						(90,132)
Unallocated other income, gains and losses						(51,659)
Unallocated finance costs						(149,728)
Unallocated expenses						(45,815)
Loss before taxation						<u>(204,394)</u>

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Hotel and integrated resort general consultancy services <i>RMB'000</i>	Travel related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2019 (Unaudited)					
Segment revenue from external customers	<u>18,901</u>	<u>23,386</u>	<u>7,080</u>	<u>257,676</u>	<u>307,043</u>
Segment (loss) profit	<u>(15,263)</u>	<u>(58,224)</u>	<u>2,042</u>	<u>12,447</u>	<u>(58,998)</u>
Change in fair value of financial assets at fair value through profit or loss					20,681
Gain on disposal of subsidiaries					9,245
Change in fair value of derivative financial instruments ( <i>note 19(a)</i> )					(1,073,871)
Share of profit of associates					399
Share of loss of a joint venture					(28,068)
Unallocated other income, gains and losses					(41,931)
Unallocated finance costs					(65,159)
Unallocated expenses					<u>(23,995)</u>
Loss before taxation					<u><u>(1,261,697)</u></u>

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 financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, share of (loss) profit of associates, share of loss of a joint venture, gain on disposal of subsidiaries, impairment on interest in an associate 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:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
<b><i>Segment assets</i></b>		
Property development	627,597	617,405
Property leasing	1,280,701	1,610,206
Hotel and integrated resort general consultancy services	12,279	13,354
Travel related products and services	119,695	112,509
Operation of integrated resort	556,877	179,949
	<hr/>	<hr/>
Total segment assets	2,597,149	2,533,423
Unallocated assets:		
Interests in associates	462,114	514,519
Interest in a joint venture	809,444	727,780
Loans to a joint venture	83,980	–
Amount due from a joint venture	1,192	–
Property, plant and equipment	303,099	297,526
Right-of-use assets	2,491	2,656
Derivative financial instrument	3,616	2,619
Bank balances and cash	1,554,483	35,422
Deferred tax assets	66	66
Others	12,410	4,981
	<hr/>	<hr/>
Consolidated assets	<u>5,830,044</u>	<u>4,118,992</u>
<b><i>Segment liabilities</i></b>		
Property development	1,099,797	733,097
Property leasing	474,992	464,585
Hotel and integrated resort general consultancy services	3,975	994
Travel related products and services	62,687	65,461
Operation of integrated resort	32,446	7,224
	<hr/>	<hr/>
Total segment liabilities	1,673,897	1,271,361
Unallocated liabilities:		
Current tax liabilities	12,483	335,109
Deferred tax liabilities	254,074	335,326
Convertible bonds	621,168	581,731
Derivative financial instruments	1,596,974	2,146,215
Lease liabilities	2,693	2,935
Loans from non-controlling shareholders of a subsidiary	87,053	84,804
Amounts due to non-controlling shareholders of a subsidiary	1,729	669
Amounts due to related companies	352,377	290,020
Amount due to a director	5,101	5,002
Loans from a related company	1,714,903	729,589
Provision for litigation	27,800	27,800
Others	19,829	13,807
	<hr/>	<hr/>
Consolidated liabilities	<u>6,370,081</u>	<u>5,824,368</u>

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 amount due from a joint venture, certain property, plant and equipment, right-of-use assets, derivative financial instrument, 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 lease liabilities, convertible bonds, derivative financial instruments, current tax liabilities, deferred tax liabilities, amounts due to a director, related companies and non-controlling shareholders of a subsidiary, loans from a related company and non-controlling shareholders of a subsidiary, provision for litigation and corporate liabilities of investment holding companies.

## 6. OTHER INCOME, GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Advertising income	–	40
Interest income	<b>1,687</b>	207
Interest income on loans to a joint venture	<b>1,186</b>	–
Imputed interest income on loans to a joint venture	<b>5,721</b>	–
Loss on disposal of financial assets at fair value through profit or loss	–	(5)
Loss on deemed partial disposal of equity interest of an associate	–	(1,021)
Net exchange loss	<b>(65,057)</b>	(40,561)
Others	<b>1,750</b>	1,925
	<b><u>(54,713)</u></b>	<b><u>(39,415)</u></b>

## 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Effective interest expense on convertible bonds <i>(note 19(a))</i>	<b>27,812</b>	26,334
Imputed interest expense on promissory note	<b>11,828</b>	10,084
Imputed interest expense on loans from a related company	<b>69,430</b>	16,415
Interest on promissory note	<b>2,733</b>	2,602
Interest on loans from a related company	<b>36,511</b>	9,471
Interest on loans from non-controlling shareholders of a subsidiary	<b>1,194</b>	–
Interest on bank borrowings	<b>11,553</b>	11,335
Interest on other borrowings	<b>31,327</b>	17,213
Interest on lease liabilities	<b>220</b>	253
	<b><u>192,608</u></b>	<b><u>93,707</u></b>

No finance costs have been capitalised for both periods.

## 8. INCOME TAX CREDIT

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
– Enterprise Income Tax (“EIT”)	–	927
– Macau Complementary Income Tax (“CIT”)	7	1,573
– Philippines withholding tax	<u>59</u>	<u>–</u>
	<b>66</b>	2,500
<b>Land appreciation tax (“LAT”)</b>	–	2,134
<b>Deferred tax</b>	<u>(81,252)</u>	<u>(11,965)</u>
	<u><b>(81,186)</b></u>	<u>(7,331)</u>

### (a) Hong Kong Profits Tax

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

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

### (b) EIT

Under the Law of the People’s Republic of China on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% from 1 January 2008 onwards.



**(c) PRC withholding income tax**

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary amounting to approximately RMB424,490,000 (31 December 2019: approximately RMB668,499,000) 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) 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.

**(e) Overseas income tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

**(f) Macau CIT**

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the six months ended 30 June 2020 and 2019.

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

PCIT is calculated at 30% of the estimated profits for the six months ended 30 June 2020.

**(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 are subject to a final tax between 15% to 20%.

(i) **Japan Corporate Income Tax**

Corporate tax in Japan is calculated at 23.2% on the estimated assessable profit for the six months ended 30 June 2020. No provision for Japan corporate income tax has been made for the period as the Japan subsidiaries incurred losses for the period.

**9. LOSS FOR THE PERIOD**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period has been arrived at after charging (crediting) the following:		
Depreciation of property, plant and equipment	<b>2,645</b>	854
Depreciation of right-of-use assets	<b>1,400</b>	811
Directors' remuneration	<b>12,296</b>	5,240
Staff costs		
– salaries and wages, excluding directors	<b>19,209</b>	17,194
– share-based compensation benefits, excluding directors and consultants	<b>1,234</b>	146
– retirements benefits scheme contributions, excluding directors	<b>666</b>	1,197
Total staff costs, excluding directors and consultants	<b>21,109</b>	18,537
Impairment loss recognised in respect of other receivables (included in other operating expenses)	<b>2,504</b>	–
Short-term and variable lease payments (including COVID-19 related rent concessions of RMB354,000)	<b>940</b>	1,892
Cost of sales		
– cost of properties sold	–	14,099
– cost of travel related products sold	<b>64,037</b>	239,041
– cost of services rendered	<b>1,746</b>	2,267
	<b>65,783</b>	255,407
Gross rental income from investment properties	<b>(16,307)</b>	(20,557)
Less: Direct operating expenses incurred for investment properties	<b>983</b>	1,593
	<b>(15,324)</b>	(18,964)

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 2019. The directors of the Company have determined that no dividends will be paid in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 11. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share (Loss for the period attributable to owners of the Company)	<b>(118,594)</b>	(1,254,190)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of SA (as defined in note 14(a)) based on dilution of its earnings per share	–	(5)
Change in fair value of conversion option derivatives of convertible bonds	<b>(587,264)</b>	–
Effective interest expense on convertible bonds (note 7)	<b>27,812</b>	–
Exchange loss in relation to convertible bonds	<b>49,648</b>	–
Loss for the purpose of calculating diluted loss per share	<b><u>(628,398)</u></b>	<b><u>(1,254,195)</u></b>
	<b>Number of shares</b>	
	2020	2019
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>6,666,972,746</b>	6,666,972,746
Effect of dilutive potential ordinary shares:		
– Convertible bonds	<b><u>1,876,153,846</u></b>	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b><u>8,543,126,592</u></b>	<b><u>6,666,972,746</u></b>

For the six months ended 30 June 2020 and 2019, the calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the assumed exercise of those share options would result in decrease in loss per share.

For the six months ended 30 June 2019, the calculation of diluted loss per share did not assume the conversion of the outstanding convertible bonds of the Company since the conversion of the outstanding convertible bonds would result in decrease in loss per share.

## 12. MOVEMENT IN INVESTMENT PROPERTIES

The Group engages Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, to perform the valuation for the fair value of the Group's investment properties as at 30 June 2020 and 31 December 2019, respectively. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Income approach operates by taking into account the rental income of the property derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy which are then capitalised into the value at an appropriate capitalisation rate.

Decrease in fair value of investment properties of RMB333,200,000 has been recognised directly in profit or loss for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB56,800,000).

As at 30 June 2020 and 31 December 2019, all investment properties of the Group have been pledged to secure the Group's bank borrowings.

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Land use right in the PRC ( <i>Note (a)</i> )	<b>8,136</b>	8,136
Prepayments and deposits for property, plant and equipment	<b>60,284</b>	785
Deposits paid under the Co-Development Agreement (as defined below) ( <i>Note (b)</i> )	<b>467,247</b>	–
	<b><u>535,667</u></b>	<b><u>8,921</u></b>

*Notes:*

- (a) The amount represents prepayment for the land use right for a property project in the PRC.
- (b) Pursuant to the co-development agreement entered into between SunTrust, a 51% owned subsidiary of the Company, and Westside City Resorts World Inc. ("**Westside**") on 28 October 2019 (the "**Co-Development Agreement**") with the principal terms set out in the Co-Development Agreement, SunTrust shall pay US\$200 million for use of the three parcels of land located at Manila Bayshore Integrated City, the Philippines (the "**Project Site**") and reimbursement of costs incurred on the Project Site and construction works done on the Project Site (the "**Project Site Payment**").

In January 2020, SunTrust and Westside entered into the second supplemental agreement to amend the payment terms of the Co-Development Agreement, pursuant to which, the Group has paid US\$20,000,000 (equivalent to approximately RMB141,590,000) (the “**1st Deposit**”) on 31 January 2020 to Westside as the refundable deposit for the Project Site.

In March 2020, SunTrust and Westside entered into the third supplemental agreement to amend the terms of the Co-Development Agreement, pursuant to which the time by which SunTrust is to raise fund of not less than US\$300,000,000 to finance the development and construction of the main hotel casino, is extended from 28 March 2020 to 31 July 2020.

In June 2020, SunTrust and Westside entered into the fourth supplemental agreement to amend the payment terms of the Co-Development Agreement, pursuant to which, the Group has further paid US\$46,000,000 (equivalent to approximately RMB325,657,000) (the “**Further Deposit**”, together with the 1st Deposit which has been paid, the “**Total Deposits**”) on 16 June 2020 to Westside as the refundable further deposit for the Project Site and extend the fund raising period from 31 July 2020 to 30 September 2020. As at 30 June 2020, the Group has paid the Total Deposits in relation to the Co-Development Agreement in an aggregate amount of US\$66,000,000 (equivalent to approximately RMB467,247,000).

#### **14. INTERESTS IN ASSOCIATES AND A JOINT VENTURE/LOANS TO AND AMOUNT DUE FROM A JOINT VENTURE**

##### **(a) Interests in associates**

Interests in associates mainly represent the Group’s 24.74% equity interest in Summit Ascent Holdings Limited (“**SA**”), a company listed on the Stock Exchange (stock code: 102), as at 30 June 2020 and 31 December 2019.

For the purpose of impairment testing, the recoverable amount of SA has been determined based on a value in use calculation as the value in use is higher than the fair value less costs to disposal. During the six months ended 30 June 2020, impairment loss on interest in SA of approximately RMB47,363,000 has been recognised (six months ended 30 June 2019: Nil).

(b) Interest in a joint venture/Loans to and amount due from a joint venture

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Cost of unlisted investment	<b>363,621</b>	363,621
Share of loss and other comprehensive expense	<b>(187,374)</b>	(95,958)
Exchange difference	<b>10,548</b>	6,979
	<b>186,795</b>	274,642
Loans to a joint venture ( <i>Note (a)</i> )	<b>444,309</b>	444,309
Deemed contribution to a joint venture ( <i>Note (b)</i> )	<b>161,914</b>	–
Exchange difference	<b>16,426</b>	8,829
Interest in a joint venture	<b>809,444</b>	727,780
Loans to a joint venture ( <i>Note (b)</i> )	<b>83,980</b>	–
Amount due from a joint venture	<b>1,192</b>	–

*Notes:*

- (a) The loans of approximately RMB444,309,000 to a joint venture are interest-free, unsecured and with no fixed repayment term. Such loans form the Group's net investment in a joint venture.
- (b) During the six months ended 30 June 2020, the Group advanced loans in aggregate principal amount of US\$34,045,000 (equivalent to approximately RMB239,719,000 at the drawdown date) to a joint venture. The loans are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities and therefore are classified as non-current assets as at 30 June 2020.

As the interest rates charged on the loans to a joint venture are below prevailing market interest rates, aggregated imputed interest of RMB161,914,000 (six months ended 30 June 2019: Nil) of the loans upon initial recognition were calculated based on the difference between the prevailing market interest rates and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 30 June 2020. The prevailing market rates of the loans are ranged from 25.63 % to 28.90% per annum.

## 15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade receivables ( <i>Note</i> )	<b>20,581</b>	59,593
Allowance for impairment	<u>–</u>	<u>–</u>
	<b>20,581</b>	59,593
Other receivables	<b>5,980</b>	3,665
Other deposits	<b>8,113</b>	7,249
Prepayments	<u><b>10,394</b></u>	<u>2,695</u>
	<u><b>45,068</b></u>	<u>73,202</u>

The following is an aging analysis of trade receivables based on the revenue recognition dates:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 30 days	<b>7,189</b>	56,257
31–90 days	<b>5,535</b>	870
91–180 days	<b>3,915</b>	544
Over 180 days	<u><b>3,942</b></u>	<u>1,922</u>
	<u><b>20,581</b></u>	<u>59,593</u>

*Note:*

Trade receivables related to a number of independent customers and tenants. For credit term reviews of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

To minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 30 June 2020, certain trade receivables which were past due over the credit period of 30 days are not considered as default as there has not been significant changes in credit quality and the amounts are still considered recoverable based on historical experience.

As at 31 December 2019, majority of the trade receivables balances were within the credit period of 30 days, the directors of the Company considered that the lifetime expected credit loss allowance was insignificant as at 31 December 2019.

## 16. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

At as 31 December 2019, two bank accounts with balances amounting to approximately RMB22,969,000 were frozen by the relevant local bureau in the PRC which were recognised as restricted bank deposits. One of such frozen bank accounts with balance of approximately RMB22,969,000 was released in June 2020 and was reclassified to bank balances and cash as at 30 June 2020, while the another bank account with balance of approximately RMB250 remained frozen as at the date of this announcement.

## 17. TRADE AND OTHER PAYABLES

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade payables, aged:		
0-90 days	4,255	12,574
Over 90 days	<u>39,375</u>	<u>44,533</u>
	<b>43,630</b>	57,107
Other payables and accruals ( <i>Note</i> )	<b>155,429</b>	120,040
Interest payables	<b>47,531</b>	20,302
Other tax payables	<u>6,427</u>	<u>11,504</u>
	<u><b>253,017</b></u>	<u>208,953</u>

*Note:* As at 30 June 2020, there is an accrual of RMB12,276,000 (31 December 2019: RMB15,974,000) related to a landslide accident occurred nearby the Group's properties held for sale in Longgang District, Shenzhen.



## 18. BANK AND OTHER BORROWINGS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Bank borrowings		
– Secured	<u>404,812</u>	<u>365,000</u>
Other borrowings		
– Secured	216,442	216,442
– Unsecured	<u>649,000</u>	<u>278,000</u>
	<u>865,442</u>	<u>494,442</u>
	<u>1,270,254</u>	<u>859,442</u>
Less: Repayable on demand due to breach of loan covenants ( <i>Note</i> )	(47,500)	(55,000)
Amounts due for settlement within one year (shown under current liabilities)	<u>(477,508)</u>	<u>(318,442)</u>
	<u>(525,008)</u>	<u>(373,442)</u>
Amounts due for settlement after one year	<u><u>745,246</u></u>	<u><u>486,000</u></u>

During the six months ended 30 June 2020, there were new other borrowings of RMB374,000,000 (six months ended 30 June 2019: RMB146,000,000) raised from four (six months ended 30 June 2019: three) non-financial institutions. The new other borrowings are unsecured, with interest bearing at 6% per annum and repayable within two years.

As at 30 June 2020, bank borrowing of RMB59,812,000 (31 December 2019: Nil) was guaranteed by Mr. Chau Cheok Wa, the chairman and director of the Company.

At 30 June 2020 and 31 December 2019, the Group's assets pledged as securities for the Group's bank and other borrowings are as follows:

	<b>30 June 2020</b>	31 December 2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Investment properties	<b>1,268,200</b>	1,601,400
Property, plant and equipment	<b>58,891</b>	–
Inventories	<b>172,139</b>	172,139
Pledged bank deposit	<b>6</b>	6
	<b><u>1,499,236</u></b>	<u>1,773,545</u>

*Note:* During the six months ended 30 June 2020, a wholly owned subsidiary of the Group breached the covenants of a bank borrowing due to the seize of its investment properties with carrying value of approximately RMB432,000,000 at 30 June 2020 by the court in the PRC, which led to an event of default for such bank borrowing. Accordingly, the bank borrowing amounting to RMB47,500,000 is reclassified from non-current liabilities to current liabilities as at 30 June 2020. On discovery of the breach, the Company has informed the relevant bank and commenced negotiations to waive such covenant and the negotiation has not been concluded as at 30 June 2020. As at the date of this announcement, the Group has not obtained written waiver from the relevant bank for strict compliance on the relevant financial covenant requirements.

## 19. CONVERTIBLE BONDS/ DERIVATIVE FINANCIAL INSTRUMENTS

### (a) Convertible bonds

#### **2016 Convertible Bond**

On 8 December 2016, the Company issued a convertible bond (“**2016 Convertible Bond**”) with a principal amount of HK\$570,000,000 (equivalent to RMB505,077,000 at the issuance date) to Fame Select 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 at the issue date of the 2016 Convertible Bond as enlarged by the conversion of the entire 2016 Convertible Bond.

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

On 8 May 2018, the Company and Fame Select entered into an amendment agreement (the "**Amendment Agreement**") to extend the 2016 CB Maturity Date to 7 December 2020. The Amendment Agreement was passed by the ordinary resolution at the extraordinary general meeting of the Company held on 28 September 2018.

Due to the extension of the 2016 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$553,768,000 (equivalent to approximately RMB486,929,000) to approximately HK\$469,683,000 (equivalent to approximately RMB412,993,000) on 28 September 2018 (i.e. date of extension) based on the present value of the principal amount plus accrued coupon interest from the extension date to 7 December 2020. The change in fair value of debt component of approximately HK\$84,085,000 (equivalent to approximately RMB73,936,000) is recognised in profit or loss. 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 into 646,153,846 ordinary shares at the conversion price of HK\$0.26 per share.

Due to the conversion of partial 2016 Convertible Bond, the carrying amount of the debt component had been reduced from approximately HK\$502,867,000 (equivalent to approximately RMB444,204,000) to approximately HK\$334,867,000 (equivalent to approximately RMB295,803,000) and the carrying amount of the derivative financial instruments had been reduced from approximately HK\$1,558,596,000 (equivalent to approximately RMB1,376,770,000) to approximately HK\$1,099,220,000 (equivalent to approximately RMB970,985,000) on 8 November 2018 (i.e. date of partial 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 conversion of partial 2016 Convertible Bond. The change in carrying amount of the debt component of HK\$168,000,000 (equivalent to approximately RMB148,401,000) and of the derivative financial instruments of approximately HK\$459,376,000 (equivalent to approximately RMB405,785,000) were transferred to the equity.

The fair values of the derivative financial instruments of 2016 Convertible Bond as at 31 December 2018, 30 June 2019, 31 December 2019 and 30 June 2020 are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Option Pricing Model (the “**Binomial Model**”).

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

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

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

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

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

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

### 2016 Convertible Bond

	<b>30 June 2020</b>	31 December 2019
Share price	<b>HK\$1.280</b>	HK\$1.590
Conversion price	<b>HK\$0.260</b>	HK\$0.260
Expected volatility ( <i>Note (a)</i> )	<b>54.87%</b>	61.57%
Expected option life	<b>0.44 year</b>	0.94 year
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.78%</b>	2.09%

### 2018 Convertible Bond

	<b>30 June 2020</b>	31 December 2019
Share price	<b>HK\$1.280</b>	HK\$1.590
Conversion price	<b>HK\$0.90</b>	HK\$0.90
Expected volatility ( <i>Note (a)</i> )	<b>43.16%</b>	62.75%
Expected option life	<b>0.16 year</b>	0.66 year
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>0.60%</b>	2.07%

*Notes:*

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

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

### 2016 Convertible Bond

	<b>Debt component RMB'000</b>	<b>Derivative financial instruments RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2019 (Audited)	297,508	1,404,425	1,701,933
Charge to profit or loss	–	905,001	905,001
Exchange difference	1,446	22,535	23,981
Effective interest expense ( <i>note 7</i> )	<u>13,789</u>	<u>–</u>	<u>13,789</u>
At 30 June 2019 (Unaudited)	<u>312,743</u>	<u>2,331,961</u>	<u>2,644,704</u>
At 1 January 2020 (Audited)	333,008	1,907,282	2,240,290
Credit to profit or loss	–	(468,170)	(468,170)
Exchange difference	6,644	34,171	40,815
Effective interest expense ( <i>note 7</i> )	<u>14,563</u>	<u>–</u>	<u>14,563</u>
<b>At 30 June 2020 (Unaudited)</b>	<b><u>354,215</u></b>	<b><u>1,473,283</u></b>	<b><u>1,827,498</u></b>

### 2018 Convertible Bond

At 1 January 2019 (Audited)	217,612	174,457	392,069
Charge to profit or loss	–	168,870	168,870
Exchange difference	1,104	3,855	4,959
Effective interest expense ( <i>note 7</i> )	<u>12,545</u>	<u>–</u>	<u>12,545</u>
At 30 June 2019 (Unaudited)	<u>231,261</u>	<u>347,182</u>	<u>578,443</u>
At 1 January 2020 (Audited)	248,723	238,933	487,656
Credit to profit or loss	–	(119,094)	(119,094)
Exchange difference	4,981	3,852	8,833
Effective interest expense ( <i>note 7</i> )	<u>13,249</u>	<u>–</u>	<u>13,249</u>
<b>At 30 June 2020 (Unaudited)</b>	<b><u>266,953</u></b>	<b><u>123,691</u></b>	<b><u>390,644</u></b>
<b>Total</b>			
<b>At 30 June 2020 (Unaudited)</b>	<b><u>621,168</u></b>	<b><u>1,596,974</u></b>	<b><u>2,218,142</u></b>
At 31 December 2019 (Audited)	<u>581,731</u>	<u>2,146,215</u>	<u>2,727,946</u>

**(b) Put option**

On 28 October 2019, the Group has entered into an agreement with 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 RMB151,548,000 plus interest of 3.5% per annum to Westside and Travellers upon events stated in the agreement.

The fair values of the derivative financial instrument of the put option as at 30 June 2020 and 31 December 2019 were approximately RMB3,616,000 and RMB2,619,000 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 inputs used for the calculation of fair values of the derivative financial instrument of the put option are as follows:

**Put option**

	<b>30 June 2020</b>	31 December 2019
Share price	<b>PHP1.240</b>	PHP1.230
Exercise price	<b>PHP0.982</b>	PHP0.959
Expected volatility ( <i>Note (a)</i> )	<b>54.45%</b>	47.95%
Expected option life ( <i>Note (b)</i> )	<b>3.50 Years</b>	3.25 Years
Expected dividend yield ( <i>Note (c)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (d)</i> )	<b>2.28%</b>	3.36%

*Notes:*

- (a) The expected volatility was determined by using the historical volatility of SunTrust’s share price over a period commensurate with the remaining term.
- (b) On 28 March 2020 and 23 July 2020, the Group entered into two supplemental agreements to the conditional subscription agreement to extend the long stop date from 31 March 2020 to 31 December 2020 and the option period is assumed to be expiring on 31 December 2023, being the third anniversary of the long stop date 31 December 2020. The expected option life used in the model had been adjusted, 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 of the Philippines swap rates with a similar remaining tenure.

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

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

## 20. CONTINGENT LIABILITIES

- (a) At 30 June 2020 and 31 December 2019, the Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by buyers of the Group's properties as follows:

	<b>30 June 2020 <i>RMB'000</i> (Unaudited)</b>	31 December 2019 <i>RMB'000</i> (Audited)
Guarantees given to banks for mortgage facilities granted to buyers	<u><u>990</u></u>	<u><u>990</u></u>

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

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

- (b) Bank balances of approximately RMB299,000 (31 December 2019: RMB298,000) have been pledged with the banks as guarantee deposits for the mortgage loan facilities granted by the banks to buyers of the Group's properties as at 30 June 2020.
- (c) As at 30 June 2020 and 31 December 2019, 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. Based on the view that the legal proceeding was still in progress and with reference to the legal opinion obtained from the Company's PRC lawyer, the management considered that the likelihood for further outflow of resources of the Group was not probable, and therefore, liabilities in relation to these litigations have been disclosed as contingent liabilities.



## 21. CAPITAL COMMITMENTS

The Group has the following material commitments which are not provided for in the condensed consolidated financial statements as follows:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Contracted but not provided for:		
– Property, plant and equipment	<u><b>243,517</b></u>	<u>62,786</u>

As detailed in note 13(b), the Group has already paid the Total Deposits of US\$66,000,000 (equivalent to approximately RMB467,247,000) for the Project Site Payment. The Group has a commitment for the remaining Project Site Payment of US\$134,000,000 (equivalent to approximately RMB948,653,000) as at 30 June 2020.

## 22. EVENTS AFTER THE REPORTING PERIOD

- (a) On 3 July 2020, the Company, Star Hope and Better Linkage entered into a supplemental deed to extend the maturity date of the 2018 Convertible Bond by 24 months from 28 August 2020 to 28 August 2022, subject to fulfilment of the conditions precedent. Details of which are disclosed in the announcements of the Company dated 3 July 2020 and 21 August 2020 and the circular of the Company dated 31 July 2020. The extension was approved by the independent shareholders of the Company on 21 August 2020.
- (b) On 3 July 2020, the Company and Star Hope entered into a supplemental promissory note to extend the maturity date of the promissory note by 24 months from 28 August 2020 to 28 August 2022. Details of which are disclosed in the announcement of the Company dated 3 July 2020.
- (c) On 6 July 2020, Star Admiral, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral owns 50% equity interest (as borrower), have entered into a loan agreement pursuant to which Star Admiral will advance a loan of US\$30,000,000 (equivalent to approximately RMB 212,385,000) to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries. Details of which are disclosed in the announcement of the Company dated 6 July 2020.
- (d) On 14 July 2020, certain inventories of the Group with carrying amount of approximately RMB12,669,000 and bank balance of approximately RMB970,000 were seized by a court in the PRC for a legal proceeding against the Group with an independent third party service provider.
- (e) On 23 July 2020, (i) Fortune Noble Limited, a wholly owned subsidiary of the Company; (ii) SunTrust; (iii) Westside; and (iv) Travellers entered into a second supplemental agreement to the conditional subscription agreement dated 28 October 2019 to extend the long stop date to 31 December 2020. Details of which are disclosed in the announcement of the Company dated 23 July 2020.

- (f) On 23 July 2020, Westside and SunTrust entered into the fifth supplemental agreement to the Co-Development Agreement to provide for the payment of the third deposit as part of the payment schedule of the Project Site Payment and to extend the fund raising period from 30 September 2020 to 31 December 2020, pursuant to which, the Group has paid US\$82,000,000 (equivalent to approximately RMB580,519,000) in July 2020. Details of which are disclosed in the announcement of the Company dated 23 July 2020.
- (g) In July 2020, certain bank balances of approximately RMB782,000 were frozen by the relevant local bureau in the PRC. The Group did not recognise any provision as a result of the frozen bank accounts as at 30 June 2020 as the management of the Group is still in the progress of understanding the incidents resulted in frozen bank accounts and cannot estimate the corresponding financial impacts.
- (h) On 18 August 2020, the Company and Star Hope entered into a subscription agreement, pursuant to which the Company agreed to issue, and Star Hope agreed to subscribe for, the 5% perpetual securities with principal amount up to HK\$6,000 million (the “**Perpetual Securities**”). The first tranche of the Perpetual Securities of HK\$3,887 million (the “**First Tranche Perpetual Securities**”) was issued on the date of the subscription agreement to effect repayment of a pro tanto amount of the sum of outstanding loans due from the Company to Star Hope together with interest accrued thereon amount to approximately HK\$3,887.37 million. The First Tranche Perpetual Securities shall be accounted for as equity instrument in the Group’s consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group recorded a loss attributable to owners of the Company of RMB118.6 million for the six months ended 30 June 2020 that represents a significant reduction of loss by 90.5% as compared to the loss attributable to owners of the Company of RMB1,254.2 million for the six months ended 30 June 2019.

The loss attributable to owners of the Company for the six months ended 30 June 2020 was mainly attributable to (i) loss of approximately RMB333.2 million in respect of the change in fair value of the investment properties; (ii) impairment on interest in an associate of approximately RMB47.4 million; (iii) share of loss of a joint venture of approximately RMB90.1 million; and (iv) finance costs of approximately RMB192.6 million, partially offset by gain in respect of change in fair value of derivative financial instruments of approximately RMB588.2 million.

#### Revenue

Revenue for the period under review was approximately RMB93.7 million, decreased by approximately RMB213.3 million or 69.5% when compared to approximately RMB307.0 million for the corresponding period in 2019. The decrease was mainly attributable to the decrease in revenue from the travel related products and services segment.

- i) **Property development** – The Group delivered residential units in the aggregate Gross Floor Area (“GFA”) of approximately nil (six months ended 30 June 2019: 621 m<sup>2</sup>), including high-rise building units of approximately nil (six months ended 30 June 2019: 621 m<sup>2</sup>). Since there are no units delivered during the six months ended 30 June 2020, no revenue was recognised during the period under review.
- ii) **Property leasing** – The revenue represented the rental income and property management services income from the leasing of Gang Long City Shopping Centre. It recorded a slight decrease from RMB23.4 million for the six months ended 30 June 2019 to approximately RMB19.1 million for the period under review resulting from the continual decrease in occupancy rate from 66% to 59%.
- iii) **Hotel and integrated resort general consultancy services** – The Group has entered into several technical service agreements and casino management agreement with integrated resorts since 2017, therefore generated revenue of approximately RMB6.9 million for the period under review (six months ended 30 June 2019: RMB7.1 million).

- iv) **Travel related products and services** – Revenue mainly represented the sales of hotel accommodation products and travel agency services income. Due to the outbreak of COVID-19, there has been a significant impact on the Group’s travel and tourism related business in the first half of 2020, the Group recorded a substantial decrease in revenue from this segment by approximately RMB190.0 million to approximately RMB67.7 million during the period under review (six months ended 30 June 2019: RMB257.7 million).

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

The increase in other income, gains and losses during the six months under review was mainly due to the increase in net exchange loss by RMB24.5 million to RMB65.1 million (six months ended 30 June 2019: net exchange loss of RMB40.6 million) which was primarily due to the translation of convertible bonds, derivative financial instruments, loans from a related company and promissory notes, partially offset by the increase in interest income on loans to a joint venture advanced by the Group during the period under review.

### **Selling and distribution expenses**

Selling and distribution expenses remained stable during the six months under review in both 2020 and 2019, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses.

### **Administrative expenses**

The increase in administrative expenses for the six months under review was mainly attributable to the increase in share-based compensation benefits and other taxes incurred by Suntrust Home Developers, Inc. (“**SunTrust**”), a 51% owned subsidiary of the Company for the Westside City Project.

### **Other operating expenses**

The increase in other operating expenses for the six months under review was mainly due to impairment loss in respect of other receivables recognised and legal and professional fees incurred for investment projects of the Group during the six months under review.

### **Change in fair value of investment properties**

It referred to the change in fair value of Gang Long City Shopping Centre located in Shenzhen, the People’s Republic of China (the “**PRC**”). The fair value of the investment properties as at 30 June 2020 was assessed by an independent valuer. The decrease in the first half of 2020 was mainly due to the prevailing market conditions.

### **Change in fair value of financial assets at fair value through profit or loss**

Prior to the Summit Ascent Acquisition (as defined below), the Group held certain number of shares of Summit Ascent Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 102) (“**Summit Ascent**”) and was classified as financial assets at fair value through profit or loss in 2018. Upon the completion of further acquisition of approximately 24.68% equity interest in Summit Ascent on 23 April 2019 (the “**Summit Ascent Acquisition**”), the interest of the Group in Summit Ascent increased from approximately 3.29% to approximately 27.97%, those shares held were reclassified as investment in an associate and the gain were recognised upon such reclassification.

### **Gain on disposal of subsidiaries**

During the six months ended 30 June 2019, the Group disposed of its equity interest in Sun Metro Real Estate Company Limited, which indirectly held 90% attributable interest in its property development project at Fushun, Liaoning Province, the PRC, at the consideration of RMB20,000,000 (equivalent to HK\$23,000,000).

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

It represented the change in fair value of derivative components embedded in the 2016 Convertible Bond, the 2018 Convertible Bond and the put option. The fair values of the derivative financial instruments as at 30 June 2020 were assessed by an independent professional valuer.

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

During the six months ended 30 June 2020, the Group performed impairment review on the interest in an associate, Summit Ascent. As the recoverable amount was less than the carrying amount, the Group has recognised an impairment on interest in an associate of approximately RMB47.4 million by reference to the valuation carried out by an independent professional valuer accordingly.

### **Share of (loss) profit of associates**

Upon completion of Summit Ascent Acquisition on 23 April 2019, the equity interest of the Group in Summit Ascent was classified as an associate of the Group. Since then, the share of profit or loss and other comprehensive income or expense of Summit Ascent was recognised in the Group’s consolidated financial statements. As at 30 June 2020, the Group held approximately 24.74% equity interest in Summit Ascent.

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

The Group recognised the share of loss of associates of approximately RMB15.5 million for the six months under review (six months ended 30 June 2019: share of profit of associates of approximately RMB399,000), which mainly represented the share of loss of Summit Ascent for the six months under review. The loss of Summit Ascent during the period under review was mainly attributable to the outbreak of COVID-19 resulted in the temporary entry ban to the Russian Federation of foreign nationals and suspension of Summit Ascent’s gaming operation from or about 28 March 2020 to 15 July 2020 to comply with the measures to control the COVID-19 outbreak as announced by the Russian government.

### **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 Limited (an indirect wholly owned subsidiary of the Company, “**Star Admiral**”). The principal assets 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 and had been under construction in most of the first half of 2020. Therefore, it was in loss making position during the six months under review. Due to the increase of staff cost and pre-opening cost of Hoiana in the first half of 2020, the share of loss of a joint venture for the six months ended 30 June 2020 has been increased from RMB28.1 million to RMB90.1 million.

### **Finance costs**

Finance costs for the six months under review comprise (i) interests on interest-bearing bank and other borrowings, (ii) effective interest expense on convertible bonds, (iii) interests and imputed interest expense on promissory note and loans from a related company, (iv) interest on loans from non-controlling shareholders of a subsidiary and (v) interest on lease liabilities. The increase in finance costs during the period under review was mainly attributable to the new facilities of loans from a related company drawn and new other borrowings obtained in the first half of 2020.

### **Income tax credit**

Income tax credit comprises current tax, LAT and deferred taxation and the increase for the six months under review was mainly due to the recognition of deferred tax credit for change in fair value of investment properties, thus an income tax credit was recorded during the period under review.

## SEGMENT ANALYSIS

During the six months under review, (i) property development revenue; (ii) property leasing revenue; (iii) hotel and integrated resort general consultancy services income; and (iv) travel related products and services revenue accounted for nil (six months ended 30 June 2019: 6.2%), 20.4% (six months ended 30 June 2019: 7.6%), 7.3% (six months ended 30 June 2019: 2.3%), and 72.3% (six months ended 30 June 2019: 83.9%) of total segment revenue of the Group.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash, pledged bank deposits and restricted bank deposits, in aggregate, as at 30 June 2020 amounted to approximately RMB1,667.3 million (31 December 2019: RMB289.0 million).

The Group had total bank and other borrowings of approximately RMB1,270.3 million as at 30 June 2020 (31 December 2019: RMB859.4 million) of which approximately RMB525.0 million were repayable on demand or within one year; approximately RMB461.1 million were repayable in the second year; approximately RMB134.2 million were repayable in the third to fifth year, inclusive; and the remaining RMB150.0 million were repayable after the fifth year. The Group's borrowings carried interest at fixed or floating interest rates.

The Group issued a HK\$ denominated promissory note ("**2016 Promissory Note**") of principal amount HK\$5.6 million (equivalent to approximately RMB4.7 million at date of issuance) to a director of the Company. The carrying amount of the 2016 Promissory Note at 30 June 2020 was RMB5.1 million (31 December 2019: RMB5.0 million) which is unsecured, non-interest bearing and repayable on 31 August 2020. The Group issued a HK\$ denominated promissory note ("**2018 Promissory Note**") of principal amount HK\$303.0 million (equivalent to approximately RMB262.7 million at date of issuance) to a related company. The carrying amount of the 2018 Promissory Note at 30 June 2020 was RMB273.0 million (31 December 2019: RMB256.0 million) and it is unsecured, interest bearing at 2% per annum and repayable after two years from the date of issuance. The Group had loans from a related company with carrying amount of approximately RMB1,714.9 million as at 30 June 2020 (31 December 2019: RMB729.6 million). The amounts are unsecured, interest bearing at 3.5% and repayable after 60 months from the first drawdown date of the loan agreements. The Group had loans from non-controlling shareholders of a subsidiary of approximately RMB87.1 million as at 30 June 2020 (31 December 2019: RMB84.8 million), which are secured by parcels of land, interest bearing at 2.4% and repayable on 21 July 2020.



As at 30 June 2020, the aggregate unconditional loan facilities with principal amount of up to HK\$5,620 million (equivalent to approximately of RMB5,134 million) have been granted by a related company to the Group, of which approximately HK\$3,793 million (equivalent to approximately of RMB3,465 million) have been drawn down and the unutilised principal amount of the facilities was approximately HK\$1,827 million (equivalent to approximately of RMB1,669 million).

The Group's total bank and other borrowings, promissory notes, loans from a related company and loans from non-controlling shareholders of a subsidiary divided by total assets as at 30 June 2020 was approximately 57.5% (31 December 2019: 47.0%).

The Group had convertible bonds and derivative financial instruments liabilities of approximately RMB621.2 million (31 December 2019: RMB581.7 million) and RMB1,597.0 million (31 December 2019: RMB2,146.2 million), respectively. The total of convertible bonds and derivative financial instruments divided by total assets as at 30 June 2020 was 38.0% (31 December 2019: 66.2%).

As at 30 June 2020, the Group had current assets of approximately RMB2,293.7 million (31 December 2019: RMB949.3 million) and current liabilities of approximately RMB3,571.5 million (31 December 2019: RMB4,231.6 million).

## **CHARGE ON ASSETS**

As at 30 June 2020, bank and other borrowings of approximately RMB621.3 million (31 December 2019: RMB581.4 million) were secured by certain property, plant and equipment, investment properties, inventories and pledged bank deposit of approximately RMB58.9 million (31 December 2019: Nil), RMB1,268.2 million (31 December 2019: RMB1,601.4 million), RMB172.1 million (31 December 2019: RMB172.1 million) and RMB0.006 million (31 December 2019: RMB0.006 million) respectively. In addition, as at 30 June 2020, a bank borrowing of RMB59.8 million (31 December 2019: Nil) was secured by a pledge of the entire equity interest of a subsidiary of the Group and was guaranteed by Mr. Chau Cheok Wa.

As at 30 June 2020, pledged bank deposits of approximately RMB6.0 million were pledged for the license and suppliers in relation to Sun Travel Ltd. ("**Sun Travel**"). As at 31 December 2019, pledged bank deposits of approximately RMB11.8 million were pledged for the license and suppliers in relation to Sun Travel and STL Passenger Transport Company Limited, indirect wholly owned subsidiaries of the Company.

As at 30 June 2020, pledged bank deposits of approximately RMB0.3 million (31 December 2019: RMB0.3 million) had been pledged with the banks as guarantee deposits for the mortgage loan facilities granted to the buyers of the Group's properties.



As at 30 June 2020, loans from non-controlling shareholders of a subsidiary of approximately RMB87.1 million (31 December 2019: RMB84.8 million) were secured by parcels of land of the Group of approximately RMB302.1 million (31 December 2019: RMB297.5 million).

As at 30 June 2020, the indirect equity interest of approximately 34% in Hoi An South Development Ltd (“**HASD**”) were pledged to a bank for the banking facilities granted to HASD.

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

The functional currency of the Company and the presentation currency of condensed consolidated financial statements of the Company are in Renminbi. The income and expenses, assets and liabilities, interests in associates and interest in a joint venture of the Company and its subsidiaries which denominated in currencies other than the functional currency are converted into Renminbi for financial reporting purpose. Fluctuations in exchange rates may have an impact on the Group’s financial position and results. The Group monitors the exposure to fluctuations in exchange rates and takes appropriate measures to mitigate and manage the risk on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 30 June 2020.

## **CONTINGENT LIABILITIES**

For details of contingent liabilities, please refer to note 20.

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

On 1 June 2020, Victor Sky Holdings Limited (a direct wholly owned subsidiary of the Company and a substantial shareholder of Summit Ascent, “**Victor Sky**”) entered into an underwriting agreement with Summit Ascent (the “**Underwriting Agreement**”), pursuant to which, Victor Sky as the underwriter conditionally agreed to underwrite the shares of Summit Ascent to be issued under the proposed rights issue of Summit Ascent (the “**SA Rights Shares**”) and subject to the terms and conditions of the Underwriting Agreement. All the SA Rights Shares (other than the SA Rights Shares to be offered to and subscribed by Victor Sky and the Company under their respective entitlements), being not less than 2,036,204,058 SA Rights Shares and not more than 2,066,705,058 SA Rights Shares being underwritten by the Victor Sky pursuant to the terms of the Underwriting Agreement (the “**Underwritten Shares**”) at subscription price of HK\$0.6 per SA Rights Share. The proceeds from the subscription of SA Rights Shares will be applied by Summit Ascent for the subscription of the SA Subscribed CB (as defined in the section headed “**Business Review**” below), to finance the Phase 2 development of Tigre de Cristal and general working capital of Summit Ascent.

The Group held an aggregate of approximately 24.74% interest in Summit Ascent as at 30 June 2020. The Company and Victor Sky are substantial shareholders of Summit Ascent. If the Underwriting Agreement becomes unconditional, not otherwise terminated by Victor Sky in accordance with its terms and Victor Sky is required to take up all the Underwritten Shares, the taking up of all the Underwritten Shares will constitute an acquisition of interest in Summit Ascent by the Group, Summit Ascent will become an indirect subsidiary of the Company as the Company and Victor Sky, in aggregate, will be interested in approximately 69.78% interest in Summit Ascent (assuming all outstanding share options (other than those held by two independent non-executive directors of Summit Ascent) granted by Summit Ascent pursuant to the share option scheme of Summit Ascent are exercised in full on or prior to the record date of the SA Rights Issue) or 69.89% (assuming no share options granted by Summit Ascent pursuant to the share option scheme of Summit Ascent are exercised on or prior to the record date of the SA Rights Issue). Summit Ascent will be accounted for as a subsidiary of the Company and its financial results, assets and liabilities will be consolidated in the consolidated financial statements of the Company upon the completion of the transaction. Further details of the Underwriting Agreement were disclosed in the announcements of the Company dated 1 June 2020 and 30 June 2020, as well as the circular of the Company dated 12 August 2020.

Save for the acquisition above when Victor Sky is required to take up all the Underwritten Shares under and pursuant to the Underwriting Agreement, the Group has no significant investments, material acquisitions and disposals during the six months ended 30 June 2020.

## **TREASURY POLICIES AND CAPITAL STRUCTURE**

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

## **EMPLOYEES**

As at 30 June 2020, the Group had a staff force of approximately 155 (30 June 2019: 153) employees. 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 incurred for the six months ended 30 June 2020 was approximately RMB21.1 million (six months ended 30 June 2019: RMB18.5 million).

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events of the Group after the reporting period are set out in note 22 to the condensed consolidated financial statements.

## BUSINESS REVIEW

During the six months ended 30 June 2020, the Group continued to engage in (i) property development in the PRC; (ii) property leasing in the PRC, (iii) provision of hotel and integrated resort general consultancy services in Vietnam and Cambodia; (iv) provision of travel related products and services; and (v) operation of integrated resort.

### Property development

As at 30 June 2020, the Group had two property development projects in the PRC, namely the Le Paysage project located at Shenzhen, Guangdong Province and the Landale project located at Chaohu, Anhui Province.

#### (i) *Le Paysage*

The Le Paysage project is in the boarder land of Luohu district and Longgang district of Shenzhen, on the hillside of the east side of Qingping expressway and Fengyi mountain tunnel. Le Paysage consists of premier villas, residential units and retail shops with total saleable GFA of approximately 96,953 m<sup>2</sup>. The Group has commenced to deliver Le Paysage to buyers since the third quarter of 2014 and had already sold approximately 86% of the total saleable area of Le Paysage as at 30 June 2020.

#### (ii) *Landale*

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, Chaohu Government intended to reclaim the land use rights in respect of the Landale project of total land area of approximately 183.54 Chinese mu (equivalent to approximately 122,360 m<sup>2</sup>) owned by the Group's subsidiary with appropriate compensation to be paid to the Group's subsidiary, which is yet to be determined. Details of which were disclosed in the announcement of the Company dated 12 April 2019.

Apart from the PRC, the Group has been exploring opportunities in other Asian countries such as Vietnam, Japan and Myanmar.

## **Property leasing**

The property leasing business is principally engaged in the leasing of a portion of Hong Long Plaza in Shenzhen, namely Gang Long City Shopping Centre. The shopping centre has a leasable area of 64,397 square meters and the occupancy rate for the six months ended 30 June 2020 was 59.0% (six months ended 30 June 2019: 66.0%).

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

The Group has commenced the provision in hotel and integrated general consultancy services and entered into several technical service agreements and casino management agreement with integrated resorts since 2017. As the Certificate for the Eligibility for Casino Business in relation to the casino operation of Hoiana in Vietnam was granted in May 2020, soft opening of Hoiana took place on 28 June 2020, the Group has begun to receive casino management income from Hoiana under the casino management agreement. The grand opening of Hoiana is expected to take place in 2021. It is expected that upon grand opening, the casino management income will increase and the Group believes performance of this segment will improve in the coming years.

## **Travel related products and services**

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

In the first half of 2020, the outbreak of COVID-19 had 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 the six months ended 30 June 2020. According to the information published by the Statistics and Census Service of the Macau SAR Government, the number of visitor arrivals were approximately 3.3 million during the six months ended 30 June 2020, down by 83.9% comparing to the corresponding period of 2019. The average occupancy rate of hotels and guesthouses for the six months ended 30 June 2020 decreased by 63.9% year-on-year to 27.2% comparing to the corresponding period of 2019. The average length of stay of guests for the first half of 2020 held steady at 1.7 nights.

In addition to the traditional point-of-sale channels, the Group has launched a mobile application to facilitate the sale of travel related products since the second half of 2019. In January 2020, the Group completed the acquisition of an aircraft, the Group is planning to offer charter flight services and relevant travel products to our customers. The Group will continue to enrich travel related products to cover more Asian countries in the near future and improve the product mix.

## Operation of integrated resort

### *Co-Development of Westside City Project at Entertainment City*

Upon completion of the acquisition of 1,147,500,000 shares of SunTrust by Fortune Noble Limited (“**Fortune Noble**”), a direct wholly owned subsidiary of the Company, on 28 October 2019, SunTrust became a 51% owned subsidiary of the Group. Pursuant to the operations and management/services agreement dated 4 May 2020 entered into between Westside City Resorts World Inc. (“**Westside**”) as appointer and SunTrust as appointee in relation to the appointment of SunTrust as the sole and exclusive operator and manager 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, which will be a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines (“**Main Hotel Casino**”). The investment in SunTrust marked the first step towards establishing the Group’s footprint in the casino and entertainment market of the Philippines and allowing the Group to tap into this growing market as well as providing synergies to the overall tourism-related business of the Group in the South East Asia region. 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 RMB1,037.6 million) 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 (as subscriber), entered into the subscription agreement, pursuant to which, Summit Ascent has conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately RMB796.0 million) with a 6% coupon rate (or 8% per annum if held until their maturity) for an initial term of 5 years, which is convertible into common shares of SunTrust to be issued by SunTrust (the “**SA Subscribed CB**”). Upon completion of the Fortune Noble Subscribed CB and the SA Subscribed CB, the fund raising requirement of not less than US\$300 million under the Co-Development Agreement will be fulfilled.

The subscription prices of the Fortune Noble Subscribed CB and the SA Subscribed CB will be applied by SunTrust for the development of the Main Hotel Casino. As at 30 June 2020, architectural design works of the Main Hotel Casino are in progress. The Main Hotel Casino is expected to commence operation in 2023. During the six months under review, SunTrust is in loss making position for its pre-operating activities.

## **Investment in integrated resorts and hotel projects**

### **(i) *Hoiana***

As at 30 June 2020, 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 opening 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. As all the relevant regulatory requirements in relation to casino business activities have been complied, the grand opening of Hoiana is scheduled to take place in 2021. It is expected that the revenue (including revenue from hotels, casinos, food and beverages and other services arising from Phase 1 of Hoiana) will be available upon soft opening, and will be reflected in the share of results of a joint venture in the consolidated financial statements of the Group.

During the period under review, Hoiana has opened for three days since the preview opening on 28 June 2020. Unfortunately, the preview opening of Hoiana took place in the midst of the pandemic when international travel restrictions were in place which had significant impact on its business performance, Hoiana recorded a negative total gross gaming revenue for the first three days of operation. Given the sample size was small, the three days operation in Hoiana could not truly reflect the expected performance of the newly-opened integrated resort. The Group will continue to ramp up the property to prepare for more VIP rooms, hotel rooms, additional food & beverage and retail outlets to be ready for the grand opening in 2021.

Set out below is the key operation data of Hoiana for three-days period ended 30 June 2020:

*Gaming Statistics*

	<b>For the 3-days period from 28 June to 30 June 2020 USD'000</b>
Rolling Chip Volume	47,256
Win Rate %	(3.5%)
Win	(1,674)
Mass Table Drop	174
Win Rate %	39.7%
Win	69
Electronic Gaming Volume	973
Win Rate %	11.0%
Win	107

**(ii) Tigre de Cristal**

As at 30 June 2020, the Group held approximately 24.74% equity interest of Summit Ascent. Summit Ascent held 60% the issued share capital of an integrated resort named “Tigre de Cristal” in the Russian Far East. Tigre de Cristal has followed the measures to control the COVID-19 outbreak as announced by the Russian government by suspending its gaming operations from 28 March 2020 to 15 July 2020. The hotel operations of Tigre de Cristal continued to serve a limited capacity during the period of suspension.



Set out below are the key operation data of Tigre de Cristal for the period ended 30 June 2020:

*Gaming Statistics*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$ million</b>	<i>HK\$ million</i>
Rolling Chip Volume	<b>1,192</b>	8,360
Win Rate %	<b>4.19%</b>	3.06%
Win	<b>50</b>	256
Mass Table Drop	<b>141</b>	350
Win Rate %	<b>24.1%</b>	22.0%
Win	<b>34</b>	77
Electronic Gaming Volume	<b>810</b>	1,645
Win Rate %	<b>5.1%</b>	5.5%
Win	<b>41</b>	91

**(iii) Hotel development project in Japan**

As at 30 June 2020, the Group also owns 51% of the issued share capital of MSRDC Corporation Limited (“MSRD”), which held parcels of land with a total site area 108,799 sq.m. located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRDC intends to build 40 villas with pool and a hotel of more than 100 rooms on the land. As at 30 June 2020, the hotel project is currently under planning stage.

**Review and Outlook**

***Market Review***

As expected, all of the jurisdictions that the Group has exposure in, were affected by COVID-19 in varying degrees as tourism was heavily disrupted in the first half of 2020.

In Vietnam, between January and June 2020, it served more than 3.74 million international tourist arrivals, down by 55.8% year-on-year, with arrivals by air at over three million (down 54.3%), by road at nearly 600,000 (down 66.8%) and by sea at more than 144,000 (up 3.7%). GDP in the first six months of 2020 was estimated to increase by 1.8% over the corresponding period last year, representing the lowest six-month growth rate in the past decade.



In Russia, the Russian Government suspended all tourist arrivals from 16 March 2020, with limited international flights resumed only until July 2020. The issuance of tourist visas, including visas in the form of an electronic document, has also been temporarily suspended. All non-essential businesses were mandated to close from 28 March 2020 and were allowed to be reopened gradually from July 2020 onwards. In Russia, GDP declined by 4.2% in the first half of 2020.

In the Philippines, all integrated resorts were required to be closed from 15 May 2020 onwards and were not offered a green light for reopening yet. All airports in the Philippines were close from 3 May to 9 May 2020. Foreign arrivals down by 54% year-on-year between January to April 2020 to 1.32 million. GDP in Philippines declined by 0.7% and 16.5% in the first and second quarter of 2020 respectively.

In Macau, gross gaming revenue for the first half of 2020 was MOP33.7 billion, down by 77.4% year-on-year. Immigration and quarantine measures were introduced and have impacted arrivals and hotel occupancy rate. Total tourism arrivals between January to June 2020 decreased 83.9% year-on-year to 3.2 million.

## ***Development Update***

### *Hoiana, Vietnam*

Hoiana has successfully completed its “Exclusive Preview Opening” on 28 June 2020. The preview opening includes the mass gaming floor on the ground floor of the casino, rooms in Hoiana Hotel & Suites, F&B facilities and some retail outlets. Hundreds of guests were invited to the event. The casino ground floor is now operational. Hoiana has now officially entered the exclusive preview phase.

As COVID-19 continues to overhang, international travel restrictions plague casino revenue opportunities. This has affected our original marketing and promotion plans to international tourists as the target audience has been temporarily shifted to foreign passport holders’ domestic market. Once restrictions are lifted, we are confident that international tourists will return to Danang and Hoi An area.

Given current market situation, hotel rooms will be rolled out in phases according to the demand of the market to balance cost and benefits.

### *Tigre de Cristal, Russia*

In addition to the existing offerings in Tigre de Cristal Phase 1, we are now adding a Suncity-branded VIP room, a new hotpot restaurant, a noodle bar and a Korean barbecue restaurant, tailored to our customers. We are also planning to add a hotel extension of 34 rooms to the existing 121 rooms. As Tigre de Cristal was mandated to close in Q2 2020 and was only allowed to restart with restrictions in July 2020, the renovation works were expected to be ready by the end of this year.

## *Westside City Project, Philippines*

For the Westside City Project, piling works are being conducted on the construction site and we are now working on the architectural design for the Main Hotel Casino, located at the Entertainment City, Manila, the Philippines. The Main Hotel Casino is expected to commence operation in 2023.

### **Outlook**

We are very pleased to see the initial relaxation of Individual Visit Scheme (“**IVS Policy**”) between Macau and Guangdong Province starting from 26 August 2020; and subsequently for all other provinces from 23 September 2020 onwards. This is the “travel bubble” that we all had hoped for – a positive sign that tourism demand for high quality tourism and entertainment will not cease due to the pandemic. The Group believes that once the “travel bubble” between Macau and China was proven successful; as well as when COVID-19 in nearby countries are progressively under control, the opening of the borders will be at an international level. In that case, countries where the Group has invested in such as Vietnam, Philippines and Russia etc. will no longer be restricted by quarantine, flights or visa constraints. Despite these positive steps for market recovery, the COVID-19 has had significant impact on global economy and market demand, we cannot reasonably estimate when the tourism market will be fully recovered, the negative impact of COVID-19 on our operations and financial performance could exist in the foreseeable future.

With years of planning and construction ahead of the actual opening, unfortunately, the Group’s flagship property Hoiana was finally for ready for a preview at a time when the pandemic was in full swing. Therefore, the gaming statistics of Hoiana reported for this interim results announcement could not truly reflect how Hoiana has turned barren land into a fully-fledged tourism destination of its own. When travel is no longer hindered by COVID-19, the long beaches, white sand and exhilarating entertainment in Hoiana would appeal to our Asian customers. Hoiana offers one of the best integrated resort locations in South-East Asia. While the pandemic continues to impede Hoiana’s performance post-preview opening, we remain hopeful that the situation would have been improved when we cut the ribbon for Hoiana’s Grand Opening in 2021.

In the meantime, the Group has implemented a stringent cost control program across the board. For example, split shifts and flexible working were implemented in Hoiana, Vietnam; and in Tigre de Cristal, Russia, without significantly affecting customer experience. The Group continues to progress at full speed on various projects across Asia, such as resuming progress in Phase 1 upgrade in Tigre de Cristal, as well as continuing architectural design work in the Westside City Project in the Philippines. When the pandemic is over, the Group is well-positioned to capture the growth in entertainment demand in Asia, thanks to the strengthened network of projects and the Group’s access to our proprietary customer database in Sun Travel.

The Group continues to evaluate various integrated resort projects in Asia whilst we remain optimistic in the sector in the very long term.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2020 except the following deviations:

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

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

## **AUDIT COMMITTEE**

The Company has established an audit committee (“**Audit Committee**”) with written terms of reference to set out its authority and duties. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

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

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the “**Securities Code**”) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

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.

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

Hong Kong, 28 August 2020

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