

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SUNCITY GROUP HOLDINGS LIMITED

太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Total revenue decreased by 67.4% to RMB199,291,000 (2019: RMB611,827,000)
- Gross profit decreased by 43.5% to RMB56,426,000 (2019: RMB99,918,000)
- Profit for the year attributable to equity holders of the Company of RMB786,396,000 in 2020 (2019: loss for the year attributable to equity holders of the Company of RMB1,484,266,000)
- Basic earnings per share of RMB10.65 cents in 2020 (2019: Basic loss per share of RMB22.26 cents)

The board of directors (the “**Board**”) of Suncity Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue			
– Contracts with customers		167,488	572,269
– Leases		<u>31,803</u>	<u>39,558</u>
Total revenue	4	199,291	611,827
Cost of sales		<u>(142,865)</u>	<u>(511,909)</u>
Gross profit		56,426	99,918
Other income, gains and losses	5	136,789	(82,318)
Selling and distribution expenses		(7,793)	(7,648)
Administrative expenses		(189,476)	(159,850)
Other operating expenses		(18,131)	(3,591)
Change in fair value of investment properties		(415,800)	(112,800)
Change in fair value of financial assets at fair value through profit or loss		–	20,681
Change in fair value of convertible bonds	17(a)	213,451	–
Change in fair value of derivative financial instruments	17	1,359,949	(521,746)
Loss on remeasurement of existing interest in an associate upon business combination	18(b)	(108,780)	–
Gain on bargain purchase on acquisition of subsidiaries	18(b)	309,519	–
Gain on disposal of subsidiaries		–	9,245
Loss on deemed partial disposal of equity interest of an associate	11	–	(60,442)
Loss on deemed disposal of subsidiaries		–	(151,951)
Impairment on interest in an associate		(47,363)	(197,728)
Provision for litigation	16	–	(27,800)
Share of (losses) profits of associates		(21,410)	5,604
Share of loss of a joint venture		(246,599)	(82,165)
Finance costs	6	<u>(345,594)</u>	<u>(222,462)</u>

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Profit (loss) before taxation	7	675,188	(1,495,053)
Income tax credit (expense)	8	<u>99,373</u>	<u>(14,219)</u>
Profit (loss) for the year		<u>774,561</u>	<u>(1,509,272)</u>
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(241,417)	45,080
Share of other comprehensive (expense) income of a joint venture and an associate, net of related income tax		(3,328)	462
Release of reserve upon remeasurement of existing interest in an associate upon business combination		<u>(21,407)</u>	<u>–</u>
Total comprehensive income (expense) for the year		<u>508,409</u>	<u>(1,463,730)</u>
Profit (loss) for the year attributable to:			
– Equity holders of the Company:			
– Shareholders of the Company		709,797	(1,484,266)
– Holder of perpetual securities	19	<u>76,599</u>	<u>–</u>
		786,396	(1,484,266)
– Non-controlling interests		<u>(11,835)</u>	<u>(25,006)</u>
		<u>774,561</u>	<u>(1,509,272)</u>
Total comprehensive income (expense) for the year attributable to:			
– Equity holders of the Company:			
– Shareholders of the Company		497,999	(1,439,585)
– Holder of perpetual securities	19	<u>76,599</u>	<u>–</u>
		574,598	(1,439,585)
– Non-controlling interests		<u>(66,189)</u>	<u>(24,145)</u>
		<u>508,409</u>	<u>(1,463,730)</u>
Earnings (loss) per share:			
– Basic (<i>RMB cents</i>)	10	<u>10.65</u>	<u>(22.26)</u>
– Diluted (<i>RMB cents</i>)	10	<u>(10.72)</u>	<u>(22.26)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, operating right and equipment		1,923,582	299,976
Right-of-use assets		2,027,469	2,656
Investment properties		1,185,600	1,601,400
Intangible assets		11,889	–
Prepayments and deposits for non-current assets		57,208	8,921
Pledged bank deposits	14	5,500	11,771
Interests in associates	11	20,846	514,519
Interest in a joint venture	12	615,464	727,780
Loans to a joint venture	12	85,587	–
Amounts due from a joint venture	12	2,775	–
Deferred tax assets		66	66
Derivative financial instrument	17(c)	2,701	2,619
		5,938,687	3,169,708
Current assets			
Inventories		585,971	595,039
Trade and other receivables and prepayments	13	92,194	73,202
Amounts due from directors		57	32
Amount due from a non-controlling shareholder of a subsidiary		3,713	3,768
Loan to a joint venture	12	183,983	–
Amount due from a joint venture	12	6,394	–
Pledged bank deposits	14	305	304
Restricted bank deposits	14	3,004	23,542
Bank balances and cash		2,216,790	253,397
		3,092,411	949,284

	<i>Notes</i>	As at 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and other payables	15	272,191	208,953
Amounts due to related companies		192,869	308,668
Amount due to a director		–	5,002
Loans from non-controlling shareholders of a subsidiary		83,614	84,804
Amounts due to non-controlling shareholders of a subsidiary		2,666	669
Contract liabilities		128,527	127,197
Receipt in advance		886	1,043
Rent and other deposits		10,717	6,141
Provisions for potential claims		22,564	22,564
Provision for litigation	16	27,800	27,800
Bank and other borrowings		274,496	373,442
Lease liabilities		9,162	2,274
Convertible bonds	17(a)	–	581,731
Derivative financial instruments	17(a) and (b)	704,920	2,146,215
Current tax liabilities		10,759	335,109
		1,741,171	4,231,612
Net current assets (liabilities)		1,351,240	(3,282,328)
Total assets less current liabilities		7,289,927	(112,620)
Non-current liabilities			
Bank and other borrowings		1,038,152	486,000
Interest payables		27,825	9,052
Lease liabilities		823,922	661
Amount due to a director		4,700	–
Amount due to a related company		–	32,128
Loans from a related company		–	729,589
Loans from non-controlling shareholders of a subsidiary		116,576	–
Convertible bonds	17(a) and (b)	412,730	–
Liabilities for value-added tax arrangements		29,953	–
Deferred tax liabilities		235,462	335,326
		2,689,320	1,592,756
Net assets (liabilities)		4,600,607	(1,705,376)

		<u>As at 31 December</u>	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves			
Share capital		582,811	582,811
Perpetual securities	19	4,845,569	–
Reserves		<u>(2,218,035)</u>	<u>(2,534,530)</u>
Equity (deficit) attributable to equity holders of the Company			
		3,210,345	(1,951,719)
Non-controlling interests		<u>1,390,262</u>	<u>246,343</u>
Total equity (deficit)		<u>4,600,607</u>	<u>(1,705,376)</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs and Hong Kong Accounting Standards (“HKASs”)

Amendments to HKFRSs and HKASs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred as the “**Group**”) has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs and HKASs issued by the HKICPA. For the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.1 Impacts on application of 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 year had no impact on the consolidated financial statements.

1.2 Impact on early application of 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 year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s office premises 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 year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB734,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred recurring net operating cash outflow of approximately RMB503,482,000 for the year ended 31 December 2020 (2019: net operating cash outflow of approximately RMB175,185,000) and the Group had committed capital expenditure of approximately RMB4,008,835,000 as at 31 December 2020. The Group is dependent on the financial support from Mr. Chau Cheok Wa (“**Mr. Chau**”), its controlling shareholder and related companies. Taking into account the financial resources of the Group, including the financial support from Mr. Chau, the directors of the Company (the “**Directors**”) are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for the next twelve months from the date of approving the consolidated financial statements by the Board and accordingly these consolidated financial statements have been prepared on a going concern basis.

3. SIGNIFICANT EVENTS IN THE CURRENT REPORTING 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**”), Macau, Russian Federation and Vietnam 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 during the year ended 31 December 2020 as disclosed in the relevant notes to the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for both years is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sales of properties	–	18,901
Property management services income	5,871	13,384
Revenue from management and operation of malls	1,337	–
Travel agency services income	1,418	5,796
Sales of travel related products	108,606	519,738
Revenue from gaming and hotel operations	42,377	–
Hotel and integrated resort general consultancy services income	<u>7,879</u>	<u>14,450</u>
	167,488	572,269
Leases	<u>31,803</u>	<u>39,558</u>
	<u><u>199,291</u></u>	<u><u>611,827</u></u>

Segment Information

Information reported to the Executive Directors, being the chief operating decision maker (“CODM”) for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. 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 and management and operation of malls – Leasing of retail and residential properties and provision of property management services in the PRC as well as management and operation of malls in the PRC through a wholly-owned subsidiary, Dongyang Xinguang Pacific Industrial Company Limited (“**Dongyang Xinguang**”) since the Dongyang Xinguang Acquisition (as defined and detailed in Note 18(c));
- (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, provision of travel agency services and aircraft chartering services;
- (5) Operation of integrated resort in the Philippines – Development and operation of an integrated resort at the Entertainment City, Manila, the Philippines through a non-wholly owned subsidiary, Suntrust Home Developers, Inc. (“**SunTrust**”);

- (6) Operation of integrated resort in the Russian Federation – Operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation through a non-wholly owned subsidiary, Summit Ascent Holdings Limited (“**Summit Ascent**”) since the Summit Ascent Acquisition (as defined and detailed in Note 18(b)); and
- (7) Others – Provision of property management services and transportation services in the Philippines, which was ceased with effect from 10 December 2019.

Disaggregation of revenue

	Year ended 31 December 2020						
	Property development <i>RMB'000</i>	Property leasing and management and operation of malls <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 in the Philippines <i>RMB'000</i>	Operation of integrated resort in the Russian Federation <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services							
Sales of properties	-	-	-	-	-	-	-
Property management services income	-	5,871	-	-	-	-	5,871
Revenue from management and operation of malls	-	1,337	-	-	-	-	1,337
Sales of travel related products							
– Hotel accommodation products	-	-	-	108,551	-	-	108,551
– Others	-	-	-	55	-	-	55
Travel agency services income	-	-	-	1,418	-	-	1,418
Revenue from gaming and hotel operations							
– Gaming operations	-	-	-	-	-	40,606	40,606
– Hotel operations	-	-	-	-	-	1,771	1,771
Hotel and integrated resort general consultancy services income	-	-	7,879	-	-	-	7,879
Revenue from contracts with customers	-	7,208	7,879	110,024	-	42,377	167,488
Leases	-	31,803	-	-	-	-	31,803
Total revenue	-	39,011	7,879	110,024	-	42,377	199,291

Year ended 31 December 2019

	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>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services						
Sales of properties						
– Apartments	18,901	–	–	–	–	18,901
Property management services income	–	5,589	–	–	7,795	13,384
Sales of travel related products						
– Hotel accommodation products	–	–	–	519,435	–	519,435
– Others	–	–	–	303	–	303
Travel agency services income	–	–	–	5,796	–	5,796
Hotel and integrated resort general consultancy services income	–	–	14,450	–	–	14,450
Revenue from contracts with customers	18,901	5,589	14,450	525,534	7,795	572,269
Leases	–	39,161	–	–	397	39,558
Total revenue	18,901	44,750	14,450	525,534	8,192	611,827

Year ended 31 December 2020

	Property leasing and management and Property development <i>RMB'000</i>	Property operation of malls <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 in the Philippines <i>RMB'000</i>	Operation of integrated resort in the Russian Federation <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical markets by customers' locations							
The PRC	-	7,208	-	-	-	-	7,208
Macau	-	-	-	104,014	-	-	104,014
Cambodia	-	-	1,158	338	-	-	1,496
Vietnam	-	-	6,721	5,672	-	-	12,393
The Russian Federation	-	-	-	-	-	42,377	42,377
	-	7,208	7,879	110,024	-	42,377	167,488
Leases	-	31,803	-	-	-	-	31,803
Total	-	39,011	7,879	110,024	-	42,377	199,291
Timing of revenue recognition							
At a point in time	-	-	-	1,418	-	41,852	43,270
Over time	-	7,208	7,879	108,606	-	525	124,218
	-	7,208	7,879	110,024	-	42,377	167,488
Leases	-	31,803	-	-	-	-	31,803
Total	-	39,011	7,879	110,024	-	42,377	199,291

Year ended 31 December 2019

	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>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical markets by customers' locations						
The PRC	18,901	5,589	–	–	–	24,490
Macau	–	–	–	497,410	–	497,410
Cambodia	–	–	3,441	–	–	3,441
Vietnam	–	–	11,009	27,110	–	38,119
The Philippines	–	–	–	–	7,795	7,795
Turkey	–	–	–	1,014	–	1,014
	18,901	5,589	14,450	525,534	7,795	572,269
Leases	–	39,161	–	–	397	39,558
Total	<u>18,901</u>	<u>44,750</u>	<u>14,450</u>	<u>525,534</u>	<u>8,192</u>	<u>611,827</u>
Timing of revenue recognition						
At a point in time	18,901	–	–	5,796	–	24,697
Over time	–	5,589	14,450	519,738	7,795	547,572
	18,901	5,589	14,450	525,534	7,795	572,269
Leases	–	39,161	–	–	397	39,558
Total	<u>18,901</u>	<u>44,750</u>	<u>14,450</u>	<u>525,534</u>	<u>8,192</u>	<u>611,827</u>

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

Performance obligations for contracts with customers

Sales of properties

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

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

Provision of property management services

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

Revenue from management and operation of malls

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

Sales of travel related products

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

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

Provision of travel agency services

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

Revenue from gaming and hotel operations

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

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

Provision of hotel and integrated resort general consultancy services

Hotel and integrated resort general consultancy services represent the provision of general consultancy services to the customers who are developing hotel and integrated resort projects in Vietnam and Cambodia. The duration of the contract period is initially for one year, with extension subject to mutual agreement. Such income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance, which is recognised based on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of services. The Group receives six-month advance payments before the provision of general consultancy services to these customers. These advance payments are accounted for as contract liabilities at the start of the contracts, until the income to be recognised on the relevant contracts exceeds the amount of the advance payments. Depending on the terms of each contract, the Group receives payment for the general consultancy services on a half year basis or a monthly basis from the seventh month of the contracts. The Group grants credit period ranging from 0 to 15 days to its customers.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 and the expected timing of recognising revenue are as follows:

	Sales of properties <i>RMB'000</i>	Revenue from gaming and hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2020			
Within one year	<u>126,197</u>	<u>2,330</u>	<u>128,527</u>
As at 31 December 2019			
Within one year	<u>127,197</u>	<u>–</u>	<u>127,197</u>

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

Segment revenue and results

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

	Property leasing and management and operation of malls <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 in the Philippines <i>RMB'000</i>	Operation of integrated resort in the Russian Federation <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended						
31 December 2020						
Segment revenue from external customers	<u>-</u>	<u>39,011</u>	<u>7,879</u>	<u>110,024</u>	<u>-</u>	<u>199,291</u>
Segment loss	<u>(72,738)</u>	<u>(419,092)</u>	<u>(13,866)</u>	<u>(29,376)</u>	<u>(27,992)</u>	<u>(580,579)</u>
Change in fair value of convertible bonds						213,451
Change in fair value of derivative financial instruments						1,359,949
Impairment on interest in an associate						(47,363)
Loss on remeasurement of existing interest in an associate upon business combination						(108,780)
Gain on bargain purchase on acquisition of subsidiaries						309,519
Share of losses of associates						(21,410)
Share of loss of a joint venture						(246,599)
Unallocated other income, gains and losses						130,112
Unallocated finance costs						(251,702)
Unallocated expenses						<u>(81,410)</u>
Profit before taxation						<u><u>675,188</u></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>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2019						
Segment revenue from external customers	<u>18,901</u>	<u>44,750</u>	<u>14,450</u>	<u>525,534</u>	<u>8,192</u>	<u>611,827</u>
Segment (loss) profit	<u>(41,248)</u>	<u>(117,447)</u>	<u>4,110</u>	<u>9,001</u>	<u>2,958</u>	<u>(142,626)</u>
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")						20,681
Gain on disposal of subsidiaries						9,245
Impairment on interest in an associate						(197,728)
Change in fair value of derivative financial instruments						(521,746)
Share of profits of associates						5,604
Share of loss of a joint venture						(82,165)
Loss on deemed disposal of subsidiaries						(151,951)
Loss on deemed partial disposal of equity interest of an associate						(60,442)
Provision for litigation						(27,800)
Unallocated other income, gains and losses						(85,810)
Unallocated finance costs						(163,420)
Unallocated expenses						<u>(96,895)</u>
Loss before taxation						<u><u>(1,495,053)</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 FVTPL, gain on disposal of subsidiaries, impairment on interest in an associate, change in fair value of convertible bonds, change in fair value of derivative financial instruments, loss on remeasurement of existing interest in an associate upon business combination, gain on bargain purchase on acquisition of subsidiaries, share of (losses) profits of associates, share of loss of a joint venture, loss on deemed disposal of subsidiaries, loss on deemed partial disposal of equity interest of an associate, provision for litigation and corporate expenses. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

Segment assets and liabilities

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Segment assets		
Property development	611,910	617,405
Property leasing and management and operation of malls	1,305,770	1,610,206
Hotel and integrated resort general consultancy services	4,202	13,354
Travel related products and services	126,169	112,509
Operation of integrated resort in the Philippines	3,040,092	–
Operation of integrated resort in the Russian Federation	2,643,570	–
Others	–	179,949
Total segment assets	7,731,713	2,533,423
Unallocated assets:		
Interests in associates	20,846	514,519
Interest in a joint venture	615,464	727,780
Loans to a joint venture	269,570	–
Amounts due from a joint venture	9,169	–
Property, operating right and equipment	295,682	297,526
Right-of-use assets	1,800	2,656
Derivative financial instrument	2,701	2,619
Bank balances and cash	42,840	35,422
Deferred tax assets	66	66
Others	41,247	4,981
Consolidated total assets	9,031,098	4,118,992
Segment liabilities		
Property development	1,168,047	733,097
Property leasing and management and operation of malls	531,052	464,585
Hotel and integrated resort general consultancy services	2,781	994
Travel related products and services	60,003	65,461
Operation of integrated resort in the Philippines	787,984	–
Operation of integrated resort in the Russian Federation	188,254	–
Others	–	7,224
Total segment liabilities	2,738,121	1,271,361
Unallocated liabilities:		
Current tax liabilities	10,759	335,109
Deferred tax liabilities	235,462	335,326
Convertible bonds	412,730	581,731
Derivative financial instruments	704,920	2,146,215
Lease liabilities	1,765	2,935
Loans from non-controlling shareholders of a subsidiary	83,614	84,804
Amounts due to non-controlling shareholders of a subsidiary	2,666	669
Amounts due to related companies	192,869	290,020
Amount due to a director	4,700	5,002
Loans from a related company	–	729,589
Provision for litigation	27,800	27,800
Others	15,085	13,807
Consolidated total liabilities	4,430,491	5,824,368

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

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

5. OTHER INCOME, GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	6,689	368
Interest income on loans to a joint venture	20,190	–
Imputed interest income on loans to a joint venture	24,285	–
Gain on disposal of property, operating right and equipment	823	122
Loss on disposal of financial assets at FVTPL	–	(5)
Net exchange gain (loss)	80,810	(86,257)
Others	3,992	3,454
	<u>136,789</u>	<u>(82,318)</u>

6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Imputed interest expense on convertible bonds (<i>Note 17(a) and (b)</i>)	62,180	54,116
Imputed interest expense on promissory note	30,038	21,514
Imputed interest expense on loans from a related company	99,532	52,406
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	1,589	–
Imputed interest expense on VAT arrangements	3,610	–
Interest on promissory note	5,356	5,337
Interest on loans from a related company	52,544	28,939
Interest on loans from non-controlling shareholders of subsidiaries	2,056	665
Interest on bank borrowings	22,085	22,160
Interest on other borrowings	65,700	36,854
Interest on lease liabilities	904	471
	<u>345,594</u>	<u>222,462</u>

No finance costs have been capitalised in 2020 (2019: Nil).

7. PROFIT (LOSS) BEFORE TAXATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit (loss) before taxation has been arrived at after charging (crediting) the following:		
Depreciation of property, operating right and equipment	20,197	1,834
Depreciation of right-of-use assets	4,790	2,507
Amortisation of intangible assets	3	–
	<u>24,990</u>	<u>4,341</u>
Total depreciation and amortisation		
Total depreciation and amortisation is presented in the consolidated statement of profit or loss as:		
– Cost of sales	11,611	–
– Administrative expenses	13,379	4,341
	<u>24,990</u>	<u>4,341</u>
Auditor's remuneration	4,545	4,356
Directors' remuneration	22,955	27,297
Staff costs, excluding directors		
– salaries and wages	61,414	41,719
– share-based compensation benefits	2,141	2,969
– retirements benefits scheme contributions	5,453	2,782
	<u>69,008</u>	<u>47,470</u>
Staff costs, excluding directors and consultants		
Total staff costs	<u>91,963</u>	<u>74,767</u>
Impairment loss recognised in respect of other receivables (including in other operating expenses)	2,504	–
Impairment loss recognised in respect of trade receivables	2,026	–
Impairment loss on intangible assets	51	–
Cost of sales		
– cost of properties sold	–	14,099
– cost of travel related products sold	104,096	487,829
– cost of services rendered	5,667	9,981
– operating expenses of gaming and hotel operations	33,102	–
	<u>142,865</u>	<u>511,909</u>
Gross rental income from investment properties	(31,803)	(39,558)
Less: Direct operating expenses incurred for investment properties	<u>2,380</u>	<u>3,213</u>
	<u>(29,423)</u>	<u>(36,345)</u>

8. INCOME TAX (CREDIT) EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
– Enterprise Income Tax (“EIT”)	(294)	(39,863)
– Macau Complementary Income Tax (“CIT”)	6	2,769
– Philippines Corporate Income Tax (“PCIT”)	–	300
– Philippines withholding tax	3,341	–
– Russian corporation tax	26	–
– Other jurisdictions	117	–
	<u>3,196</u>	<u>(36,794)</u>
Land Appreciation Tax (“LAT”)	(2,705)	(8,431)
Deferred tax	<u>(99,864)</u>	<u>59,444</u>
	<u>(99,373)</u>	<u>14,219</u>

(a) Hong Kong Profits Tax

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

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

(b) EIT

Provision for the EIT during the reporting periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both years except for a PRC subsidiary which is qualified as Small Low-Profit Enterprises in the PRC and entitled to a concessionary tax rate for the year ended 31 December 2020.

(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 consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB368,350,000 (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) Overseas income tax

The Company and a subsidiary were incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands and accordingly, are exempted from the Cayman Islands income tax. 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 British Virgin Islands income tax.

(e) Macau CIT

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

(f) PCIT

PCIT is calculated at 30% of the estimated assessable profits for both years.

(g) Philippines withholding tax

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

Interests on bank savings and time deposits received by the companies incorporated in the Philippines are subject to a final tax between 15% to 20%.

(h) Russian corporation tax

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for the year ended 31 December 2020. However, no Russian corporation tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation.

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

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

(i) **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.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for each of the years ended 31 December 2020 and 2019.

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss) figures are calculated as follows:

	2020	2019
	RMB'000	RMB'000
Earnings (loss)		
Profit (loss) for the year attributable to shareholders of the Company for the purpose for calculating basic earnings (loss) per share	<u>709,797</u>	<u>(1,484,266)</u>
Effect of dilutive potential ordinary shares:		
– Adjustment to the share of profit of Summit Ascent based on dilution of its earnings per share	(471)	(24)
– Adjustment on the change in fair value of convertible bonds in relation to the extension of 2016 Convertible Bond and 2018 Convertible Bond	(213,451)	–
– Change in fair value of conversion option derivatives of 2016 Convertible Bond and 2018 Convertible Bond	(1,359,078)	–
– Imputed interest expense on 2016 Convertible Bond and 2018 Convertible Bond	62,054	–
– Exchange gain in relation to 2016 Convertible Bond and 2018 Convertible Bond	<u>(114,368)</u>	<u>–</u>
Loss for the purpose of calculating diluted loss per share	<u><u>(915,517)</u></u>	<u><u>(1,484,290)</u></u>

	Number of shares	
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	6,666,972,746	6,666,972,746
Effect of dilutive potential ordinary shares		
– 2016 Convertible Bond and 2018 Convertible Bond	<u>1,876,153,845</u>	<u>–</u>
Weighted average number of ordinary shares of the purpose of diluted loss per share	<u>8,543,126,591</u>	<u>6,666,972,746</u>

For the year ended 31 December 2020, the calculation of diluted loss per share does not assume the exercise of the Company’s outstanding share options since the assumed exercise of those share options would result in decrease in diluted loss per share.

For the year ended 31 December 2019, the computation of diluted loss per share did not assume the exercise of the Company’s outstanding share options and the conversion of the outstanding convertible bonds of the Company since the exercise of those share options and the conversion of the outstanding convertible bonds would result in decrease in diluted loss per share.

11. INTERESTS IN ASSOCIATES

	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
Cost of investments in associates		
Listed in Hong Kong	–	457,678
Unlisted	20,108	20,108
Shares of post-acquisition results and other comprehensive income, net of dividend received	1,060	4,584
Exchange difference	<u>(322)</u>	<u>32,149</u>
	<u>20,846</u>	<u>514,519</u>
Fair value of listed investment (<i>Note</i>)		<u><u>435,785</u></u>

Note: As at 31 December 2019, the fair value of the Group’s interest in its listed associate, Summit Ascent of which its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), was approximately RMB435,785,000 based on the quoted market price available on the Stock Exchange, which was a level 1 input in terms of HKFRS 13 *Fair Value Measurement*.

On 23 April 2019, the Group completed the acquisition of additional 24.68% equity interest in Summit Ascent for a total consideration of HK\$717,812,540 (equivalent to approximately RMB613,780,000).

The Directors considered that the Group had significant influence over Summit Ascent through its representatives on the board of directors of Summit Ascent and therefore accounted for Summit Ascent as an associate upon the additional acquisition in April 2019 and as at 31 December 2019. Goodwill of approximately HK\$84,274,315 (equivalent to RMB72,060,438) was recognised upon the recognition of Summit Ascent as an associate in April 2019.

Prior to the acquisition of additional 24.68% equity interest in Summit Ascent, the equity interest in Summit Ascent held by the Group was diluted to 3.29% from 3.31% due to the exercise of share options granted by Summit Ascent. Upon the additional acquisition in April 2019, the financial asset represented 3.29% equity interest in Summit Ascent held by the Group had been derecognised on 23 April 2019 accordingly and approximately RMB20,681,000 of gain from the derecognition had been recognised during the year ended 31 December 2019.

After accounting for Summit Ascent as an associate of the Group, the Group further acquired 1.80% equity interest of Summit Ascent from the open market for a total consideration of approximately HK\$45,021,600 (equivalent to approximately RMB38,621,000).

During the year ended 31 December 2019, due to the exercise of share options granted by Summit Ascent subsequent to the acquisition of 29.77% equity interest in Summit Ascent, the equity interest in Summit Ascent held by the Group was diluted from 29.77% to 29.68%. In addition, with Summit Ascent's additional issuance of 300,000,000 shares to not less than six independent third parties at HK\$1.01 each, the equity interest of Summit Ascent held by the Group had been further diluted from 29.68% to 24.74%. During the year ended 31 December 2019, loss from deemed partial disposal of approximately RMB60,442,000 had been recognised.

Following the Summit Ascent Acquisition (as defined and detailed in Note 18(b)) during the year ended 31 December 2020, the Group's equity interest in Summit Ascent increased to approximately 69.66% and Summit Ascent has become as a non-wholly owned subsidiary of the Group and ceased to be an associate of the Group.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of unlisted investment	363,621	363,621
Share of post-acquisition losses and other comprehensive expenses	(345,885)	(95,958)
Exchange difference	<u>2,595</u>	<u>6,979</u>
	20,331	274,642
Loans to a joint venture (<i>Note (a)</i>)	444,309	444,309
Deemed capital contribution (<i>Notes (b) and (c)</i>)	184,983	–
Exchange difference	<u>(34,159)</u>	<u>8,829</u>
Interest in a joint venture	<u>615,464</u>	<u>727,780</u>
Loans to a joint venture		
– Current (<i>Note (b)</i>)	183,983	–
– Non-current (<i>Note (c)</i>)	<u>85,587</u>	–
	<u>269,570</u>	–
Amounts due from a joint venture		
– Current	6,394	–
– Non-current	<u>2,775</u>	–
	<u>9,169</u>	–

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 the joint venture.
- (b) During the year ended 31 December 2020, the Group advanced a loan in principal amount of US\$30,000,000 (equivalent to approximately RMB212,385,000 at the drawdown date) to a joint venture. The loan is interest bearing at 14% per annum, unsecured and repayable after 12 months from the first drawdown date of the facility and the maturity date may be extended up to 28 February 2022, and therefore is classified as current asset as at 31 December 2020.

As the interest rate charged on the loan to a joint venture are below prevailing market interest rate, aggregated imputed interest of RMB23,069,000 (2019: Nil) of the loan upon initial recognition was calculated based on the difference between the prevailing market interest rate and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2020. The prevailing market interest rate of the loan is 29.54% per annum.

- (c) During the year ended 31 December 2020, the Group advanced loans in aggregate principal amount of US\$34,045,000 (equivalent to approximately 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 31 December 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 (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 31 December 2020. The prevailing market interest rates of the loans are ranged from 25.63% to 28.90% per annum.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<u>As at 31 December</u>	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables (<i>Note</i>)		
– contracts with customers	19,863	57,715
– leases	7,253	1,878
	27,116	59,593
Allowance for impairment	(1,915)	–
	25,201	59,593
Other receivables	31,180	3,665
Other deposits	12,077	7,249
Prepayments	23,736	2,695
	92,194	73,202

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

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

	<u>As at 31 December</u>	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 30 days	17,183	56,257
31–90 days	2,460	870
91–180 days	2,583	544
Over 180 days	2,975	1,922
	<u>25,201</u>	<u>59,593</u>

14. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits represent deposits for the following purposes:

	<u>As at 31 December</u>	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Securities for banking facilities	6	6
Securities for mortgage loan facilities granted by the banks to buyers of the Group's properties	299	298
Securities for the travel agency business to the suppliers and license granted by the local regulatory bodies	5,500	11,771
	<u>5,805</u>	<u>12,075</u>
Amounts represented as:		
– Current	305	304
– Non-current (<i>Note</i>)	5,500	11,771
	<u>5,805</u>	<u>12,075</u>

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

As at 31 December 2020, pledged bank deposits are subjected to floating interest rate ranged from 0.2% to 1.5% (31 December 2019: 0% to 1.5%) per annum.

As at 31 December 2020, restricted bank deposits represent:

- (i) deposits of income generated by certain pledged investment properties in a specified bank account as requested by a bank for satisfying the repayment of the bank borrowings and its withdrawal required prior approval by the bank amounted to approximately RMB1,165,000 (31 December 2019: RMB573,000);
- (ii) a bank account of a subsidiary with balance of approximately RMB981,000 (31 December 2019: nil) is subject to court seizure commenced on 14 July 2020 and to be expired on 13 July 2021, in which under a litigation in relation to a building management service contract with a service provider; and
- (iii) certain bank balances frozen by the relevant local bureau in the PRC amounted to approximately RMB858,000 (31 December 2019: RMB22,969,000) (the “**Frozen Bank Accounts**”). One of such Frozen Bank Accounts as at 31 December 2020 with balance of approximately RMB251 was released in February 2021 (31 December 2019: all frozen bank accounts were fully released in June 2020 and in February 2021).

The Group did not recognise any provision as a result of the Frozen Bank Accounts as at 31 December 2020 as (a) neither the Frozen Bank Accounts nor the Group is the subject matter of any legal proceedings relating to the Frozen Bank Accounts, and (b) the Group is not aware of any other incident which otherwise requiring provision to be made after making due enquiries.

15. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Trade payables (<i>Note</i>)	57,156	57,107
Interest payables	32,326	20,302
Payable in respect of transfer of connection right to local electricity supply network	8,993	–
Liabilities for VAT arrangements	7,749	–
Other tax payables	7,571	11,504
Other payables and accruals	158,396	120,040
	272,191	208,953

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

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

	<u>As at 31 December</u>	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	4,922	12,574
Over 90 days	52,234	44,533
	<u>57,156</u>	<u>57,107</u>

16. PROVISION FOR LITIGATION

During the year ended 31 December 2019, the Group received an enforcement civil ruling (the “**Judgement**”) from Shenzhen Baoan District People’s Court (the “**Court**”) relating to the enforcement of a civil claim (the “**Individual Claim**”) by an individual (the “**Individual**”), an independent third party to the Group. The Individual Claim relates to a lease agreement in respect of a unit, which forms part of the Group’s investment properties (the “**Unit**”) for the lease term from 26 September 2011 to 24 October 2062, as well as the damages arising from the non-performance of the lease agreement. Certain investment properties of the Group with fair value as at 31 December 2020 of approximately RMB397,380,000 (31 December 2019: RMB533,000,000) were seized for the period from 10 May 2019 to 9 May 2022. Pursuant to the Judgement, the Group is liable to compensate the loss arising from the non-performance of the lease agreement during the period from the inception of lease to 25 June 2019 amounting to approximately RMB1,595,000.

As at the date of this announcement, the Individual has filed for an appeal with respect to the Judgement. The second hearing date has been fixed on 14 April 2021.

In the opinion of the lawyer in the PRC, it is probable that the Group will be liable to compensate the loss of the Individual Claim and the loss arising from the non-performance for the remaining lease period with reference to the estimated future rental income from the Unit for the remaining lease period. Provision of approximately RMB27,800,000 had been recognised as of and during the year ended 31 December 2019. No further provision has been recognised during the year ended 31 December 2020.

17. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds issued by the Company

2016 Convertible Bond

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

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

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

The fair value of the 2016 Convertible Bond was approximately HK\$568,761,000 (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 (“**Extended 2016 CB Maturity Date**”). The Amendment Agreement was passed by the ordinary resolution at the extraordinary general meeting of the Company held on 28 September 2018.

Due to the extension of the 2016 CB Maturity Date, the carrying amount of the debt component has 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 (the “**Partial 2016 Convertible Bond Conversion**”) into 646,153,846 ordinary shares of the Company at the conversion price of HK\$0.26 per share.

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

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

Due to the extension of the Extended 2016 CB Maturity Date, the carrying amount of the debt component has been reduced from approximately HK\$402,000,000 (equivalent to approximately RMB359,319,000) to approximately HK\$268,499,000 (equivalent to approximately RMB226,426,000) on 7 December 2020 (i.e. date of extension) based on the present value of the principal amount. The change in fair value of debt component of approximately HK\$133,501,000 (equivalent to approximately RMB112,581,000) is recognised in profit or loss. The effective interest rate of the debt component is 22.36% per annum after the extension of the Extended 2016 CB Maturity Date.

The fair values of the derivative financial instruments of 2016 Convertible Bond as at 31 December 2019, 7 December 2020 and 31 December 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**”) and Better Linkage Limited (“**Better Linkage**”) for the acquisition of the entire equity interest of Star Admiral Limited and shareholder’s loan owed by Star Admiral Limited.

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

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

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

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

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

Due to the extension of the 2018 CB Maturity Date, the carrying amount of the debt component has been reduced from approximately HK\$297,000,000 (equivalent to approximately RMB265,984,000) to approximately HK\$184,018,000 (equivalent to approximately RMB164,289,000) on 24 August 2020 (i.e. date of extension) based on the present value of the principal amount. The change in fair value of debt component of approximately HK\$112,982,000 (equivalent to approximately RMB100,870,000) is recognised in profit or loss. The effective interest rate of the debt component is 26.87% per annum after extension.

The fair values of the derivative financial instruments of 2018 Convertible Bond as at 31 December 2019, 24 August 2020 and 31 December 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 movements of the debt component and derivative financial instruments of the 2016 Convertible Bond and the 2018 Convertible Bond are shown as follows:

	Debt component <i>RMB'000</i>	Derivative financial instruments <i>RMB'000</i>	Total <i>RMB'000</i>
2016 Convertible Bond			
At 1 January 2019	297,508	1,404,425	1,701,933
Charge to profit or loss	–	463,127	463,127
Exchange difference	7,165	39,730	46,895
Imputed interest expense (<i>Note 6</i>)	<u>28,335</u>	<u>–</u>	<u>28,335</u>
At 31 December 2019 and 1 January 2020	333,008	1,907,282	2,240,290
Credit to profit or loss, including adjustment on extension recognised in profit or loss	(112,581)	(1,157,178)	(1,269,759)
Exchange difference	(20,312)	(76,858)	(97,170)
Imputed interest expense (<i>Note 6</i>)	<u>26,311</u>	<u>–</u>	<u>26,311</u>
At 7 December 2020 (date of extension)	226,426	673,246	899,672
Credit to profit or loss	–	(5,698)	(5,698)
Exchange difference	(449)	(1,320)	(1,769)
Imputed interest expense (<i>Note 6</i>)	<u>3,326</u>	<u>–</u>	<u>3,326</u>
At 31 December 2020	<u>229,303</u>	<u>666,228</u>	<u>895,531</u>
2018 Convertible Bond			
At 1 January 2019	217,612	174,457	392,069
Charge to profit or loss	–	59,504	59,504
Exchange difference	5,330	4,972	10,302
Imputed interest expense (<i>Note 6</i>)	<u>25,781</u>	<u>–</u>	<u>25,781</u>
At 31 December 2019 and 1 January 2020	248,723	238,933	487,656
Credit to profit or loss, including adjustment on extension recognised in profit or loss	(100,870)	(143,346)	(244,216)
Exchange difference	(825)	(874)	(1,699)
Imputed interest expense (<i>Note 6</i>)	<u>17,261</u>	<u>–</u>	<u>17,261</u>
At 24 August 2020 (date of extension)	164,289	94,713	259,002
Credit to profit or loss	–	(52,856)	(52,856)
Exchange difference	(9,862)	(3,868)	(13,730)
Imputed interest expense (<i>Note 6</i>)	<u>15,156</u>	<u>–</u>	<u>15,156</u>
At 31 December 2020	<u>169,583</u>	<u>37,989</u>	<u>207,572</u>
Total			
At 31 December 2020	<u>398,886</u>	<u>704,217</u>	<u>1,103,103</u>
At 31 December 2019	<u>581,731</u>	<u>2,146,215</u>	<u>2,727,946</u>

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

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

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

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

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

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

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

The fair value of the Summit Ascent CB as at 16 November 2020 and the derivative financial instrument of the Summit Ascent CB as at 16 November 2020 and 31 December 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 movements of the debt component and derivative financial instrument of the Summit Ascent CB are shown as follows:

	Debt component <i>RMB'000</i>	Derivative financial instrument <i>RMB'000</i>	Total <i>RMB'000</i>
Initial recognition on issuance of convertible bonds on 16 November 2020	13,967	1,464	15,431
Credit to profit or loss	–	(748)	(748)
Exchange difference	(249)	(13)	(262)
Imputed interest expense (<i>Note 6</i>)	126	–	126
	<u>13,844</u>	<u>703</u>	<u>14,547</u>
At 31 December 2020	<u>13,844</u>	<u>703</u>	<u>14,547</u>

(c) **Put option**

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

The fair value of the derivative financial instrument of the put option as at 31 December 2020 and 31 December 2019 were approximately RMB2,701,000 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 movement of the fair value of the derivative financial instrument of the put option are as follows:

	<i>RMB'000</i>
On 28 October 2019 (i.e. date of grant)	1,741
Credit to profit or loss	885
Exchange difference	<u>(7)</u>
At 31 December 2019 and 1 January 2020	2,619
Credit to profit or loss	123
Exchange difference	<u>(41)</u>
At 31 December 2020	<u>2,701</u>

18. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Golden Medal Limited (“Golden Medal”)

On 20 January 2020, the Company completed the acquisition of an aircraft through the acquisition of the entire equity interest in Golden Medal.

The acquisition was determined by the Directors to be acquisition of assets through acquisition of a subsidiary rather than a business combination as the asset acquired did not constitute a business as defined under HKFRS 3 (revised) “Business Combinations”.

(b) Acquisition of Summit Ascent

On 1 June 2020, Summit Ascent, an associate of the Group of which shares are listed on the Main Board of the Stock Exchange, proposed to raise not less than approximately HK\$1,623.40 million before expenses and not more than approximately HK\$1,641.70 million before expenses by issuing rights shares on the basis of three rights shares for every two shares at the subscription price of HK\$0.6 per rights share (the “**Summit Ascent Rights Issue**”).

On the same date, the Company and Victor Sky Holdings Limited (“**Victor Sky**”), a direct wholly-owned subsidiary of the Company, entered into an irrevocable undertaking with Summit Ascent that the Company and Victor Sky will accept and pay for 669,462,696 rights shares to be provisionally allotted to the Company and Victor Sky under the Summit Ascent Rights Issue and Victor Sky entered into an underwriting agreement with Summit Ascent to underwrite a maximum number of 2,066,705,058 rights shares.

On 15 October 2020, the Summit Ascent Rights Issue was completed (the “**Completion Date**”) and the Company as the shareholder and Victor Sky as underwriter and shareholder have taken up in total of 2,695,253,547 rights shares of Summit Ascent and the Group’s equity interest in Summit Ascent increased from approximately 24.74% to approximately 69.66%. Accordingly, Summit Ascent has been accounted for as a non-wholly owned subsidiary of the Company and its financial results were consolidated in the consolidated financial statements of the Company since then.

Prior to the Summit Ascent Rights Issue, the Group held approximately 24.74% equity interest in Summit Ascent (the “**Existing Shareholding**”). The fair value of the Existing Shareholding as at the Completion Date of approximately RMB283,649,000 was calculated with reference to the quoted share price of Summit Ascent of HK\$0.73 per share as at the Completion Date. The aggregate carrying amount of the Group’s interests in Summit Ascent for the Existing Shareholding immediately before the Completion Date was approximately RMB413,836,000.

Difference between the fair value of the Existing Shareholding and the aggregate carrying amount of the Group’s interests in Summit Ascent, together with the release of exchange reserve upon remeasurement of the Existing Shareholding upon business combination of RMB21,407,000 as at the Completion Date of approximately RMB108,780,000 has been recognised in the consolidated statement of profit or loss of the Group as a loss on remeasurement of the Existing Shareholding upon business combination.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculation of gain on bargain purchase in relation to the acquisition of approximately 69.66% equity interest in Summit Ascent (the “**Summit Ascent Acquisition**”) in accordance with HKFRS 3 (revised) “Business Combinations”.

After the Summit Ascent Acquisition, the Group can extend the hotel and casino businesses to further enhance the Group’s future earning capability. This acquisition is accounted for using purchase price allocation method.

Assets acquired and liabilities recognised at date of the Summit Ascent Acquisition are as follows:

	Summit Ascent’s carrying amount before combination RMB’000	Provisional fair value adjustment RMB’000	Provisional fair value RMB’000
Property, operating right and equipment	1,196,392	139,002	1,335,394
Right-of-use assets	4,446	–	4,446
Prepayments and deposits for non-current assets	11,782	–	11,782
Intangible assets	354	–	354
Inventories	1,674	–	1,674
Trade and other receivables and prepayments	24,417	–	24,417
Bank balances and cash	2,121,221	–	2,121,221
Trade and other payables	(37,215)	–	(37,215)
Contract liabilities	(1,711)	–	(1,711)
Loans from non-controlling shareholders of a subsidiary	(148,258)	–	(148,258)
Liabilities for VAT arrangements	(25,146)	–	(25,146)
Lease liabilities	(3,629)	–	(3,629)
	<u>3,144,327</u>	<u>139,002</u>	<u>3,283,329</u>
Fair value of net assets acquired			
Non-controlling interests arising from Summit Ascent Acquisition			(1,282,252)
Gain on bargain purchase on Summit Ascent Acquisition			<u>(309,519)</u>
Total consideration			<u><u>1,691,558</u></u>

RMB'000

Satisfied by:

Cash consideration paid	1,407,909
Fair value of the Existing Shareholding	<u>283,649</u>
	<u><u>1,691,558</u></u>

Net impact on the consolidated statement of profit or loss:

Loss on remeasurement of the Existing Shareholding upon business combination	(108,780)
Gain on bargain purchase on Summit Ascent Acquisition	<u>309,519</u>
Gain on bargain purchase, net	<u><u>200,739</u></u>

An analysis of the cash flows in respect of the Summit Ascent Acquisition is as follows:

RMB'000

Net cash inflow arising from Summit Ascent Acquisition:

Cash consideration paid	(1,407,909)
Bank balances and cash acquired	<u>2,121,221</u>
Net cash inflow included in cash flows from investing activities	713,312
Transaction costs of the Summit Ascent Acquisition included in cash flows from operating activities	<u>(5,894)</u>
	<u><u>707,418</u></u>

(c) Acquisition of Dongyang Xinguang

During the year ended 31 December 2020, the Group had succeeded in a judicial auction for the acquisition of 100% equity interest in Dongyang Xinguang, a company established in the PRC with limited liability at the bidding price of RMB26,500,000, and was registered as the registered owner of 100% equity interest in Dongyang Xinguang on 19 November 2020 (the “**Dongyang Xinguang Acquisition**”).

After the Dongyang Xinguang Acquisition, the Group can extend the property leasing and provision of management and operation of shopping malls businesses in order to further enhance the Group's future earning capability. This acquisition is accounted for using purchase price allocation method.

Assets acquired and liabilities recognised at date of the Dongyang Xinguang Acquisition are as follows:

	Dongyang Xinguang's carrying amount before combination RMB'000	Provisional fair value adjustment RMB'000	Provisional fair value RMB'000
Property, operating right and equipment	1,266	–	1,266
Right-of-use assets	56,190	2,859	59,049
Trade and other receivables and prepayments	32,543	(10,532)	22,011
Bank balances and cash	8,065	–	8,065
Trade and other payables	(11,392)	–	(11,392)
Rent and other deposits	(4,625)	–	(4,625)
Lease liabilities	(59,845)	796	(59,049)
Current tax liabilities	(424)	–	(424)
	<u>21,778</u>	<u>(6,877)</u>	<u>14,901</u>
Fair value of net assets acquired			<u>14,901</u>
Consideration paid			<u>26,500</u>
Goodwill			<u><u>11,599</u></u>

An analysis of the cash flows in respect of the Dongyang Xinguang Acquisition is as follows:

	<i>RMB'000</i>
Net cash outflow arising from Dongyang Xinguang Acquisition:	
Cash consideration paid	(26,500)
Less: bank balances and cash acquired	<u>8,065</u>
Net cash outflow included in cash flows from investing activities	(18,435)
Transaction costs of Dongyang Xinguang Acquisition included in cash flows from operating activities	<u>(50)</u>
	<u><u>(18,485)</u></u>

Goodwill is arisen in the Dongyang Xinguang Acquisition. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of Dongyang Xinguang. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

19. PERPETUAL SECURITIES

RMB'000

Principal

Initial recognition on issuance of the First Tranche Perpetual Securities on 18 August 2020 (Note (a))	3,476,844
Subsequent issuances during the year (Note (b))	<u>1,292,126</u>
At 31 December 2020	<u>4,768,970</u>

Distribution

Provision for the year (Note (c))	<u>76,599</u>
At 31 December 2020	<u>76,599</u>

Total

At 31 December 2020	<u><u>4,845,569</u></u>
---------------------	-------------------------

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

The Perpetual Securities confer on their holder a right to receive distribution at 5% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or defer (in whole or in part) any distribution accrued on the Perpetual Securities at its sole and absolute discretion. The Company may elect to redeem (in whole but not in part) the Perpetual Securities at 100% of the outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the Perpetual Securities or change of control of the Company.

Notes:

- (a) The first tranche Perpetual Securities was issued on the date of the subscription agreement to effect repayment of a pro tanto amount of the existing amount due to Star Hope of approximately HK\$3,887 million (equivalent to approximately RMB3,476.85 million) on 18 August 2020 (the “**First Tranche Perpetual Securities**”).

The carrying amounts of the loans from Star Hope of approximately HK\$1,910,962,000 (equivalent to approximately RMB1,709,355,000), together with the amount due to Star Hope (i.e. interest payable) of approximately HK\$93,572,000 (equivalent to approximately RMB83,700,000), being the aggregate amount of approximately HK\$2,004.53 million (equivalent to approximately RMB1,793.06 million) has been used to settle the above consideration payable. The capital contribution previously recognised through the loans from the related company provided by Star Hope amounting to approximately HK\$1,882.47 million (equivalent to approximately RMB1,683.79 million) was derecognised from capital reserve and transferred to the Perpetual Securities. The Perpetual Securities are classified as an equity instrument of the Company.

- (b) After the issuance of the First Tranche Perpetual Securities, the Company issued further tranches of Perpetual Securities with an aggregate principal amount of HK\$1,485 million (equivalent to RMB1,292.12 million) during the year ended 31 December 2020.
- (c) During the year ended 31 December 2020, distribution provision in relation to Perpetual Securities issued is approximately HK\$89.0 million (equivalent to approximately RMB76.6 million) (2019: Nil).

20. CONTINGENT LIABILITIES

- (a) As at 31 December 2020 and 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:

	<u>As at 31 December</u>	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to buyers	<u>623</u>	<u>990</u>

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

The fair value of the guarantees at date of inception is not significant and is not recognised in the consolidated financial statements. The directors 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.

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 31 December 2020.

- (b) As at 31 December 2020, the Group was involved in several litigations in relation to the construction of the Group's properties under development in the PRC with several contractors and suppliers, who are independent third parties to the Group. In this regard, approximately RMB37 million (31 December 2019: RMB37 million) is recorded as trade and other payables on the consolidated financial statements of the Group as at 31 December 2020. 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 remote.

21. EVENTS AFTER THE REPORTING PERIOD

- (a) On 8 January 2021, (1) Sun Travel Ltd. (“**Sun Travel**”, a wholly-owned subsidiary of the Company) and Mr. Chau entered into the master charter services agreement pursuant to which Sun Travel shall provide the aircraft charter services to Mr. Chau and his associates; and (2) Sun Travel and Mr. Chau entered into the travel related services master agreement pursuant to which Sun Travel shall provide the travel related Services to Mr. Chau and his associates but excluding Sun City Gaming Promotion Company Limited (a related company wholly-owned by Mr. Chau) and its subsidiaries from time to time. Further details of the master charter services agreement and travel related services master agreement were disclosed in the announcement of the Company dated 8 January 2021.
- (b) On 21 February 2021, the Company entered into a sale and purchase agreement (“**AA SP Agreement**”) with an independent third party (the “**Purchaser**”). Pursuant to the AA SP Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in Access Achievement Limited, a direct wholly-owned subsidiary of the Company, at a consideration of RMB155,290,000 (the “**AA Disposal**”). The completion of the transaction is subject to fulfilment of certain conditions precedent agreed between the Company and the Purchaser. Details of the AA Disposal were disclosed in the announcement of the Company dated 21 February 2021.
- (c) On 23 February 2021, SunTrust as borrower entered into a loan agreement with Summit Ascent Investments Limited (“**SA Investments**”), an indirect non-wholly owned subsidiary of the Company, as lender, pursuant to which SA Investments shall, subject to certain conditions precedent, provide the loan in the principal amount of US\$120,000,000 (equivalent to RMB782,988,000) to SunTrust (the “**Loan**”). Details of the Loan were disclosed in the announcement of Summit Ascent dated 23 February 2021 and circular of Summit Ascent dated 26 March 2021.
- (d) On 25 March 2021, an agreement for sale and purchase (the “**FOPM SP Agreement**”) was entered into between SunTrust and Asian E-Commerce, Inc. (“**Asian E-Commerce**”), which is 50%-owned by a non-controlling shareholder of SunTrust. Pursuant to the FOPM SP Agreement, SunTrust agreed to sell and Asian E-Commerce agreed to purchase the Group’s remaining 24.27% equity interest in First Oceanic Property Management, Inc., at a consideration of PHP153,728,294 (equivalent to approximately RMB20,846,000) (the “**FOPM Disposal**”). Details of the FOPM Disposal were disclosed in the announcement of the Company dated 25 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded total revenue of approximately RMB199.3 million, down 67.4% year-on-year. Consolidated Adjusted EBITDA was approximately RMB(105.2) million versus approximately RMB(59.4) million in 2019. Net profit attributable to equity holders of the Company was approximately RMB786.4 million, significantly turnaround from net loss attributable to equity holders of the Company of approximately RMB1,484.3 million in 2019.

The profit for the year attributable to equity holders of the Company in 2020 was mainly attributable to (i) a gain on change in fair value of derivative financial instruments of approximately RMB1,359.9 million; (ii) a gain on change in fair value of convertible bonds of approximately RMB213.5 million as a result of the extension of maturity dates of the convertible bonds issued by the Company during the year; (iii) a net gain on bargain purchase on acquisition of Summit Ascent Holdings Limited (“**Summit Ascent**”, together with its subsidiaries as “**Summit Ascent Group**”) of approximately RMB200.7 million; and (iv) partially offset by (a) a loss on change in fair value of investment properties of approximately RMB415.8 million; (b) finance costs of approximately RMB345.6 million; (c) share of loss of a joint venture of approximately RMB246.6 million; and (d) impairment loss on interest in an associate of approximately RMB47.4 million.

Upon the completion of Summit Ascent Rights Issue, Summit Ascent owned 60% equity interest in Oriental Regent Limited (“**ORL**”) and it further acquired 17.5% equity interest in ORL in November 2020, since then Summit Ascent owned approximately 77.5% interest of the integrated resort located in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation, Tigre de Cristal, contributed revenue from gaming and hotel operations of approximately RMB42.4 million to the Group during the year, with contribution of approximately RMB45 million total gross gaming revenue (“**GGR**”) to the Group.

Group Key Financial Data

	FY2020	FY2019
	RMB'000	RMB'000
Revenue:		
Operation of integrated resort in the Russian Federation		
– Tigre de Cristal:		
– Gaming operations	40,606	N/A
– Hotel operations	1,771	N/A
	42,377	N/A
Other segments:		
– Property development	–	18,901
– Property leasing and management and operation of malls	39,011	44,750
– Hotel and integrated resort general consultancy services	7,879	14,450
– Travel and related products and services	110,024	525,534
– Others	–	8,192
Total revenue	199,291	611,827
Consolidated Adjusted EBITDA	(105,172)	(59,417)

Gaming Statistics

<i>(In RMB' million)</i>	Q42020 ⁽ⁱ⁾	FY2020 ⁽ⁱ⁾
Total GGR ⁽ⁱⁱ⁾	<u>45</u>	<u>45</u>
Rolling Chip Volume	33	33
Gross Win Rate %	NEG ⁽ⁱⁱⁱ⁾	NEG⁽ⁱⁱⁱ⁾
Gross Win	(1)	(1)
Mass Table Drop	81	81
Net Win Rate %	24.21%	24.21%
Net Win	20	20
Electronic Gaming Volume	539	539
Net Win Rate %	3.82%	3.82%
Net Win	21	21

(i) Represents post-acquisition results of Summit Ascent Group.

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

(iii) NEG represents negative win rate percentage.

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

	FY2020	FY2019
	RMB'000	RMB'000
Profit (loss) for the year	774,561	(1,509,272)
Add (deduct):		
Income tax (credit) expense	(99,373)	14,219
Change in fair value of investment properties	415,800	112,800
Change in fair value of financial assets at fair value through profit or loss	–	(20,681)
Change in fair value of convertible bonds	(213,451)	–
Change in fair value of derivative financial instruments	(1,359,949)	521,746
Loss on remeasurement of existing interest in an associate upon business combination	108,780	–
Gain on bargain purchase on acquisition of subsidiaries	(309,519)	–
Gain on disposal of subsidiaries	–	(9,245)
Loss on deemed partial disposal of equity interest of an associate	–	60,442
Loss on deemed disposal of subsidiaries	–	151,951
Gain on disposal of property, operating right and equipment	(823)	(122)
Loss on disposal of financial assets at FVTPL	–	5
Impairment on interest in an associate	47,363	197,728
Provision for litigation	–	27,800
Share of losses (profits) of associates	21,410	(5,604)
Share of loss of a joint venture	246,599	82,165
Finance costs	345,594	222,462
Interest income and imputed interest income on loans to a joint venture	(44,475)	–
Other operating expenses	18,131	3,591
Depreciation and amortisation	24,990	4,341
Net exchange (gain) loss	(80,810)	86,257
Consolidated Adjusted EBITDA	<u>(105,172)</u>	<u>(59,417)</u>

Revenue

Revenue for the year was approximately RMB199.3 million, decreased by approximately RMB412.5 million or 67.4% when compared to approximately RMB611.8 million in 2019. The revenue was derived from (i) property development, (ii) property leasing and management and operation of malls, (iii) provision of hotel and integrated resort general consultancy services, (iv) provision of travel related products and services, (v) operation of integrated resort in the Philippines; and (vi) operation of integrated resort in the Russian Federation. The significant decrease was mainly attributable to the significant 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 nil m² (2019: 621 m²). Since there are no units delivered during the year ended 31 December 2020, no revenue was recognised during the year.
- (ii) **Property leasing and management and operation of malls** – The revenue represented mainly rental income from the leasing of Gang Long City Shopping Centre. It recorded a decrease from approximately RMB44.8 million to approximately RMB37.7 million for the year resulting from the continual decrease in occupancy rate from 60% to 58%. The revenue also included approximately RMB1.3 million of revenue for concessionaire sales and provision of retail management and related services from the management and operation of the Group’s leased assets, namely Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC, which was generated by a newly acquired wholly-owned subsidiary since 19 November 2020 as disclosed in the Note 18(c). The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 31 December 2020 were 87% and 79% respectively.
- (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, which generated revenue of approximately RMB7.9 million for the year (2019: RMB14.5 million).
- (iv) **Travel related products and services** – Revenue mainly represented the sale of hotel accommodation products and travel agency service income. Due to the outbreak of COVID-19, there has been a significant impact on the Group’s travel and tourism related business in 2020, the Group recorded a substantial decrease in revenue from this segment by approximately RMB415.5 million to approximately RMB110.0 million during the year (2019: RMB525.5 million).

- (v) **Operation of integrated resort in the Philippines** – through an indirect 51% owned subsidiary of the Company, Suntrust Home Developers, Inc. (“**SunTrust**”), the Group is currently developing a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines (“**Main Hotel Casino**” or “**Westside City Project**”) of which SunTrust would be the sole and exclusive operator and manager to operate and manage the Main Hotel Casino upon commencement of operation of the Main Hotel Casino in 2023. During the year ended 31 December 2020, the Group has completed architectural design works and the piling works of the Main Hotel Casino. No revenue was recognised during the year.
- (vi) **Operation of integrated resort in the Russian Federation** – Summit Ascent became an approximately 69.66% owned subsidiary of the Company immediately after the taking up of rights shares of Summit Ascent by Victor Sky Holdings Limited (a wholly-owned subsidiary of the Company) as underwriter and shareholder and by the Company as shareholder pursuant to the rights issue of Summit Ascent on the basis of three rights shares for every two existing shares of Summit Ascent at a subscription price of HK\$0.6 per rights share of Summit Ascent (“**Summit Ascent Rights Issue**”). Since the completion of Summit Ascent Rights Issue in October 2020, Summit Ascent contributed revenue from gaming and hotel operations in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation through its approximately 77.5% owned subsidiary of approximately RMB42.4 million to the Group during the year.

Other income, gains and losses

The increase in other income, gains and losses during the year was mainly due to (i) the net exchange gain of approximately RMB80.8 million (2019: net exchange loss of approximately RMB86.3 million) which was primarily due to the translation of convertible bonds, derivative financial instruments, loans from a related company and promissory notes; and (ii) interest income and imputed interest income on loans to a joint venture of approximately RMB44.5 million in relation to the loans advanced to a joint venture of the Company during the year (2019: nil).

Selling and distribution expenses

Selling and distribution expenses remained stable in 2019 and 2020, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses.

Administrative expenses

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

Change in fair value of investment properties

It referred to the change in market value of Gang Long City Shopping Centre located in Shenzhen, the PRC. The fair values of the investment properties as at 31 December 2020 were assessed by an independent professional valuer. The decrease in 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 2019 Acquisition (as defined below), the Group held certain number of shares of Summit Ascent, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 102) 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 2019 Acquisition**”), the interest of the Group in Summit Ascent increased by 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 during the year ended 31 December 2019.

Change in fair value of convertible bonds

The Company has convertible bonds with outstanding principal amount of HK\$402.0 million (equivalent to approximately RMB356.2 million at the issuance date) held by Fame Select Limited, the major shareholder of the Company (“**2016 Convertible Bond**”). The Company has convertible bonds with outstanding aggregate principal amount of HK\$297.0 million (equivalent to approximately RMB257.5 million at the issuance date) held by Star Hope Limited and Better Linkage Limited (“**2018 Convertible Bond**”). During the year ended 31 December 2020, the maturity dates of the 2016 Convertible Bond and 2018 Convertible Bond were extended to 7 December 2022 and 28 August 2022 respectively, and this resulted in a change in fair value of convertible bonds of approximately RMB213.5 million.

Change in fair value of derivative financial instruments

It mainly represented the gain on change in fair value of derivative components carried in the 2016 Convertible Bond and the 2018 Convertible Bond. The fair value of the derivative financial instruments as at 31 December 2020 was assessed by an independent professional valuer.

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

During the year, the Group has further acquired additional equity interest in Summit Ascent from approximately 24.74% to approximately 69.66% immediately after the Summit Ascent Rights Issue. A net gain on bargain purchase on acquisition of Summit Ascent has been recognised, being (i) the excess of fair value of Summit Ascent Group's identifiable assets and liabilities at the date of acquisition over the costs of acquisition of approximately RMB309.5 million and offset by (ii) the loss on remeasurement of existing interest in an associate of approximately RMB108.8 million, being the difference between the fair value of the Group's approximately 24.74% equity interest in Summit Ascent prior to the Summit Ascent Rights Issue and the aggregate carrying amount of the interest in associates and related reserves retained by the Group as at the completion date of Summit Ascent Rights Issue.

Gain on disposal of subsidiaries

During the year ended 31 December 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 approximately HK\$23,000,000).

Loss on deemed partial disposal of equity interest of an associate

During the year ended 31 December 2019, due to (i) the exercise of outstanding share options of Summit Ascent subsequent to the Summit Ascent 2019 Acquisition and (ii) the further acquisition of 1.8% issued shares of Summit Ascent by the Group, the equity interest in Summit Ascent held by the Group was diluted from approximately 29.77% to approximately 29.68%. In addition, Summit Ascent issued 300,000,000 new shares to not less than six independent third parties at HK\$1.01 each on 19 August 2019. Upon the completion of the issuance of shares, the equity interest of Summit Ascent held by the Group was further diluted from approximately 29.68% to approximately 24.74%, a loss on deemed partial disposal of equity interest of an associate of approximately RMB60,442,000 was recognised during the year ended 31 December 2019.

Loss on deemed disposal of subsidiaries

On 28 October 2019, the Group acquired 51% equity interest of SunTrust (the "**SunTrust Acquisition**"). Upon the completion of SunTrust Acquisition, SunTrust became a 51% owned subsidiary of the Company. SunTrust engaged in property management and transportation services, both are carried out by its subsidiary, First Oceanic Property Management, Inc. ("**FOPM**") and its subsidiary, both are companies incorporated in the Philippines (FOPM, and its subsidiary collectively referred as the "**FOPM Group**").

On 10 December 2019, FOPM 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**”). Immediately following the completion of FOPM Shares Subscription, FOPM Group ceased as subsidiaries of the Group and FOPM became 24.27% owned by the Group that constituted a deemed disposal of subsidiaries. The assets and liabilities and goodwill of approximately RMB115.4 million arising from the SunTrust Acquisition were derecognised from Group’s consolidated financial statements since then and the retained interest in FOPM was recognised as interest in an associate. Accordingly, a loss on deemed disposal of subsidiaries of approximately RMB152.0 million was recorded.

Impairment on interest in an associate

During the year, the Group performed impairment review on the investment 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 (2019: RMB197.7 million) by reference to the valuation carried out by an independent professional valuer accordingly.

Provision for litigation

During the year ended 31 December 2019, the Group was involved in a litigation in relation to the enforcement of a civil claim by an individual, the Group has made provision of approximately RMB27,800,000 for potential liability of the litigation. No further provision has been recognised during the year.

Share of (losses) profits of associates

The Group recognised the share of losses of associates of approximately RMB21.4 million for the year (2019: share of profits of RMB5.6 million), which mainly represented the share of loss of Summit Ascent.

Upon the completion of Summit Ascent 2019 Acquisition on 23 April 2019, the interest of the Group in Summit Ascent of approximately 24.74% 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. During the year, the Group has further acquired additional equity interest in Summit Ascent up to approximately 69.66% immediately after the Summit Ascent Rights Issue. Summit Ascent ceased to be an associate of the Group and became a non-wholly owned subsidiary of the Company since then.

Share of loss of a joint venture

The amount represented 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 which had been under construction in the first half of 2020. The time when Hoiana was ready for its preview was right in the middle of the pandemic, where there were no flights nor visas for foreign visitors. As a tourist-dependent property, Hoiana was in loss making position during the year. Due to the increase in staff costs and pre-opening costs of Hoiana during the year, the share of loss of a joint venture has been increased from approximately RMB82.2 million to approximately RMB246.6 million.

Finance costs

Finance costs mainly comprised (i) interests on interest-bearing bank and other borrowings, (ii) imputed interest expense on convertible bonds, (iii) interests and imputed interest expense on promissory note and loans from a related company, (iv) interest on lease liabilities and (v) interests and imputed interest expense on loans from non-controlling shareholders of subsidiaries. The increase in finance cost in 2020 was mainly attributable to the new facilities of loans from a related company drawn and new other borrowings obtained during the year.

Income tax credit (expense)

Income tax credit (expense) comprise current tax, LAT and deferred tax. The income tax credit in 2020 was mainly due to the recognition of deferred tax credit in relation to the change in fair value of investment properties during the year.

SEGMENT ANALYSIS

In 2020, (i) property development revenue; (ii) property leasing revenue and revenue from management and operation of malls; (iii) hotel and integrated resort general consultancy services income; (iv) travel related products and services income; (v) revenue from gaming and hotel operations in the Russian Federation and (vi) revenue from other segment accounted for nil (2019: 3.09%), 19.58% (2019: 7.31%), 3.95% (2019: 2.36%), 55.21% (2019: 85.90%), 21.26% (2019: nil) and nil (2019: 1.34%) of the total revenue respectively.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash, pledged bank deposits and restricted bank deposits, in aggregate, as at 31 December 2020 amounted to approximately RMB2,225.6 million (31 December 2019: RMB289.0 million).

The Group had total bank and other borrowings of approximately RMB1,312.6 million as at 31 December 2020 (31 December 2019: RMB859.4 million) of which approximately RMB274.5 million were repayable on demand or within one year; approximately RMB777.8 million were repayable in the second year; approximately RMB114.8 million were repayable in the third to fifth year, inclusive; and the remaining approximately RMB145.5 million were repayable after the fifth year. The Group's borrowings carried interest at fixed or floating interest rates.

The amount due to a director represents the issuance of a HK\$ denominated promissory note ("**2016 Promissory Note**") to a director of approximately RMB4.7 million as at 31 December 2020 (31 December 2019: RMB5.0 million), which is unsecured, non-interest bearing and repayable on 31 August 2022 (31 December 2019: repayable on 31 August 2020).

The amounts due to related companies represents the issuance of a HK\$ denominated promissory note ("**2018 Promissory Note**") to a related company of approximately RMB173.6 million as at 31 December 2020 (31 December 2019: RMB256.0 million), which is unsecured, interest bearing at 2% per annum and repayable on 28 August 2022 (31 December 2019: repayable on 28 August 2020).

During the year ended 31 December 2020, the loans and interest thereon from a related company were fully settled by the issuance of perpetual securities. (31 December 2019: RMB729.6 million).

The Group had loans from non-controlling shareholders of subsidiaries of approximately RMB200.2 million as at 31 December 2020 (31 December 2019: RMB84.8 million), in which (i) an amount of approximately RMB83.6 million which is secured by parcels of land (included in property, operating right and equipment), interest bearing at 2.4% and repayable on 21 July 2021, and (ii) an amount of approximately RMB116.6 million which is unsecured, interest-free and will not be repaid unless there are sufficient free cash flows generated from the operations to make the repayment.

The Group's total bank and other borrowings, promissory notes, loans from a related company and loans from non-controlling shareholders of subsidiaries divided by consolidated total assets of the Group as at 31 December 2020 was approximately 18.7% (31 December 2019: 47.0%).

The Group had convertible bonds and derivative financial instruments liabilities of approximately RMB412.7 million (31 December 2019: RMB581.7 million) and approximately RMB704.9 million (31 December 2019: RMB2,146.2 million), respectively. The total of convertible bonds and derivative financial instruments divided by consolidated total assets of the Group as at 31 December 2020 was 12.4% (31 December 2019: 66.2%).

As at 31 December 2020, the Group had current assets of approximately RMB3,092.4 million (31 December 2019: RMB949.3 million) and current liabilities of approximately RMB1,741.2 million (31 December 2019: RMB4,231.6 million).

As at 31 December 2020, the aggregate perpetual securities facilities with principal amount of up to HK\$6,000.0 million (equivalent to approximately of RMB5,049.6 million) have been granted by a related company to the Group, of which approximately HK\$5,372.0 million (equivalent to approximately of RMB4,769.0 million at the respective dates of issuance) have been issued and the unissued amount of the facilities is approximately HK\$628.0 million (equivalent to approximately of RMB528.5 million).

CHARGE ON ASSETS

As at 31 December 2020, bank and other borrowings of approximately RMB618.9 million (31 December 2019: RMB581.4 million) were secured by the Group's assets, including (i) certain property, operating right and equipment of approximately RMB70.0 million (31 December 2019: nil); (ii) all investment properties of approximately RMB1,185.6 million (31 December 2019: RMB1,601.4 million); (iii) certain inventories of approximately RMB172.1 million (31 December 2019: RMB172.1 million); (iv) pledged bank deposits of approximately RMB0.006 million (31 December 2019: RMB0.006 million); and (v) pledge of the entire equity interests of subsidiaries of the Group.

Among the above secured bank and other borrowings, bank borrowing of approximately RMB51.5 million was guaranteed by Mr. Chau Cheok Wa as at 31 December 2020.

As at 31 December 2020, pledged bank deposits of approximately RMB5.5 million (31 December 2019: RMB11.8 million) were pledged for the license and suppliers in relation to Sun Travel Ltd ("**Sun Travel**") (31 December 2019: Sun Travel and STL Passenger Transport Company Limited, indirect wholly-owned subsidiaries of the Company).

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

As at 31 December 2020, loans from non-controlling shareholders of a subsidiary of approximately RMB83.6 million (31 December 2019: RMB84.8 million) were secured by parcels of land under property, operating right and equipment of the Group of approximately RMB295.1 million (31 December 2019: RMB297.5 million).

As at 31 December 2020, the indirect equity interest of approximately 34% in Hoi An South Development Limited ("**HASD**") were pledged to a bank for the banking facilities granted to HASD.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The functional currency of the Company and the presentation currency of the consolidated financial statements of the Company are in Renminbi (“**RMB**”). 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 RMB for financial reporting purpose. Fluctuations in exchange rates may have an impact on the Group’s financial position and results. The Group monitors the exposure to fluctuations in exchange rates and takes appropriate measures to mitigate and manage the risk on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 31 December 2020.

CONTINGENT LIABILITIES

For the details of contingent liabilities, please refer to Note 20.

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 31 December 2020, the Group had a staff force of approximately 1,291 (as at 31 December 2019: 152) employees. Of this, most were stationed in the Russian Federation and the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group’s employees includes basic salaries, bonuses and long-term incentives (such as share option scheme). Total staff costs, including directors, incurred for the year was approximately RMB92.0 million (2019: RMB74.8 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

BUSINESS REVIEW

During the year ended 31 December 2020, the Group continued to engage in (i) property development in the PRC; (ii) property leasing and management and operation of malls in the PRC, (iii) provision of hotel and integrated resort general consultancy services in Vietnam; (iv) provision of travel related products and services; (v) through SunTrust, the development and operation of an integrated resort in the Philippines; and (vi) through the Summit Ascent Group, the operation of the hotel and gaming business in the Integrated Entertainment Zone in the Primorye Region in the Russian Federation.

Property development

As at 31 December 2020, the Group had two property development projects in the PRC, namely Le Paysage in Shenzhen, Guangdong Province and the Landale located at Chaohu, Anhui Province.

(i) *Le Paysage*

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 m². The Group has commenced to deliver Le Paysage to buyers since the third quarter of 2014 and has already sold approximately 86% of the total saleable area of Le Paysage as at 31 December 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, the Chaohu Government intends to reclaim the land use rights in respect of the Landale project of total land area of approximately 183.54 Chinese Mu (equivalent to approximately 122,360 m²) 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.

(iii) *Property development in Japan*

As at 31 December 2020, the Group owns 51% of the issued share capital of MSRDC Corporation Limited ("**MSRD**"), which held a plot of land with a total site area of 108,799 m² located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRDC intends to build 40 villas and a hotel of more than 100 rooms on the land.

On 30 September 2020, the Group entered into sale and purchase agreement with an independent third party in acquisition of land parcels with a total site area of 220,194 m² located at Niseko, Hokkaido, Japan. In January 2021, the Group completed the acquisition of the above land parcels. Subject to the final development plan to be approved by the Group, the Group intends to build over 50 villas and 20 townhouses and a hotel with over 40 rooms on the land.

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

Property leasing and management and operation of malls

(i) *Hong Long Plaza*

The Group is also 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 m² and the occupancy rate for the year ended 31 December 2020 was 58% (2019: 60%).

(ii) *Malls of Xinguang Tiandi*

On 19 November 2020, the Group acquired the entire interest of Dongyang Xinguang, Dongyang Xinguang has become a wholly-owned subsidiary of the Group. Dongyang Xinguang is currently engaged in the management and operation of malls located in Zhejiang Province, the PRC, in which Dongyang Xinguang is the lessee in relation to a lease on the Phase 1 Shopping Mall of Xinguang Tiandi (新光天地一期購物廣場) and Phase 2 Living Mall of Xinguang Tiandi (新光天地二期生活廣場) comprising 620 units with a total floor area of 65,241.98 m² for a term of twenty (20) years commencing on 1 January 2015 and ending on 31 December 2034. The occupancy rates of the Phase 1 Shopping Mall and Phase 2 Living Mall were approximately 87% and 79% respectively for the year ended 31 December 2020.

Hotel and integrated resort general consultancy services

The Group commenced the provision in hotel and integrated general consultancy services and entered into several technical service agreements and a casino management agreement with integrated resorts since 2017. As the Certificate for the Eligibility for Casino Business in relation to the casino operation of Hoiana in Vietnam was granted in May 2020 and preview of Hoiana took place on 28 June 2020, the Group has begun to receive casino management income from Hoiana under the casino management agreement.

Travel related products and services

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

During the year ended 31 December 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 year ended 31 December 2020. According to the information published by the Statistics and Census Service of the Macau SAR Government, the number of visitor arrivals were approximately 5.9 million in 2020, down by 85.0% year-on-year. The average occupancy rate of hotels and guesthouses for the year ended 31 December 2020 decreased by 62.2 percentage points year-on-year to 28.6% comparing to 2020. The average length of stay of guests held steady year-on-year 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 commenced the provision of charter flight in 2021 and such relevant revenue generated will be recorded as part of the Group's revenue classified under Group's "Travel related products and services" segment. The Group will continue to enrich travel related products to cover more Asian countries in the near future and improve the product mix.

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

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

The Company, through its wholly-owned subsidiary, Fortune Noble Limited ("**Fortune Noble**"), acquired 51% equity interest in SunTrust on 28 October 2019. Pursuant to the operations and management/services agreement dated 4 May 2020 entered into between Westside City Resorts World Inc. ("**Westside**") as appointer and SunTrust as appointee in relation to the appointment of SunTrust as the sole and exclusive operator and manager to operate and manage the Main Hotel Casino as contemplated under the co-development agreement entered into between SunTrust and Westside on 28 October 2019 (the "**Co-Development Agreement**"), SunTrust will be the sole and exclusive operator and manager of the Main Hotel Casino. The investment in SunTrust marked the first step towards establishing the Group's footprint in the 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 Investments Limited (as subscriber), entered into the subscription agreement, pursuant to which, Summit Ascent Investments Limited 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 “**Summit Ascent Subscribed CB**”). Upon completion of the Fortune Noble Subscribed CB and the Summit Ascent Subscribed CB, the fund raising requirement of not less than US\$300 million under the Co-Development Agreement will be fulfilled.

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

As at 31 December 2020, architectural design works of the Main Hotel Casino have already been completed and the piling works have also been completed. The Main Hotel Casino is expected to commence operation in 2023. During the year ended 31 December 2020, SunTrust is in loss making position for its pre-operating activities under the development phase.

(ii) Tigre de Cristal

During the year ended 31 December 2020, upon the completion of the Summit Ascent Rights Issue, the Group’s equity interest in Summit Ascent increased from approximately 24.74% to approximately 69.66% and Summit Ascent has become a subsidiary of the Company since then.

Summit Ascent held approximately 77.5% of the controlling interest in an integrated resort named “Tigre de Cristal” in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation. Phase I of Tigre de Cristal has commenced operation since 2015 and is comprised of gaming area with about 30 VIP gaming tables, 35 mass gaming tables, 330 electronic gaming machines and a 121 rooms 5-star hotel with food and beverage and retail outlets. Phase II of Tigre de Cristal is currently under development. 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. From 16 July 2020 onwards, Tigre de Cristal is allowed to be reopened for businesses, the gaming areas, the hotel and other amenities are permitted to resume operations according to respective measures recommended by the Russian Government.

Gaming operations

Net gaming revenue of Tigre de Cristal, which consists of three main sources namely the rolling chip business, mass table business and electronic gaming business, was approximately HK\$203 million in 2020, decreased by 58% compared to approximately HK\$482 million in 2019.

Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was approximately HK\$1.4 billion in 2020, representing a decrease of 91% compared to 2019. Net win after all commissions rebated directly or indirectly to customers from rolling chip business decreased by 85% to approximately HK\$18 million in 2020 compared to approximately HK\$122 million in 2019. Gross win percentage (represented the ratio of gross win to rolling chip volume) increased from 2.90% in 2019 to 3.84% in 2020.

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cage) decreased by 52% to approximately HK\$362 million in 2020, compared to approximately HK\$751 million in 2019. Net win from mass table business decreased by 53% to approximately HK\$82 million in 2020, compared to approximately HK\$174 million in 2019. Net win rate percentage (represented mass table net win as a percent of mass table drop) decreased slightly from 23.2% in 2019 to 22.7% in 2020.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$2.2 billion in 2020, decreased by 35% compared to approximately HK\$3.4 billion in 2019. The electronic gaming business recorded net revenue of approximately HK\$103 million, down 45% compared to approximately HK\$186 million in 2019. The average net win rate percentage decreased to 4.6% in 2020 from 5.5% in 2019. The average number of electronic gaming machines deployed decreased by 18% to 277 in 2020, compared to 336 in 2019.

Hotel Operations

Revenue from hotel operations, which is largely dependent on foreign guests, decreased to HK\$8 million in 2020 or by 84% compared to 2019. Average hotel occupancy rates dropped substantially to 12% (2019: 88%) during weekends and 19% (2019: 63%) during weekdays in 2020.

Key Financial Data of Tigre de Cristal

	FY2020 <i>HK\$'million</i>	FY2019 <i>HK\$'million</i>
Revenue:		
Net Gaming	203	482
Hotel/F&B/Others	8	51
	<hr/>	<hr/>
Total Net Revenue	211	533
	<hr/>	<hr/>
Adjusted EBITDA	(15)	215
Adjusted EBITDA margin	N/A	40%

Gaming Statistics

<i>(HK\$' million)</i>	Q12020	Q22020	Q32020	Q42020	FY2020	FY2019
Total GGR ⁽ⁱ⁾					250	815
Rolling Chip Volume	1,167	25	100	63	1,355	15,215
Gross Win Rate %	4.03%	12.00%	2.00%	0.00%	3.84%	2.90%
Gross Win	47	3	2	0	52	441
Mass Table Drop	136	5	105	116	362	751
Net Win Rate %	24.3%	20.0%	20.0%	23.3%	22.7%	23.2%
Net Win	33	1	21	27	82	174
Electronic Gaming Volume	782	28	664	743	2,217	3,404
Net Win Rate %	5.0%	7.1%	4.8%	4.0%	4.6%	5.5%
Net Win	39	2	32	30	103	186

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

(iii) Hoiana

As at 31 December 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 took place on 28 June 2020. Hoiana features an integrated resort with a casino that holds gaming tables, electronic gaming machines, Asian delights and other international cuisine with more than 1,000 hotel rooms and an eighteen-hole golf course. The commencement of operation of Hoiana was in the midst of the pandemic when international travel restrictions were in place which had significant impact on its business performance. The Group will continue to ramp up the property to prepare for more VIP rooms, hotel rooms, additional food & beverage and retail outlets.

Hoiana's net revenue since its preview in 2020 was approximately US\$4.8 million. Adjusted EBITDA was approximately US\$(32.0) million. Hoiana played unlucky in its gaming operations which decreased its Adjusted EBITDA by approximately US\$1.2 million. Normalised Adjusted EBITDA was approximately US\$(30.8) million in 2020.

Key Financial Data of Hoiana

	For the period ended 31 December 2020⁽ⁱ⁾ US\$'000
Revenue:	
Net Gaming	3,455
Hotel/F&B/Others	<u>1,323</u>
Total Net Revenue	<u><u>4,778</u></u>
Adjusted EBITDA	<u><u>(31,951)</u></u>
Adjusted EBITDA margin	N/A

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

Gaming Statistics

	Q32020 ⁽ⁱ⁾	Q42020	FY2020 ⁽ⁱⁱ⁾
<i>(In US\$'000)</i>			
Total GGR ⁽ⁱⁱⁱ⁾	<u>1,432</u>	<u>7,501</u>	<u>8,933</u>
Rolling Chip Volume	84,506	165,530	250,036
Gross Win Rate %	NEG ^(iv)	3.5%	2.2%
Gross Win	(461)	5,837	5,376
Mass Table Drop	5,806	6,342	12,148
Gross Win Rate %	18.8%	17.8%	18.3%
Gross Win	1,089	1,131	2,220
Electronic Gaming Volume	9,482	6,208	15,690
Gross Win Rate %	8.5%	8.6%	8.5%
Gross Win	804	533	1,337

- (i) For the period from 28 June 2020 (the date of commencement of casino operation) to 30 September 2020.
- (ii) For the period from 28 June 2020 (the date of commencement of casino operation) to 31 December 2020.
- (iii) GGR represents the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs.
- (iv) NEG represents negative win rate percentage.

REVIEW AND OUTLOOK

Market Review

Unsurprisingly, all jurisdictions that the Group has exposure to, were affected by COVID-19 to various extents as tourism has been seriously affected in 2020.

In Russia, the Russian government stopped all tourist arrivals from 16 March 2020¹ 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. Until December 2020, borders were open to only 14 countries. All non-essential businesses were mandated to close from 28 March 2020 and were allowed to be reopened gradually later. Russia's GDP declined 3.1%² year-on-year in 2020. Net inflows of foreign direct investment (“FDI”) was US\$1.4 billion in 2020, down 95% year-on-year. In 2020, total tourism arrivals in Primorsky Region decreased 86% year-on-year to 132,228³. The Russian Federation has begun COVID-19 vaccinations in Moscow in December 2020, and has already approved mass use in other cities including Vladivostok, where Tigre de Cristal is located.

Vietnam has suspended all inbound international flights and the entry of all foreigners since 22 March 2020 to contain COVID-19. In 2020, approximately 3.8 million⁴ international tourist arrivals were recorded, down 78% year-on-year. GDP in 2020 was estimated to increase by 2.9%⁵ year-on-year, the lowest rate in the period 2011–2020 in the context of the COVID-19 pandemic. FDI recorded VND463.3 trillion (equivalent to approximately US\$20.1 billion), down 1.3% year-on-year. The Vietnamese government plans to roll out mass Covid-19 vaccinations in March 2021. Meanwhile, Vietnam has commenced the first phase of human trials of one of the four domestic COVID-19 vaccine in December 2020 and has completed the second phase of human trials in February 2021.

In the Philippines, all integrated resorts were required to be closed from 15 May 2020 onwards and PAGCOR-licensed integrated resorts in Manila were allowed to operate at only 30% operational capacity since 24 August 2020. The tourism industry which involves airlines, hotels, and tourist attractions, and shopping malls were not allowed to operate during the 2-month lockdown. The Philippines total GGR in 2020 was PHP151.5 billion (equivalent to approximately US\$3.1 billion), down 24%⁶ year-on-year. Foreign arrivals decreased 82.1% year-on-year to 1.5 million. GDP in Philippines declined by 9.5%⁷ year-on-year in 2020.

In Macau, total GGR for 2020 was MOP60.4 billion⁸, down 79.3% year-on-year. The travel restrictions entering the region, and suspension of Individual Visit Scheme (IVS) for mainland visitors started from late January for eight straight months of the year significantly affected tourist visitations. Total tourism arrivals in 2020 decreased 85%⁹ year-on-year to 5.9 million. The average hotel occupancy rate in Macau in 2020 was 28.6%¹⁰, down 62.2 percentage points year-on-year.

- 1 Russia Federal Agency for Tourism
- 2 Federal Office for State Statistics, Russia
- 3 The Border Service of the Federal Security Service of the Russian Federation
- 4&5 General Statistics Office of Vietnam
- 6 Philippines Amusement and Gaming Corporation
- 7 Philippines Statistics Authority
- 8 Gaming Inspection and Coordination Bureau, Macao SAR
- 9&10 Statistics and Census Service, Macao SAR

Development Update

Tigre de Cristal, Russia

Tigre de Cristal Phase I upgrade has already been completed. A brand-new Suncity VIP room is already set up and operational. A new authentic hotpot restaurant and a new private club are opened to welcome guests.

Phase II planning and construction are well underway except minor delays due to COVID-19.

Hoiana, Vietnam

Hoiana Phase 1 is not yet fully opened. Only the mass gaming floor, the VIP rooms, some hotel rooms and the golf course entered into preview on 28 June 2020.

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.

Westside City Project, Philippines

The main design has already been completed. Piling works in Westside City Project has also been completed. Megawide Construction Corporation has been appointed as the main contractor in Manila, the Philippines for the Westside City Project. Construction works at the site is going on in full steam. Westside City Project is expected to be completed in 2023.

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

- Approximately 400 gaming tables;
- Over 1,200 electronic gaming machines;
- Over 450 five-star hotel rooms;
- Approximately 1,000 car park spaces; and
- Pool club & leisure club etc.

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

Other international locations

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

Outlook

We believe that COVID-19 will continue to impact all of the Group's integrated resorts in the near future. We are especially pleased to see that vaccination progress has been ongoing in Macau and China, with Macau serving as the only cross-border location for Chinese residents to visit without the need to be in quarantine. We are also pleased to witness the start of the vaccination programme for our staff members in Tigre de Cristal in Russia. We are also confident that the vaccination will be rolled out worldwide soon. In that case, countries where the Group has invested in such as Vietnam and the Philippines will no longer be restricted by quarantine, flights or visa constraints.

The Group remains long-term positive to our integrated resort portfolio. Before the Company's management stepped in to transform the operations of Tigre de Cristal, Tigre de Cristal itself has already been self-running with a positive Adjusted EBITDA. After the Company became its largest shareholder, as the new operator of Tigre de Cristal, bringing in a wealth of experience in gaming operations, the Group helps Summit Ascent to upgrade its hardware, the facilities; and its software, its service standards. Right now, both software and hardware in Tigre de Cristal are ready for guests once the borders reopen.

In the short run, the Group will bring three major changes to Tigre de Cristal. Firstly, the Group will continue to help to upgrade Tigre de Cristal's hardware. Secondly, the Group will help to introduce a brand-new Direct VIP segment using the Group's customer base. Thirdly, the Group will help to bring in a new Premium mass segment, all to be under Tigre de Cristal. The Group will make good use of Tigre de Cristal's proximity to the Korean and Japanese markets as these two markets are relatively untapped in the north of Asia. The true harvest year for Summit Ascent will be the time when Tigre de Cristal Phase II is up-and-running. Capacity-wise, Phase II will triple the current number of rooms, and double the number of tables and electronic gaming machines.

Hoiana Phase 1 is not yet fully opened. Unfortunately, Hoiana was ready at a time when the pandemic was in full swing. Only a preview could take place in June 2020. Hoiana's current focus is to stay afloat while continuing marketing to local expats and the Viet Kieu community in the short run. 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 for families in South-East Asia. While the pandemic continues to impede Hoiana's performance post-preview, we remain hopeful that the situation could have been improved when flights and visas resume.

We like the Philippines as one of the fastest-growing Asian gaming jurisdictions. When Westside City Project is completed, Westside City Project will be running at a similar scale as the other operators in Entertainment City in Manila. With the Group's expertise in gaming, we are confident that Westside City Project will be one of the best integrated resorts in the Philippines in terms of facilities, design and amenities.

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Tuesday, 8 June 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 2 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the “**Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the year ended 31 December 2020 except the following deviations:

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Following the resignation of 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 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. Au Chung On John and Mr. Manuel Assis Da Silva, as executive Directors of the Company. However, Mr. Chau, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva are subject to retirement by rotation at least once in every three years in accordance with the Company’s articles of association.

Under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company and invite the chairman of the committees to attend. However, due to his other business commitment, Mr. Chau, the chairman of the Board, did not attend the annual general meeting held on 31 July 2020.

Under code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Dr. Wu Kam Fun Roderick, the chairman of nomination committee of the Company and an independent non-executive Director, did not attend the annual general meeting held on 31 July 2020 and the extraordinary general meetings held on 21 August 2020 and 2 September 2020 respectively. Mr. Lo Wai Tung John, the chairman of remuneration committee of the Company and an independent non-executive Director, did not attend the extraordinary general meeting held on 21 August 2020. However, executive Director(s) were present to enable the Board to develop a balanced understanding of the views of shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal control systems. The consolidated results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Tou Kin Chuen (Chairman), Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John. All of them are independent non-executive Directors.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.suncitygroup.com.hk). The Company’s 2020 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 will be published on or before 30 April 2021.

EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT

The Auditor has issued qualified opinion (“**Qualified Opinion**”) with a Material Uncertainty Related to Going Concern section in the independent auditor’s report on the 2020 Audited Financial Statements, extracts of which are set out below:

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

The consolidated financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed a modified opinion on those statements on 8 June 2020.

As detailed in the auditor’s report dated 8 June 2020, certain bank accounts with restricted bank deposits of the Group amounting to RMB22,969,000 as at 31 December 2019 were frozen by the relevant local bureau in the People’s Republic of China (the “**2019 Frozen Bank Accounts**”) as set out on Note 25 to the consolidated financial statements.

During the year ended 31 December 2020, one of such frozen bank accounts with a balance of approximately RMB22,969,000 was released in June 2020, while another bank account with a balance of approximately RMB250 remained frozen as at 31 December 2020 but was subsequently released in February 2021. During the year ended 31 December 2020, in July 2020, certain bank balances, in aggregate, of approximately RMB858,000 as at 31 December 2020 were frozen by the relevant local bureau in the People’s Republic of China (the “**2020 Frozen Bank Accounts**”). Management was unable to obtain sufficient information from the relevant local bureau or the bank for the 2020 Frozen Bank Accounts. The Group did not recognise any provision as a result of such frozen actions as at 31 December 2020. There were no alternative audit procedures that we could perform to satisfy ourselves whether the balances of the 2019 and 2020 Frozen Bank Accounts were free from material misstatement or whether any potential liabilities should be recognised. Any adjustments found to be necessary may have an effect on the balances of the 2019 and 2020 Frozen Bank Accounts as at 31 December 2020 and 2019, the profit or loss and cash flows of the Group for the year then ended, as well as the related disclosures in the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group had net operating cash outflow as shown in the consolidated statement of cash flows of RMB503,482,000 for the year ended 31 December 2020 and the Group had committed capital expenditure of approximately RMB4,008,835,000 as at 31 December 2020. As stated in Note 2 to the consolidated financial statements, the Group is dependent on the financial support from its controlling shareholder and related companies. Should the financial support not be available, the Group may not be able to fulfill its financial obligations as and when they fall due in the ordinary course of business. These conditions indicate that a material uncertainty exists that may cast a significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The aforesaid “Notes 2 and 25 to the consolidated financial statements” are disclosed as Notes 2 and 14 of this announcement respectively.

QUALIFIED OPINION OF THE AUDITOR ON THE 2020 AUDITED FINANCIAL STATEMENTS

View of the management and the Audit Committee on the Qualified Opinion

As stated in “Extracts of the independent auditor's report – Basis for Qualified Opinion” above, the management was unable to provide the Auditor with sufficient information from the relevant local bureau or the bank in relation to the 2020 Frozen Bank Accounts and the Group did not recognise any provision as a result of such frozen actions as at 31 December 2020 to satisfy whether the balances of 2019 and 2020 Frozen Bank Accounts were free from material misstatement or any potential liabilities should be recognised.

The Board is of the view that the impact of the account freeze on the Group, if at all, is minimal as (i) the aggregate amount at stake represents less than 0.01% of the Group's audited consolidated total assets as at 31 December 2020 (31 December 2019: less than 0.6%); (ii) the business operation of the Group in the PRC has remained as usual despite the account freeze; (iii) after making due enquiry, the Group is not aware of any legal proceedings involving the 2019 and 2020 Frozen Bank Accounts and/or the Group in respect thereof; and (iv) the 2019 Frozen Bank Accounts have been fully and unconditionally released as at the date of this announcement.

The Group did not recognise any provision as a result of the 2019 Frozen Bank Accounts for the year ended and as at 31 December 2020 as one of such frozen accounts with balance of approximately RMB22,969,000 was unconditionally released in June 2020, the one remained frozen as at 31 December 2020 was with insignificant balance of approximately RMB250 (which in any event was subsequently unconditionally released as at the date of this announcement), after making due enquiries, neither the 2019 Frozen Bank Accounts nor the Group is the subject matter of any legal proceedings relating to the 2019 Frozen Bank Accounts.

The Group did not recognise any provision as a result of the 2020 Frozen Bank Accounts for the year ended and as at 31 December 2020 as the credit balance of the 2020 Frozen Bank Accounts as at 31 December 2020 in the amount of approximately RMB858,000 was minimal as compared to the consolidated total assets of the Group as at 31 December 2020 (i.e. less than 0.01% to the Group's total assets as at 31 December 2020), after making due enquiries, (a) neither the 2020 Frozen Bank Accounts nor the Group is the subject matter of any legal proceedings relating to the 2020 Frozen Bank Accounts, and (b) the Group is not aware of any other incident which otherwise requiring provision to be made.

There is no disagreement between the view of the management of the Company and the Auditor on the Qualified Opinion.

The Audit Committee has discussed with the Auditor on the basis of the qualified opinion at its committee meeting held on 29 March 2021 and agreed with the view of the management and the Auditor's basis.

Action plan of the Group to address the Qualified Opinion

To address the Qualified Opinion and with a view of removing audit qualifications for the audited consolidated financial statements of the Group for the coming year ending 31 December 2021, the Group has been active in applying for the release of the 2020 Frozen Bank Accounts and to render every assistance to the relevant party in securing the release.

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

Hong Kong, 29 March 2021

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