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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

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

**(Stock Code: 1383)**

### **2018 ANNUAL RESULTS ANNOUNCEMENT**

#### **FINANCIAL HIGHLIGHTS**

- Total revenue increased by 45.5% to RMB792,643,000 (2017: RMB544,708,000)
- Gross profit increased by 30.0% to RMB236,676,000 (2017: RMB182,050,000)
- Loss for the year attributable to owners of the Company of RMB1,458,541,000 in 2018 (2017: profit for the year attributable to owners of the Company of RMB197,002,000)
- Basic loss per share of RMB23.85 cents in 2018 (2017: Basic earnings per share of RMB3.24 cents)

The board (“**Board**”) of directors (“**Directors**”) of Suncity Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2018.

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

For the year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Revenue</b>	3	<b>747,595</b>	497,800
Rental income		<u>45,048</u>	<u>46,908</u>
		<b>792,643</b>	544,708
Cost of sales		<u>(555,967)</u>	<u>(362,658)</u>
<b>Gross profit</b>		<b>236,676</b>	182,050
Other income, gains and losses	4	<b>(216,514)</b>	43,515
Selling and distribution expenses		<b>(7,044)</b>	(27,730)
Administrative expenses		<b>(103,497)</b>	(105,600)
Other operating expenses		<b>(4,538)</b>	(3,437)
Change in fair value of investment properties		<b>(10,700)</b>	(7,100)
Change in fair value of financial assets at fair value through profit or loss		<b>1,011</b>	–
Change in fair value of a convertible bond	14	<b>73,936</b>	–
Change in fair value of derivative financial instruments	14	<b>(1,189,505)</b>	(329,855)
Reversal of provisions for litigations	13	–	289,240
Reversal of provisions (provisions) for potential claims	12	<b>19,518</b>	(41,882)
Impairment loss recognised in respect of inventories		–	(57,034)
Reversal of impairment loss recognised in respect of deposits for non-current assets		–	438,000
Share of loss of an associate		<b>(1,047)</b>	(37)
Share of loss of a joint venture		<b>(14,896)</b>	–
Finance costs		<u>(161,412)</u>	<u>(118,046)</u>
<b>(Loss) profit before taxation</b>	5	<b>(1,378,012)</b>	262,084
Income tax expense	6	<u>(80,886)</u>	<u>(65,191)</u>
<b>(Loss) profit for the year</b>		<u>(1,458,898)</u>	<u>196,893</u>

	<i>Note</i>	<b>2018</b> <b><i>RMB'000</i></b>	2017 <i>RMB'000</i>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations that may be subsequently reclassified to profit or loss		<b>4,943</b>	392
Share of other comprehensive income of a joint venture, net of related income tax		<u><b>705</b></u>	<u>–</u>
<b>Total comprehensive (expense) income for the year</b>		<u><b>(1,453,250)</b></u>	<u>197,285</u>
<b>(Loss) profit for the year attributable to:</b>			
– Owners of the Company		<b>(1,458,541)</b>	197,002
– Non-controlling interests		<u><b>(357)</b></u>	<u>(109)</u>
		<u><b>(1,458,898)</b></u>	<u>196,893</u>
<b>Total comprehensive (expense) income for the year attributable to:</b>			
– Owners of the Company		<b>(1,452,893)</b>	197,394
– Non-controlling interests		<u><b>(357)</b></u>	<u>(109)</u>
		<u><b>(1,453,250)</b></u>	<u>197,285</u>
<b>(Loss) earnings per share:</b>			
– Basic ( <i>RMB cents</i> )	8	<u><b>(23.85)</b></u>	<u>3.24</u>
– Diluted ( <i>RMB cents</i> )	8	<u><b>(23.85)</b></u>	<u>3.18</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		2,387	3,605
Investment properties		1,714,200	1,724,900
Prepayment and deposit for non-current assets	9	21,282	8,136
Pledged bank deposits		7,068	–
Interest in an associate		741	1,701
Interest in a joint venture		797,389	–
Deferred tax assets		83,597	96,307
		<b>2,626,664</b>	1,834,649
<b>Current assets</b>			
Inventories		608,211	653,230
Trade and other receivables and prepayments	10	78,662	121,392
Amounts due from directors		368	666
Financial assets at fair value through profit or loss		44,934	–
Pledged bank deposits		303	5,873
Restricted bank deposits		3,068	334
Bank balances and cash		92,668	302,557
		<b>828,214</b>	1,084,052
<b>Current liabilities</b>			
Trade and other payables	11	268,654	248,860
Amounts due to related companies		52,103	50,193
Amount due to a director		–	4,668
Contract liabilities		148,144	–
Receipt in advance		989	289,441
Rent and other deposits		7,448	8,442
Provisions for potential claims	12	22,564	42,082
Provision for litigation	13	–	235,000
Bank and other borrowings		243,252	212,547
Convertible bond	14	–	411,107
Derivative financial instruments	14	1,578,882	439,938
Current tax liabilities		476,953	461,288
		<b>2,798,989</b>	2,403,566

	<b>As at 31 December</b>	
	<b>2018</b>	2017
<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Net current liabilities</b>	<b><u>(1,970,775)</u></b>	<u>(1,319,514)</u>
<b>Total assets less current liabilities</b>	<b><u>655,889</u></b>	<u>515,135</u>
<b>Non-current liabilities</b>		
Bank and other borrowings	442,000	405,000
Amount due to a related company	229,000	–
Amount due to a director	4,893	–
Loan from a related company	164,463	–
Convertible bonds	14 515,120	–
Deferred tax liabilities	<u>359,413</u>	<u>357,950</u>
	<u>1,714,889</u>	<u>762,950</u>
<b>Net liabilities</b>	<b><u><u>(1,059,000)</u></u></b>	<b><u><u>(247,815)</u></u></b>
<b>Capital and reserves</b>		
Share capital	582,811	525,734
Reserves	<u>(1,630,682)</u>	<u>(762,777)</u>
<b>Deficit attributable to owners of the Company</b>	<b>(1,047,871)</b>	<b>(237,043)</b>
<b>Non-controlling interests</b>	<b><u>(11,129)</u></b>	<b><u>(10,772)</u></b>
<b>Total deficit</b>	<b><u><u>(1,059,000)</u></u></b>	<b><u><u>(247,815)</u></u></b>

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, financial assets at fair value through profit or loss (“**FVTPL**”) and derivative financial instruments that are measured at fair value 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 HKASs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs and Hong Kong Accounting Standards (“**HKASs**”) issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

#### **1.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers**

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

The Group recognises income from sales of properties, property management services, travel agency services, sales of travel related products and hotel and integrated resort general consultancy services which arises from contracts with customers.

*Summary of effects arising from initial application of HKFRS 15*

The following reclassification was made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2017 RMB'000</b>	<b>Reclassification RMB'000</b>	<b>Carrying amounts under HKFRS 15 at 1 January 2018 RMB'000</b>
<b>Current liabilities</b>			
Receipt in advance ( <i>Note</i> )	289,441	(288,480)	961
Contract liabilities ( <i>Note</i> )	<u>–</u>	<u>288,480</u>	<u>288,480</u>

*Note:* As at 1 January 2018, receipt in advance of RMB288,480,000 was reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on consolidated statement of financial position

	<b>As reported RMB'000</b>	<b>Reclassification RMB'000</b>	<b>Amounts without application of HKFRS 15 RMB'000</b>
<b>Current liabilities</b>			
Receipt in advance ( <i>Note</i> )	989	148,144	149,133
Contract liabilities ( <i>Note</i> )	<u>148,144</u>	<u>(148,144)</u>	<u>–</u>

*Note:* As at 31 December 2018, receipt in advance of RMB148,144,000 was classified as contract liabilities.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

## **1.2 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments***

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

### *Summary of effects arising from initial application of HKFRS 9*

#### Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and trade related amounts due from directors. Except for those which had been determined as credit impaired under HKAS 39, trade receivables and trade related amounts due from directors have been assessed individually.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including pledged bank deposits, restricted bank deposits, bank balances, other receivables and other deposits are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against opening accumulated losses.

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	<b>Original measurement category under HKAS 39</b>	<b>New measurement category under HKFRS 9</b>	<b>Original carrying amount under HKAS 39 RMB'000</b>	<b>New carrying amount under HKFRS 9 RMB'000</b>
1. Trade and other receivables	Loans and receivables	Financial assets at amortised cost	118,187	118,187
2. Amounts due from directors	Loans and receivables	Financial assets at amortised cost	666	666
3. Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	5,873	5,873
4. Restricted bank deposits	Loans and receivables	Financial assets at amortised cost	334	334
5. Bank balances and cash	Loans and receivables	Financial assets at amortised cost	302,557	302,557
6. Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	248,860	248,860
7. Amount due to a related company	Financial liabilities at amortised cost	Financial liabilities at amortised cost	50,193	50,193
8. Amount due to a director	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,668	4,668
9. Rent and other deposits	Financial liabilities at amortised cost	Financial liabilities at amortised cost	8,442	8,442
10. Provision for litigation	Financial liabilities at amortised cost	Financial liabilities at amortised cost	235,000	235,000
11. Bank and other borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	617,547	617,547
12. Convertible bond	Financial liabilities at amortised cost	Financial liabilities at amortised cost	411,107	411,107
13. Derivative financial instruments	Financial liabilities at FVTPL	Financial liabilities at FVTPL	439,938	439,938

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

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

## 2. BASIS OF PREPARATION

The Company and its subsidiaries (collectively referred as the “**Group**”) incurred a net loss of RMB1,458,898,000 for the year ended 31 December 2018 and as of that date, the Group’s current liabilities exceeded its current assets by RMB1,970,775,000 and its total liabilities exceeded its total assets by RMB1,059,000,000. Taking into account the financial resources of the Group, including the financial support from Mr. Chau Cheuk Wa (“**Mr. Chau**”), its controlling shareholder, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

### 3. REVENUE AND SEGMENT INFORMATION

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Sales of properties	177,400	132,543
Property management services income	7,581	8,605
Travel agency services income	7,741	6,246
Sales of travel related products	535,079	347,867
Hotel and integrated resort general consultancy services income	<u>19,794</u>	<u>2,539</u>
	<u><u>747,595</u></u>	<u><u>497,800</u></u>

#### Segment Information

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

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

- (1) Property development – Development and sales of office premises, residential and retail properties in the People's Republic of China (the “PRC”);
- (2) Property leasing – Leasing of retail and residential properties and provision of property management services in the PRC;
- (3) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services; and
- (4) Travel related products and services – Sales of travel related products and provision of travel agency services.

## Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018				Total RMB'000
	Property development RMB'000	Property leasing RMB'000	Hotel and integrated resort general consultancy services RMB'000	Travel related products and services RMB'000	
<b>Types of goods or services</b>					
Sales of properties					
– Apartments	57,221	–	–	–	57,221
– Villas	120,179	–	–	–	120,179
Sales of travel related products					
– Hotel accommodation products	–	–	–	534,591	534,591
– Others	–	–	–	488	488
Travel agency services income	–	–	–	7,741	7,741
Property management services income	–	7,581	–	–	7,581
Hotel and integrated resort general consultancy services income	–	–	19,794	–	19,794
	177,400	7,581	19,794	542,820	747,595
Rental income	–	45,048	–	–	45,048
Total	<u>177,400</u>	<u>52,629</u>	<u>19,794</u>	<u>542,820</u>	<u>792,643</u>
<b>Geographical markets by customers' locations</b>					
PRC	177,400	7,581	–	–	184,981
Macau	–	–	–	511,989	511,989
Cambodia	–	–	827	–	827
Vietnam	–	–	18,967	30,831	49,798
	177,400	7,581	19,794	542,820	747,595
Rental income	–	45,048	–	–	45,048
Total	<u>177,400</u>	<u>52,629</u>	<u>19,794</u>	<u>542,820</u>	<u>792,643</u>
<b>Timing of revenue recognition</b>					
A point in time	177,400	–	–	7,741	185,141
Over time	–	7,581	19,794	535,079	562,454
	177,400	7,581	19,794	542,820	747,595
Rental income	–	45,048	–	–	45,048
Total	<u>177,400</u>	<u>52,629</u>	<u>19,794</u>	<u>542,820</u>	<u>792,643</u>

The duration of contracts in relation to property management services income, income from sales of travel related products, and hotel and integrated resort general consultancy services income usually varies from 1 to 20 years, 1 to 10 days and 1 year, respectively and the contract fees of those contracts are fixed.

#### **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 result in contract liabilities being recognised throughout the property construction period until the buyer obtains control of the completed property.

##### ***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, flight and limousine services, sales of ferry tickets and event tickets. The travel agency services income is recognised at a net amount after reducing related cost of sales upon performance of the services. It is generally satisfied at a point in time when the control is transferred to the customer, which is at the time when the booking service confirmed with the customer. The normal credit period is 30 days upon the invoice date, which is approximate to the date of revenue recognition.

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

The Group provides the property management services to the tenants of its investment properties. The property management services fee is pre-determined in the lease contract. The tenant is 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.

##### ***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.

Income from sales of travel related products (i.e. hotel accommodation products) is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. When the customer obtains the control of the hotel room reserved and consume the benefits from using such hotel room for the period reserved. Such income is recognised over the period reserved for such hotel room. The Group either requires advanced payments from its customers or grant 30 days of credit period to its customers from the invoice date, which is approximate to the date of revenue recognition.

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 sale 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 sale 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 sale 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 days of credit period to its customers from the invoice date, which is approximate to the date of revenue recognition.

#### *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 period of the contracts with those customers is initial 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 depict 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 give rise to contract liabilities at the start of the contracts, until the income recognised on the relevant contracts exceeds the amount of the advance payments. Depending on the terms of each contract, the Group will then receive the general consultancy services income on a half year basis or monthly basis from the seventh month of the contracts. The Group grants credit period ranging from 0 to 15 days 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 development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Hotel and integrated resort general consultancy services <i>RMB'000</i>	Travel related products and services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2018</b>					
Segment revenue from external customers	<u>177,400</u>	<u>52,629</u>	<u>19,794</u>	<u>542,820</u>	<u>792,643</u>
Segment profit (loss)	<u>69,435</u>	<u>(15,365)</u>	<u>2,966</u>	<u>31,928</u>	<u>88,964</u>
Change in fair value of financial assets at FVTPL					1,011
Change in fair value of a convertible bond					73,936
Change in fair value of derivative financial instruments					(1,189,505)
Share of loss of an associate					(1,047)
Share of loss of a joint venture					(14,896)
Unallocated other income, gains and losses					(185,081)
Unallocated finance costs					(110,046)
Unallocated expenses					<u>(41,348)</u>
Loss before taxation					<u><u>(1,378,012)</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>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2017</b>					
Segment revenue from external customers	<u>132,543</u>	<u>55,513</u>	<u>2,539</u>	<u>354,113</u>	<u>544,708</u>
Segment (loss) profit	<u>(50,467)</u>	<u>(7,551)</u>	<u>(16,271)</u>	<u>17,807</u>	<u>(56,482)</u>
Reversal of impairment loss recognised in respect of deposits for non-current assets					438,000
Change in fair value of derivative financial instruments					(329,855)
Reversal of provisions for litigations					289,240
Share of loss of an associate					(37)
Unallocated other income, gains and losses					42,046
Unallocated finance costs					(72,184)
Unallocated expenses					<u>(48,644)</u>
Profit before taxation					<u><u>262,084</u></u>

Segment results represent the profit earned by/loss from each segment without allocation of certain other income, gains and losses, reversal of impairment loss recognised in respect of deposits of non-current assets, certain finance costs, change in fair value of financial assets at FVTPL, change in fair value of a convertible bond, change in fair value of derivative financial instruments, share of loss of an associate, share of loss of a joint venture, reversal of provisions for litigations and corporate expenses. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

## Segment assets and liabilities

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

	<u>As at 31 December</u>	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b><i>Segment assets</i></b>		
Property development	608,684	714,637
Property leasing	1,724,369	1,734,799
Hotel and integrated resort general consultancy services	11,108	1,401
Travel related products and services	113,880	78,265
	<u>2,458,041</u>	<u>2,529,102</u>
Total segment assets		
Unallocated assets:		
Interest in an associate	741	1,701
Interest in a joint venture	797,389	–
Financial assets at FVTPL	44,934	–
Bank balances and cash	64,815	289,689
Deferred tax assets	83,597	96,307
Others	5,361	1,902
	<u>3,454,878</u>	<u>2,918,701</u>
Consolidated assets		
<b><i>Segment liabilities</i></b>		
Property development	587,517	645,639
Property leasing	513,458	532,764
Hotel and integrated resort general consultancy services	2,733	1,600
Travel related products and services	67,374	62,630
	<u>1,171,082</u>	<u>1,242,633</u>
Total segment liabilities		
Unallocated liabilities:		
Current tax liabilities	476,953	461,288
Deferred tax liabilities	359,413	357,950
Convertible bonds	515,120	411,107
Derivative financial instruments	1,578,882	439,938
Provision for litigation	–	235,000
Amounts due to related companies	233,658	–
Amount due to a director	4,893	4,668
Loan from a related company	164,463	–
Others	9,414	13,932
	<u>4,513,878</u>	<u>3,166,516</u>
Consolidated liabilities		

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

- all assets are allocated to operating segments other than interest in an associate, interest in a joint venture, financial assets at FVTPL, 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 convertible bonds, derivative financial instruments, provision for litigation, current tax liabilities, deferred tax liabilities, amounts due to a director and related companies, loan from a related company and corporate liabilities of investment holding companies.

#### 4. OTHER INCOME, GAINS AND LOSSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Advertising income	149	100
Interest income	451	534
Gain on disposal of property, plant and equipment	147	59
Gain on disposal of financial assets at FVTPL	510	–
Net exchange (loss) gain	(181,006)	41,667
Maintenance costs	(32,796)	–
Impairment loss recognised in respect of other receivables	(1,983)	–
Others	(1,986)	1,155
	<u>(216,514)</u>	<u>43,515</u>

#### 5. (LOSS) PROFIT BEFORE TAXATION

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting) the following:		
Depreciation	1,519	1,701
Auditor's remuneration	3,420	2,595
Directors' remuneration	13,061	11,522
Staff costs, excluding directors		
– salaries and wages, excluding directors	37,482	35,759
– share-based compensation benefits, excluding directors and consultants	1,066	934
– retirements benefits scheme contributions, excluding directors	2,030	2,042
Total staff costs, excluding directors	<u>40,578</u>	<u>38,735</u>
Total staff costs	<u>53,639</u>	<u>50,257</u>

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Legal and professional fee for litigations related to the Bank Claim (as defined in note 12) and Consultant Claim (as defined in note 13)	4,393	3,191
Minimum lease payments under operating leases in respect of office premises	3,578	4,238
Cost of sales		
– cost of properties sold	49,756	30,326
– cost of travel related products sold	499,175	327,409
– cost of services rendered	7,036	4,923
	<u>555,967</u>	<u>362,658</u>
Gross rental income from investment properties	(45,048)	(46,908)
Less: Direct operating expenses incurred for investment properties	4,574	3,650
	<u>(40,474)</u>	<u>(43,258)</u>

## 6. INCOME TAX EXPENSE

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Current tax</b>		
– Enterprise Income Tax (“EIT”)		
Provision for the year	6,795	15,524
Overprovision in prior year	(2,446)	–
	<u>4,349</u>	15,524
– Macau Complementary Income Tax (“CIT”)	3,903	1,534
	<u>8,252</u>	17,058
<b>PRC Land Appreciation Tax (“LAT”)</b>	58,461	56,056
<b>Deferred tax</b>	<u>14,173</u>	<u>(7,923)</u>
	<u>80,886</u>	<u>65,191</u>

**(a) Hong Kong Profits Tax**

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

**(b) EIT**

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

**(c) PRC withholding income tax**

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

**(d) LAT**

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

**(e) Overseas income tax**

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

**(f) Macau CIT**

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the years ended 31 December 2018 and 2017.

## 7. DIVIDEND

The board of directors does not recommend the payment of a final dividend for each of the years ended 31 December 2018 and 2017.

## 8. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings figures are calculated as follows:

	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(Loss) earnings</b>		
(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	<u><b>(1,458,541)</b></u>	<u>197,002</u>
	<b>Number of shares</b>	
	<b>2018</b>	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>6,116,414,264</b>	6,072,849,666
Effect of dilutive potential ordinary shares:		
Share options	<u>–</u>	<u>124,116,274</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><b>6,116,414,264</b></u>	<u>6,196,965,940</u>

For the year ended 31 December 2018, the computation of diluted loss per share does 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 loss per share.

For the year ended 31 December 2017, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible bond of the Company since the conversion of the outstanding convertible bond would result in increase in earnings per share.

## 9. PREPAYMENT AND DEPOSIT FOR NON-CURRENT ASSETS

The prepayment and deposit are for the following items:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Land use right in the PRC ( <i>Note (a)</i> )	8,136	8,136
Software development project in Macau ( <i>Note (b)</i> )	13,146	–
	<u>21,282</u>	<u>8,136</u>

*Notes:*

- (a) The amount represents prepayment for the land use right for a property project in the PRC.
- (b) The amount represents deposit paid to an independent third party for the development of a mobile application related to the tailor made procurement of travel agency service for the end users during the year end 31 December 2018. The software development project is in the preliminary design stage as at 31 December 2018.

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade receivables ( <i>Note</i> )	64,798	59,022
Other receivables	4,374	4,778
Other deposits	7,130	54,387
Prepayments	2,360	3,205
	<u>78,662</u>	<u>121,392</u>

*Note:* Amount represents the trade receivables from sales of properties, rental income, hotel and integrated resort general consultancy services and travel agency services. Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Buyers are not granted with any credit period for both years. 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>	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 30 days	62,957	56,791
31–90 days	129	31
91–180 days	–	120
Over 180 days	<u>1,712</u>	<u>2,080</u>
	<u><b>64,798</b></u>	<u><b>59,022</b></u>

#### 11. TRADE AND OTHER PAYABLES

	<u>As at 31 December</u>	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables ( <i>Note</i> )	65,762	76,173
Other payables and accruals	147,524	113,124
Interest payables	32,191	42,473
Other tax payables	<u>23,177</u>	<u>17,090</u>
	<u><b>268,654</b></u>	<u><b>248,860</b></u>

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

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

	<u>As at 31 December</u>	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
0–90 days	19,674	11,157
Over 90 days	<u>46,088</u>	<u>65,016</u>
	<u><b>65,762</b></u>	<u><b>76,173</b></u>

## 12. PROVISIONS FOR POTENTIAL CLAIMS

The balance represents the provisions for potential claims which include refund of the deposit and compensation to the buyers of the properties held for sale in relation to the breach of terms stipulated in the sales and purchase agreements entered into between the Group and the buyers.

During the year ended 31 December 2017, a bank (the “**Bank**”) initiated an enforcement of a civil claim (the “**Bank Claim**”) against the Group including the seizure of certain properties. The Group then received a notice from 廣東省深圳市中級人民法院 (the “**Intermediate Court**”) in connection with an enforcement civil ruling (the “**Judgement**”) relating to the Bank Claim with details set out in note 13.

Certain properties under pre-sale arrangement have been seized by the Intermediate Court due to the Bank Claim with immediate effect in accordance with the Judgement. As a result, the Group failed to fulfil the obligations stipulated in the sales and purchase agreements within the predetermined period of time and is liable to the claims for the return of pre-sale deposits and instalment payments made by the buyers and compensation stipulated in the sales and purchase agreements. With reference to the legal opinion from the PRC lawyer, the estimated provisions for potential claims were approximately RMB42,082,000 and RMB200,000 as at 31 December 2017 and 1 January 2017, respectively, and therefore the Group recognised provision of RMB41,882,000 during the year ended 31 December 2017.

During the year ended 31 December 2018, all seized properties were released by the Intermediate Court as set out in note 13. The Group has then performed all obligations stipulated in the sales and purchase agreements, and reversal of provision of approximately RMB19,518,000 was recognised in profit or loss. The remaining balance represents the maximum exposure of which the Group is still subject to the claims from the buyers due to the failure of fulfilling the obligations within the time frame stipulated in the sales and purchase agreements.

No claims from the buyers have been received by the Group during the years ended 31 December 2018 and 2017.

The movement of the provisions for potential claims is shown as follows:

	<i>RMB'000</i>
At 1 January 2017	200
Charge to profit or loss	<u>41,882</u>
At 31 December 2017	42,082
Credit to profit or loss	<u>(19,518)</u>
<b>At 31 December 2018</b>	<b><u><u>22,564</u></u></b>

### 13. PROVISIONS FOR LITIGATIONS

In July 2017, the Group has received the Judgement from the Intermediate Court relating to the Bank Claim. As alleged by the Bank under the Bank Claim, the Bank Claim relates to a loan agreement for a loan with principal amount of RMB120,000,000 (the “**Bank Loan**”) and made between the Bank and a company (the “**Borrower**”), which is not connected to the Group, established in the PRC as borrower in prior years. Pursuant to the Bank Claim, it was alleged that 深圳市紫瑞房地產開發有限公司 (“**Shenzhen Zirui**”) and 太陽世紀地產集團有限公司 (“**Sun Century Property**”), both being indirect wholly owned subsidiaries of the Company established in the PRC, together with other four defendants which are not connected to the Group in the Bank Claim, had been acting as guarantors for the Bank Loan.

Pursuant to the Judgement, the assets of the Borrower, Shenzhen Zirui, Sun Century Property and other defendants under the Bank Claim (up to the sum of RMB807,133,000 with interest thereon together with fees and expenses to be incurred under the enforcement) shall be seized or frozen (the “**Frozen Assets**”) and such Frozen Assets shall be disposed of for repayment of the amounts under the Bank Claim if not paid. As at 31 December 2017, the Frozen Assets under the Group’s legal title comprised bank balances in the aggregate amount of approximately RMB334,000 and inventories with carrying value of approximately RMB213,367,000.

As the Borrower defaulted the repayment of the Bank Loan in 2012, the directors of the Company have revisited the provisions in relation to the Bank Claim in prior years. The provision in relation to the Bank Claim was RMB539,082,000 as at 1 January 2017.

The provision for the Bank Claim is determined by the terms of the loan agreement under which, the loan is interest bearing at 24% per annum and repayable within 6 months from date of withdrawal of the loan. Beyond the loan period, the interest will be adjusted to 36% per annum and all unpaid interest will be subject to compound interest rate at 36% per annum until the loan is settled.

During the year ended 31 December 2017, the Group has reached a settlement agreement (the “**Settlement Agreement A**”) with the Bank. Pursuant to the Settlement Agreement A, the Group’s liabilities in relation to the Bank Claim was limited to RMB235,000,000, subject to the fulfilment of the precedent events. Based on the legal opinion from the PRC lawyers, Settlement Agreement A was legally enforceable and binding as at 31 December 2017, even though there were some precedent events to be fulfilled, the directors of the Company considered that the maximum exposure for the liabilities of the Group in relation to the Bank Claim was RMB235,000,000 as at 31 December 2017. The provision in relation to the Bank Claim as at 31 December 2017 was RMB235,000,000.

During the year ended 31 December 2018, as all precedent events under Settlement Agreement A have been fulfilled and the Group has settled the Bank Claim, no provision in relation to the Bank Claim was made as at 31 December 2018. All the seized inventories were released from the Intermediate Court during the year ended 31 December 2018.

In December 2015, the Group received an enforcement notice (the “**Enforcement Notice**”) from the Intermediate Court in relation to another civil claim (the “**Consultant Claim**”).

Pursuant to the Consultant Claim, an individual (the “**Claimant**”) alleged provision of consultancy services to the Borrower relating to the Bank Loan pursuant to a consultancy agreement (the “**Consultancy Agreement**”) made between the Claimant and the Borrower in prior years. It was alleged that Shenzhen Zirui, Sun Century Property and another defendant which is not connected to the Group had been acting as guarantors in respect of payment of consultancy fee under the Consultancy Agreement.

As the consultancy fee had not been paid by the Borrower, of which was payable in 2012, the directors of the Company have revisited the provisions in relation to the Consultant Claim in prior years. The provision in relation to the Consultant Claim was RMB114,761,000 as at 1 January 2017.

The provision for Consultant Claim is determined by the terms of the Consultancy Agreement under which, daily interest rate of 0.1% will be charged on the unpaid consultancy fee until the consultancy fee is settled.

During the year ended 31 December 2017, the Group has reached a settlement agreement (the “**Settlement Agreement B**”) with the Claimant. Pursuant to the Settlement Agreement B, the Group’s liabilities in relation to the Consultant Claim was limited to RMB129,603,000, subject to the fulfilment of the precedent events.

As all precedent events under Settlement Agreement B have been fulfilled and the Group has settled the Consultant Claim as at 31 December 2017, no provision in relation to the Consultant Claim was made as at 31 December 2018 and 2017. However, certain inventories were still seized under the Enforcement Notice as these inventories were under the process of release from the Intermediate Court as at 31 December 2017. All the seized inventories were released from the Intermediate Court as at 31 December 2018.

The movements of the provisions for litigations are shown as follows:

	<b>Bank Claim</b>	<b>Consultant Claim</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2017	539,082	114,761	653,843
Charge to profit or loss for the year	–	14,842	14,842
Credit to profit or loss for the year	(304,082)	–	(304,082)
Settled through deposit paid	–	(84,603)	(84,603)
Payment for the year	–	(45,000)	(45,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	235,000	–	235,000
Payment for the year	(235,000)	–	(235,000)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 14. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS

### 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, 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 Limited on a dollar-for-dollar basis against the total subscription price payable by Fame Select Limited 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 Limited entered into an amendment agreement (the “**Amendment Agreement**”) to extend the 2016 CB Maturity Date to 7 December 2020. The Amendment Agreement was passed by an 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 over the expected life of the 2016 Convertible Bond after extension of maturity date. 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 Limited in respect of the exercise in part of the subscription rights attached to the 2016 Convertible Bond to convert an aggregate of HK\$168,000,000 of the principal amount of the 2016 Convertible Bond into 646,153,846 ordinary shares at the conversion price of HK\$0.26 per share.

Due to the conversion of partial 2016 Convertible Bond, the carrying amount of the debt component 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 conversion) based on the present value of the principal amount plus accrued coupon interest over the expected life of the remaining 2016 Convertible Bond after the conversion of Partial 2016 Convertible Bond. The change in carrying amount of the debt component of HK\$168,000,000 (equivalent to approximately RMB148,401,000) and of the derivative financial instruments of approximately HK\$459,376,000 (equivalent to approximately RMB405,785,000) are transferred to the equity.

The fair values of the derivative financial instruments of 2016 Convertible Bond as at 28 September 2018, 8 November 2018, 31 December 2018 and 2017 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, a company wholly-owned by Mr. Chau, a director of the Company, and Better Linkage Limited, a company wholly-owned by Lo Kai Bong, a director of the Company, for the acquisition of the entire equity interest of Star Admiral Limited (“**Star Admiral**”) and shareholder’s loan owed by Star Admiral.

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

The fair values of the derivative financial instruments of 2018 Convertible Bond as at 28 August 2018 and 31 December 2018 are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

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

### 2016 Convertible Bond

	<b>31 December 2018</b>	8 November 2018 (date of partial conversion)	28 September 2018 (date of extension)	31 December 2017
Share price	<b>HK\$1.230</b>	HK\$0.920	HK\$1.340	HK\$0.465
Conversion price	<b>HK\$0.260</b>	HK\$0.260	HK\$0.260	HK\$0.260
Expected volatility ( <i>Note (a)</i> )	<b>69.172%</b>	66.615%	65.623%	71.403%
Expected option life	<b>1.94 Years</b>	2.08 Years	2.19 Years	0.94 Year
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero	Zero	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>2.175%</b>	2.703%	2.676%	1.519%

### 2018 Convertible Bond

	<b>31 December 2018</b>	28 August 2018 (date of issuance)
Share price	<b>HK\$1.230</b>	HK\$1.350
Conversion price	<b>HK\$0.90</b>	HK\$0.90
Expected volatility ( <i>Note (a)</i> )	<b>66.825%</b>	67.520%
Expected option life	<b>1.66 Years</b>	2 Years
Expected dividend yield ( <i>Note (b)</i> )	<b>Zero</b>	Zero
Risk-free rate ( <i>Note (c)</i> )	<b>2.170%</b>	2.508%

*Notes:*

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

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

	<b>Debt component RMB'000</b>	<b>Derivative financial instruments RMB'000</b>	<b>Total RMB'000</b>
<b>2016 Convertible Bond</b>			
At 1 January 2017	365,286	129,675	494,961
Charge to profit or loss	–	329,855	329,855
Exchange difference	(26,359)	(19,592)	(45,951)
Effective interest expenses	<u>72,180</u>	<u>–</u>	<u>72,180</u>
At 31 December 2017	411,107	439,938	851,045
(Credit) charge to profit or loss, including adjustment on extension recognised in profit or loss	(73,936)	1,582,565	1,508,629
Exchange difference	24,159	147,618	171,777
Effective interest expenses	<u>51,663</u>	<u>–</u>	<u>51,663</u>
At 28 September 2018 (date of extension)	412,993	2,170,121	2,583,114
Credit to profit or loss	–	(807,286)	(807,286)
Exchange difference	1,875	13,935	15,810
Effective interest expenses	29,336	–	29,336
Partial conversion to shares during the year	<u>(148,401)</u>	<u>(405,785)</u>	<u>(554,186)</u>
At 8 November 2018 (date of partial conversion)	295,803	970,985	1,266,788
Charge to profit or loss	–	443,958	443,958
Exchange difference	(2,416)	(10,518)	(12,934)
Effective interest expenses	<u>4,121</u>	<u>–</u>	<u>4,121</u>
<b>At 31 December 2018</b>	<b><u>297,508</u></b>	<b><u>1,404,425</u></b>	<b><u>1,701,933</u></b>
<b>2018 Convertible Bond</b>			
At 28 August 2018 (date of issuance)	206,611	201,815	408,426
Credit to profit or loss	–	(29,732)	(29,732)
Exchange difference	2,147	2,374	4,521
Effective interest expenses	<u>8,854</u>	<u>–</u>	<u>8,854</u>
<b>At 31 December 2018</b>	<b><u>217,612</u></b>	<b><u>174,457</u></b>	<b><u>392,069</u></b>

## 15. CONTINGENT LIABILITIES

At 31 December 2018 and 2017, the Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by buyers of the Group's properties as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to buyers	<u><b>990</b></u>	<u>3,600</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 RMB297,000 (31 December 2017: RMB297,000) 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.

## 16. EVENT AFTER THE END OF THE REPORTING PERIOD

On 21 February 2019, a wholly owned subsidiary of the Company signed a non-legal binding memorandum of understanding with Paradise Co., Ltd. ("**Paradise**") in relation to a possible co-operation in Paradise's casino in Busan, Korea. Details of which are disclosed in the announcement of the Company dated 21 February 2019. The Group is still assessing the potential financial impact.

## **AUDIT OPINION**

The auditor of the Group has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

## **EXTRACT OF THE AUDITOR'S REPORT**

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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.

### **Material Uncertainty Related to Going Concern**

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB1,458,898,000 for the year ended 31 December 2018 and as of that date, the Group's current liabilities exceeded its current assets by RMB1,970,775,000 and total liabilities exceeded its total assets by RMB1,059,000,000. As stated in note 2 to the consolidated financial statements, the Group is dependent on the financial support from its controlling shareholder, which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **REVIEW AND OUTLOOK**

During the year ended 31 December 2018, the Group continued to engage in (i) property development in the People's Republic of China (the "PRC"); (ii) property leasing in the PRC, (iii) provision of hotel and integrated resort general consultancy services in Vietnam and Cambodia; and (iv) travel related products and services.

### **Property development**

As at 31 December 2018, the Group had three property development projects in the PRC. Namely Le Paysage in Shenzhen, Guangdong Province, the Landale located at Chaohu, Anhui Province and a project at Fushun, Liaoning Province (the "**Fushun Project**").

## ***Le Paysage***

The Group has commenced to deliver Le Paysage to buyers since the third quarter of 2014 and has already sold approximately 85% of the total saleable area of Le Paysage Project as at 31 December 2018.

## ***Landale and Fushun Project***

The Landale is currently suspended due to the change in policy regarding the rules of scenic area in the PRC while the Fushun Project is currently put on hold due to unfavorable market conditions.

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

## **Property leasing**

The property leasing business is principally engaged in the leasing of a portion of Hong Long Plaza in Shenzhen, namely Gang Long City Shopping Centre. The shopping centre has a leasable area of 64,397 square meters (“m<sup>2</sup>”) and the occupancy rate for the year ended 31 December 2018 was 67% (2017: 82%).

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

The Group commenced the provision in hotel and integrated general consultancy services in 2017 and several agreements have been signed with integrated resorts in Vietnam and Cambodia. As those integrated resorts are still under construction and the construction will be completed from end of 2019 onwards, the Group believes the performance of this segment will improve in the coming years.

## **Travel related products and services**

The Group commenced the provision of hotel accommodation products, transportation tickets and travel related products in Macau since 2016. In addition to the traditional point-of-sale channels, the Group is in the process of developing a mobile application to facilitate the sale of travel related products and aim to launch in the coming year.

According to the information published by the Statistics and Census Service of the Macau SAR Government, the number of visitor arrivals exceeded 35.8 million in 2018, up by 9.8% year-on-year. The average occupancy rate of hotels and guesthouses for the year ended 31 December 2018 increased by 3.9% year-on-year to 91.1%, with 5-star hotels at 92.4%, an increase of 4.6% year-on-year. The average length of stay of guests held steady year-on-year at 1.5 nights.

Following the opening of Hong Kong-Zhuhai-Macao Bridge in October 2018, Macau's tourism industry will be a key beneficiary of the 55-kilometer link as it puts Hong Kong, Macau and Zhuhai within an hour's drive of each other and it is expected to boost the regional tourism.

During the year ended 31 December 2018, the Group has extended its travel products to Vietnam and we aim to enrich our products to cover more Asian countries in the near future.

Having considered the above, together with the direction of Macau's tourism moving towards an integrated leisure and entertainment city, we are optimistic on the development of the travel related products and services segment.

### **Investment in integrated resorts**

On 28 August 2018, the Group completed the acquisition of the entire equity interest and shareholder's loan owed by Star Admiral Limited ("**Star Admiral**"). Star Admiral held approximately 34% indirect equity interest in the integrated resort development project located in Hoi An South, Quang Nam Province in Vietnam (the "**Hoi An South Project**"). The Hoi An South Project is expected to comprise seven phases to be developed over a span of thirteen years on a site of approximately 985.5 hectares. Phase 1 is currently under development and is expected to be completed by 2019 and it will include more than 1,000 hotel rooms, a casino with 140 gaming tables and over 300 slot machines as well as a golf course.

According to UNWTO Tourism Highlights 2018 Edition, Vietnam recorded the fastest growth in international tourist arrivals within the South-East Asia region in 2017, the international tourist arrivals further increased to 15.5 million in 2018 according to Vietnam National Administration of Tourism, it is believed that the Vietnam tourism industry will continue to grow and the Group shall benefit from its investment in Hoi An South Project.

### **Investment in Summit Ascent Holdings Limited**

In December 2018, the Group has acquired a minority stake in Summit Ascent Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

### **Going Forward**

The Group will continue to diversify its businesses to tourism-related real estate in Asian Countries and grasps opportunities on the provision for hotel and integrated resort general consultancy services. A memorandum of understanding with Paradise Co., Ltd. was signed earlier on the possible co-operation in Paradise Casino Busan. The Group aims to build an integrated tourism-related platform with equity investments in integrated resorts as well as a tourism-related service provider to integrated resorts within the Asian region.

## FINANCIAL REVIEW

The Group recorded a loss for the year attributable to owners of the Company of RMB1,458.5 million in 2018 as compared to the profit for the year attributable to owners of the Company of RMB197.0 million in 2017.

The loss for the year attributable to owners of the Company in 2018 was mainly attributable to (i) increase in loss of approximately RMB859.7 million in respect of the change in fair value of derivative financial instruments; (ii) the exchange loss of RMB181.0 million incurred in 2018 instead of an exchange gain of RMB41.7 million in last year; (iii) the absence of reversal of impairment loss of approximately RMB438.0 million recognised in respect of deposits for non-current assets in 2017; and (iv) the absence of reversal of provisions for litigations of approximately RMB289.2 million in 2017.

**Revenue:** Revenue was derived from (i) property development, (ii) property leasing, (iii) provision of hotel and integrated resort general consultancy services, and (iv) sales of travel related products and services. Revenue for the year was approximately RMB792.6 million, increased by approximately RMB247.9 million when compared to approximately RMB544.7 million for last year. The increase was mainly attributable to the increase in sales of properties and the continual growth in sales of travel related products and services and provision of hotel and integrated resort general consultancy services.

- i) **Property development** – The Group delivered residential units in the aggregate Gross Floor Area (“GFA”) of approximately 2,981 m<sup>2</sup> (2017: 1,202 m<sup>2</sup>), including high-rise building units of approximately 1,475 m<sup>2</sup> (2017: 204 m<sup>2</sup>), luxury high-rise building units of approximately 279 m<sup>2</sup> (2017: 215 m<sup>2</sup>) and villa of approximately 1,227 m<sup>2</sup> (2017: 783 m<sup>2</sup>). Followed by the release of the seizure of properties by the court in 2018, revenue from property development in 2018 increased by approximately RMB44.9 million.
- ii) **Property leasing** – The revenue represented rental income and property management services income from the leasing of Gang Long City Shopping Centre. It recorded a decrease from RMB55.5 million for the year ended 31 December 2017 to approximately RMB52.6 million this year resulting from the decrease in occupancy rate from 82% to 67%.
- iii) **Hotel and integrated resort general consultancy services** – During the year, the Group entered into technical service agreements with integrated resorts in Vietnam and Cambodia (in addition to the one Vietnam integrated resort project in 2017) and therefore generated more revenue by approximately RMB17.3 million.
- iv) **Travel related products and services** – Revenue mainly represented the sale of hotel accommodation products and the increase was mainly attributable to the increase of sale of hotel accommodation products as compared to last year.

**Other income, gains and losses:** The decrease in other income, gains and losses during the year was mainly due to (i) an exchange loss of approximately RMB181.0 million (2017: exchange gain of approximately RMB41.7 million) which was primarily due to the translation of convertible bonds and derivative financial instruments; and (ii) maintenance costs of RMB32.8 million (2017: nil) due to a landslide accident in 2018.

**Selling and distribution expenses:** The decrease in 2018 was mainly attributable to the decrease in commission paid for the sales of Le Paysage.

**Administrative expenses:** The decrease in administrative expenses in this year was a net result of the decrease in share-based compensation benefits offset against the increase in legal and professional fees.

**Other operating expenses:** The increase in 2018 was mainly due to the increases in utility expenses.

**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 market values of the investment properties as at 31 December 2018 were assessed by an independent valuer. The decrease in 2018 was mainly due to the prevailing market conditions.

**Change in fair value of financial asset at fair value through profit or loss:** During the year, the Company invested in certain listed equity securities, the increase in fair value represented the net increase in total market price of the listed securities.

**Change in fair value of a convertible bond:** The Company issued a convertible bond in the principal amount of HK\$570 million (equivalent to approximately RMB505.1 million) to Fame Select Limited, the major shareholder of the Company in 2016 (“**2016 Convertible Bond**”). During the year ended 31 December 2018, the maturity date of the 2016 Convertible Bond was extended to 7 December 2020 and this resulted in a change in fair value of a convertible bond of RMB73.9 million.

**Change in fair value of derivative financial instruments:** On 28 August 2018, the Company issued a convertible bond with a principal amount of HK\$297 million (equivalent to approximately RMB257.5 million) (“**2018 Convertible Bond**”). Both 2016 Convertible Bond and 2018 Convertible Bond contain derivative components and the change in fair value of derivative components, as assessed by an independent valuer, has been recognised in the consolidated statement of profit or loss and other comprehensive income.

**Reversal of provisions for litigations:** As stated in note 13, since the Group reached settlement agreements in relation to the Bank Claim (as defined in note 12) and Consultant Claim (as defined in note 13), reversal of provisions for litigations amounting to approximately RMB289.2 million was recognised in 2017.

**Reversal of provisions (provisions) for potential claims:** The provisions for potential claims represented the potential refunds of deposits and compensation to the buyers of the properties held for sale in relation to breaches of terms stipulated in the sales and purchase agreement entered into between the Group and the buyers. As disclosed in the note 12, followed by the formal release of the seizure of properties by the court in 2018, reversal of provisions of RMB19.5 million was recognised during the year (2017: provisions of RMB41.9 million).

**Impairment loss recognised in respect of inventories:** The amount represented the impairment loss recognised for the difference between the cost and its net realisable value of the Landale in the PRC in 2017, as assessed by an independent valuer.

**Reversal of impairment loss recognised in respect of deposits for non-current assets:** The Group received the refundable deposits for two projects in the PRC in an aggregate amount of RMB438.0 million in 2017.

**Share of loss of an associate:** The amount represented the share of loss and other comprehensive expense of the Group's associate.

**Share of loss of a joint venture:** One joint venture was acquired through the acquisition of the entire equity interest and shareholder's loan owed by Star Admiral during the year. The principal asset represents approximately 34% indirect equity interest in the Hoi An South Project in Vietnam. Phase 1 of the Hoi An South Project is expected to be completed by the end of 2019.

**Finance costs:** Finance costs mainly comprised interests on interest-bearing loan and effective interest expenses on convertible bonds. The increase in 2018 was mainly due to the increase in other borrowings, the newly issued promissory notes of HK\$303,000,000 and 2018 Convertible Bond.

**Income tax expense:** Income tax expense included current tax, land appreciation tax ("LAT") and deferred tax and the increase for the year was mainly due to the impact of deferred tax arising from LAT.

## SEGMENT ANALYSIS

In 2018, (i) property development revenue; (ii) property leasing revenue; (iii) hotel and integrated resort general consultancy services income; and (iv) travel related products and services income accounted for approximately 22.38% (2017: 24.33%), 6.64% (2017: 10.19%), 2.50% (2017: 0.47%) and 68.48% (2017: 65.01%) of the total revenue respectively.

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

Total pledged bank deposits, restricted bank deposits and bank balances and cash as at 31 December 2018 amounted to approximately RMB103.1 million (31 December 2017: RMB308.8 million) which included approximately RMB58.3 million, US\$0.001 million, MOP6.9 million and HK\$44.3 million respectively.

The Group had total bank and other borrowings of approximately RMB685.3 million as at 31 December 2018 (31 December 2017: RMB617.5 million) of which approximately RMB243.3 million were repayable on demand or within one year; approximately RMB117.0 million were repayable in the second year; approximately RMB130.0 million were repayable in the third to fifth year, inclusive; and the remainings were repayable after the fifth year. The Group's borrowings carried interest at fixed or floating interest rates. The Group's total bank and other borrowings divided by total assets as at 31 December 2018 was approximately 19.83% (31 December 2017: 21.16%).

The Group had convertible bonds and derivative financial instruments of approximately RMB515.1 million (31 December 2017: RMB411.1 million) and RMB1,578.9 million (31 December 2017: RMB439.9 million), respectively. The total of convertible bonds and derivative financial instruments divided by total assets as at 31 December 2018 was 60.61% (31 December 2017: 29.16%).

As at 31 December 2018, the Group had current assets of approximately RMB828.2 million (31 December 2017: RMB1,084.1 million) and current liabilities of approximately RMB2,799.0 million (31 December 2017: RMB2,403.6 million).

### **CHARGE ON ASSETS**

As at 31 December 2018, bank and other borrowings of approximately RMB685.3 million (31 December 2017: RMB617.5 million) were secured by certain investment properties, inventories and pledged bank deposits of the Group of approximately RMB1,714.2 million (31 December 2017: RMB1,724.9 million), RMB172.1 million (31 December 2017: RMB178.1 million) and RMB0.006 million (31 December 2017: RMB0.006 million) respectively.

As at 31 December 2018, pledged bank deposits of approximately RMB7.1 million (31 December 2017: RMB5.6 million) were pledged for the license and suppliers in relation to Sun Travel Ltd., an indirect wholly-owned subsidiary of the Company.

As at 31 December 2018, pledged bank deposits of approximately RMB0.3 million (31 December 2017: 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 2018, 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 Group conducts its business primarily in Renminbi. Save for bank balances and cash, pledged bank deposits, convertible bonds, derivative financial instruments, amount due to a related company, amount due to a director and loan from a related company that are denominated in currencies other than the functional currency of the operations to which they relate, the Group did not have material exposures to fluctuations in exchange rates. 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 2018.

## **CONTINGENT LIABILITIES**

For the details of contingent liabilities, please refer to the note 15.

## **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 2018, the Group had a staff force of approximately 141 (31 December 2017: 168) employees. Of this, most were stationed in 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 2018 was approximately RMB53.6 million (2017: RMB50.3 million).

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

## **SOCIAL RESPONSIBILITY**

The Group is committed to bear its social responsibility and contribute to the weak and poor. The employees of the Group have actively participated in various charity activities involving cultural education, disaster relief, environmental protection, health and hygiene, as well as public transportation of the municipal. The Group will continue to promote our corporate culture of dedicating sincerity and love to the community internally, and bear our related social responsibility.

## **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.

## **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 2018 except the following deviations:

Under code A.2.1, 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, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva, 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 meetings 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 meetings held on 11 June 2018.

Under code provision A.6.7, 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. 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 meetings held on 28 September 2018. 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 2018.

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 2018 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 MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Certificate Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

**PUBLICATION OF THE ANNUAL RESULTS AND 2018 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](http://www.hkexnews.hk)) and the Company ([www.suncitygroup.com.hk](http://www.suncitygroup.com.hk)). The Company's 2018 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.

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

Hong Kong, 29 March 2019

*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.*