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)

FOR THE SIX MONTHS ENDED 30 JUNE 2018 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Suncity Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 together with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*4*	**433,003**	338,482
Rental income		**23,021**	23,869
		456,024	362,351
Cost of sales		**(279,165)**	(157,435)
Gross profit		**176,859**	204,916
Other income, gains and losses	*5*	**(62,145)**	23,625
Selling and distribution expenses		**(2,850)**	(25,887)
Administrative expenses		**(53,881)**	(57,534)
Other operating expenses		**(8,381)**	(2,062)
Change in fair value of investment properties		**–**	(19,000)
Change in fair value of derivative financial instruments	*16*	**(1,572,625)**	(628,538)
Provisions for litigations	*15*	**–**	(70,606)
Reversal of provisions (provisions) for potential claims	*14*	**19,368**	(38,300)
Impairment loss recognised in respect of inventories		**–**	(4,230)
Reversal of impairment loss recognised in respect of deposits for non-current assets		**–**	150,000
Share of result of an associate		**(593)**	–
Finance costs	*6*	**(60,970)**	(60,691)
Loss before taxation		**(1,565,218)**	(528,307)
Income tax expense	*7*	**(83,059)**	(104,073)
Loss for the period	*8*	**(1,648,277)**	(632,380)
Other comprehensive income:			
Exchange differences on translating foreign operations that may be subsequently reclassified to profit or loss		**335**	211
Total comprehensive expense for the period		**(1,647,942)**	(632,169)
Loss for the period attributable to:			
– Owners of the Company		**(1,648,052)**	(632,324)
– Non-controlling interests		**(225)**	(56)
		(1,648,277)	(632,380)

	Note	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Unaudited) (Restated)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		**(1,647,717)**	(632,113)
– Non-controlling interests		**(225)**	(56)
		(1,647,942)	(632,169)
Loss per share:			
– Basic (RMB cents)	*10*	**(27.12)**	(10.42)
– Diluted (RMB cents)	*10*	**(27.12)**	(10.42)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,862**	3,605
Investment properties	*11*	**1,724,900**	1,724,900
Prepayment and deposits for non-current assets		**16,455**	8,136
Interest in an associate		**1,157**	1,701
Deferred tax assets		**109,064**	96,307
		1,854,438	1,834,649
Current assets			
Inventories		**587,908**	653,230
Trade and other receivables	*12*	**122,425**	121,392
Amounts due from directors		**238**	666
Pledged bank deposits		**8,085**	5,873
Restricted bank deposits		**–**	334
Bank balances and cash		**41,694**	302,557
		760,350	1,084,052
Current liabilities			
Trade and other payables	*13*	**288,129**	248,860
Amount due to a related company		**43,035**	50,193
Amount due to a director		**–**	4,668
Contract liabilities		**130,828**	–
Receipt in advance		**965**	289,441
Rent and other deposits		**8,438**	8,442
Provisions for potential claims	*14*	**22,714**	42,082
Provisions for litigations	*15*	**–**	235,000
Bank and other borrowings		**222,547**	212,547
Convertible bond	*16*	**449,535**	411,107
Derivative financial instruments	*16*	**2,071,173**	439,938
Current tax liabilities		**519,044**	461,288
		3,756,408	2,403,566
Net current liabilities		**(2,996,058)**	(1,319,514)
Total assets less current liabilities		**(1,141,620)**	515,135

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Non-current liabilities		
Bank borrowings	**385,000**	405,000
Amount due to a director	**4,708**	–
Deferred tax liabilities	**360,049**	357,950
	749,757	762,950
Net liabilities	**(1,891,377)**	(247,815)
Capital and reserves		
Share capital	**525,734**	525,734
Reserves	**(2,406,114)**	(762,777)
Deficit attributable to owners of the Company	**(1,880,380)**	(237,043)
Non-controlling interests	**(10,997)**	(10,772)
Total deficit	**(1,891,377)**	(247,815)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of amendments to Hong Kong Financial Reporting Standards

For the six months ended 30 June 2018, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosure as described below.

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 interim period. 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.

Summary of effects arising from initial application of HKFRS 15

The Group recognises revenue from the following major sources:

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. It is generally satisfied at a point in time when the control is transferred to the buyer.

Travel agency services income is recognised upon performance of the services. It is generally satisfied at a point in time when the control is transferred to the customer.

Rental income from investment properties is recognised over time on a straight-line basis over the term of the lease contract.

Property management services income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Such service is recognised using a straight-line basis over the term of the lease contract.

Income from sales of travel related products is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Such income is recognised on a daily basis over the contract.

Hotel and integrated resort general consultancy services income is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Such service is recognised using a straight-line basis over the term of the contract.

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

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)		
Current liabilities			
Trade and other payables *(Note 1)*	198,860	50,000	248,860
Receipt in advance *(Notes 1 and 2)*	339,441	(338,480)	961
Contract liabilities *(Note 2)*	–	288,480	288,480

Notes:

1. As at 1 January 2018, receipt in advance of RMB50,000,000 was reclassified to trade and other payables in order to conform with current period's presentation.

2. As at 1 January 2018, receipt in advance of RMB288,480,000 previously included in current liabilities was reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)		
Current liabilities			
Receipt in advance *(Note)*	965	130,828	131,793
Contract liabilities *(Note)*	130,828	(130,828)	–

Note: As at 30 June 2018, receipt in advance of RMB130,828,000 included in current liabilities 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 condensed consolidated financial statements.

Sale with a right of return

For a sale of properties with a right of return, the Group recognises all of the following:

(a) revenue for the transferred properties in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the properties expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Principal versus agent

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

In relation to the Group's travel related businesses, the Group has acted as principal for transactions of hotel accommodation products and other travel package products and acted as agent for the rest. In assessing whether the Group acted as principal or agent, the Group has considered whether it controls the hotel accommodation products, other travel package products and travel agency services before such products and/or services are transferred to customers, indicators including but not limited to whether the Group has primary responsibility in providing the goods and services to the customers, inventory risk before the customers' order and whether it has discretion in establishing price.

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

During the six months ended 30 June 2018, 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

No impairment allowance was recognised as at 1 January 2018 and further assessment process is set out in note 12.

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

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39** *RMB'000*	**New carrying amount under HKFRS 9** *RMB'000*
1. Trade and other receivables	Loans and receivables	Financial assets at amortised cost	121,392	121,392
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. Provisions for litigations	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 fair value through profit or loss	Financial liabilities at fair value through profit or loss	439,938	439,938

2. BASIS OF PREPARATION

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

The Group incurred a net loss of Renminbi ("RMB") 1,648,277,000 during the six months ended 30 June 2018 and, as at 30 June 2018, the Group's current liabilities exceeded its current assets by RMB2,996,058,000 and total liabilities exceeded its total assets by RMB1,891,377,000. Taking into account the financial resources of the Group, including the financial support from Mr. Chau Cheok Wa ("Mr. Chau"), its controlling shareholder, and facility of Hong Kong dollar ("HK$") 400,000,000 granted from a related company subsequent to the reporting period, 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 condensed consolidated financial statements have been prepared on a going concern basis.

3. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN PRESENTATION OF COMPARATIVES

In course of the preparation of the Group's annual financial statements for the year ended 31 December 2017, the directors of the Company made certain adjustments to rectify errors relating to the Group's annual financial statements for the year ended 31 December 2016 and accordingly, certain errors relating to the Group's interim financial report for the six months ended 30 June 2017 were rectified when preparing the interim financial report for the current period.

Prior period adjustments

(a)(i) Revenue was recognised incorrectly and recognised in the inappropriate period. In addition, cost of sales was incorrectly measured. Furthermore, certain other income and income tax expense were misstated in prior period.

(a)(ii) The Group has under-provided the Land Appreciation Tax (the "LAT") in relation to the sales of properties held for sale in The People's Republic of China (the "PRC") during the six months ended 30 June 2017.

(a)(iii) Provisions in relation to the Bank Claim (as defined in note 15) and Consultant Claim (as defined in note 15) had been under-provided in prior period. After reviewing all the relevant documents, the directors of the Company considered that the Group had a present legal obligation as a result of a past event, it was probable that the Group would be required to settle that obligation, and a more reliable estimate could be made of the amount of the obligation in relation to the Bank Claim and Consultant Claim as at 30 June 2017.

(a)(iv) During the period between the end of six months ended 30 June 2017 and the date when the interim financial statements for the six months ended 30 June 2017 were authorised for issue, the Group received a Notice (as defined in note 14) that certain properties were seized by the court due to the litigations as set out in note 15. As a result, the Group failed to fulfil the obligations stipulated in the sales and purchase agreement within the predetermined period of time. Pursuant to the terms of the sales and purchase agreement, the Group is liable to the claims for the return of pre-sale deposits, instalment payment and compensation made by the buyers. The directors of the Company are of the opinion that the seizure of certain properties is an adjusting event after the reporting period as the Group has present obligation at the end of the reporting period and therefore the Group 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 agreement as at 30 June 2017. Accordingly, the Group under-provided the provision of RMB38,300,000 during the six months ended 30 June 2017.

(a)(v) Refer to note 16 for the details of the convertible bond issued by the Company in 2016. Due to the inappropriate assumptions used in the assessment of fair value of the convertible bond, the initial recognition of the convertible bond issued by the Company was not accounted for correctly in 2016. The Group engaged Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, to revisit the valuation on the convertible bond as at 8 December 2016 (issuance date) and therefore the profit or loss items related to the measurement of the convertible bond for the six months ended 30 June 2017 were restated.

(a)(vi) Travel agency services income was recognised incorrectly at gross amount and therefore the related cost of sales was overstated during the six months ended 30 June 2017.

Changes in presentation of comparatives

(a)(vii) In addition to the adjustments made to correct prior period's errors mentioned in notes 3(a)(i) to 3(a)(vi) above, the directors of the Company also made certain reclassifications to the comparative figures as at 30 June 2017 in order to conform with current period's presentation. Such adjustments were mainly made to group together multiple line items with similar nature that were previously disclosed on the face of the primary statements, so as to make the face of those statements clearer and more concise. The details of the relevant items have been retained in the notes to the condensed consolidated financial statements.

(b) Summary of the effects of restatements

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017

	2017 (as previously reported)	Effect of prior period adjustments						2017 (after prior period adjustments)	Changes in presentation	2017 (as restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(a)(i)	*(a)(ii)*	*(a)(iii)*	*(a)(iv)*	*(a)(v)*	*(a)(vi)*		*(a)(vii)*	
Revenue	333,209	37,503	–	–	–	–	(8,361)	362,351	(23,869)	338,482
Rental income	–	–	–	–	–	–	–	–	23,869	23,869
	333,209	37,503	–	–	–	–	(8,361)	362,351	–	362,351
Cost of sales	(187,840)	22,044	–	–	–	–	8,361	(157,435)	–	(157,435)
Gross profit	145,369	59,547	–	–	–	–	–	204,916	–	204,916
Other income	3,933	(3,360)	–	–	–	–	–	573	(573)	–
Other gains and losses	(958,571)	–	–	341,230	–	68,019	–	(549,322)	549,322	–
Other income, gains and losses	–	–	–	–	–	–	–	–	23,625	23,625
Selling and distribution expenses	(25,887)	–	–	–	–	–	–	(25,887)	–	(25,887)
Administrative expenses	(57,534)	–	–	–	–	–	–	(57,534)	–	(57,534)
Other operating expenses	(2,062)	–	–	–	–	–	–	(2,062)	–	(2,062)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	(19,000)	(19,000)
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	–	(628,538)	(628,538)
Provisions for litigations	–	–	–	–	–	–	–	–	(70,606)	(70,606)
Provisions for potential claims	–	–	–	–	(38,300)	–	–	(38,300)	–	(38,300)
Impairment loss recognised in respect of inventories	–	–	–	–	–	–	–	–	(4,230)	(4,230)
Reversal of impairment loss recognised in respect of deposits for non-current assets	–	–	–	–	–	–	–	–	150,000	150,000
Finance costs	(39,941)	–	–	–	–	(20,750)	–	(60,691)	–	(60,691)
Loss before taxation	(934,693)	56,187	–	341,230	(38,300)	47,269	–	(528,307)	–	(528,307)
Income tax expense	(121,630)	53,074	(35,517)	–	–	–	–	(104,073)	–	(104,073)
Loss for the period	(1,056,323)	109,261	(35,517)	341,230	(38,300)	47,269	–	(632,380)	–	(632,380)
Other comprehensive income:										
Exchange differences on translating foreign operations that may be subsequently reclassified to profit or loss	209	2	–	–	–	–	–	211	–	211
Total comprehensive expense for the period	(1,056,114)	109,263	(35,517)	341,230	(38,300)	47,269	–	(632,169)	–	(632,169)
Loss for the period attributable to:										
– Owners of the Company	(1,056,267)	109,261	(35,517)	341,230	(38,300)	47,269	–	(632,324)	–	(632,324)
– Non-controlling interests	(56)	–	–	–	–	–	–	(56)	–	(56)
	(1,056,323)	109,261	(35,517)	341,230	(38,300)	47,269	–	(632,380)	–	(632,380)
Total comprehensive expense for the period attributable to:										
– Owners of the Company	(1,056,058)	109,263	(35,517)	341,230	(38,300)	47,269	–	(632,113)	–	(632,113)
– Non-controlling interests	(56)	–	–	–	–	–	–	(56)	–	(56)
	(1,056,114)	109,263	(35,517)	341,230	(38,300)	47,269	–	(632,169)	–	(632,169)

4. REVENUE AND SEGMENT INFORMATION

Segment Information

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

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

(1) Property development - Development and sales of office premises, residential and retail properties in the PRC;

(2) Property leasing - Leasing of retail 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

	Six months ended 30 June 2018 (Unaudited)				
Segment	**Property development**	**Property leasing**	**Hotel and integrated resort general consultancy services**	**Travel related products and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services					
Sales of properties					
– Apartments	49,456	–	–	–	49,456
– Villas	120,179	–	–	–	120,179
Sales of travel related products					
– Hotel accommodation products	–	–	–	247,565	247,565
– Others	–	–	–	150	150
Travel agency services income	–	–	–	3,100	3,100
Property management services income	–	4,059	–	–	4,059
Hotel and integrated resort general consultancy services income	–	–	8,494	–	8,494
Total	169,635	4,059	8,494	250,815	433,003

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Timing of revenue recognition		
A point in time:		
Income from sales of properties	**169,635**	223,340
Travel agency services income	**3,100**	2,532
	172,735	225,872
Over time:		
Property management services income	**4,059**	4,173
Income from sales of travel related products	**247,715**	108,437
Hotel and integrated resort general consultancy services income	**8,494**	–
	260,268	112,610
Total	**433,003**	338,482

Geographical Information

The entire revenue from segment of property development and property leasing are generated from the PRC while the entire revenue from segment of hotel and integrated resort general consultancy services, and travel related products and services are generated from Vietnam and Macau, respectively.

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.

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

Six months ended 30 June 2018 (Unaudited)

	Property development *RMB'000*	Property leasing *RMB'000*	Hotel and integrated resort general consultancy services *RMB'000*	Travel related products and services *RMB'000*	Total *RMB'000*
Segment revenue from external customers	**169,635**	**27,080**	**8,494**	**250,815**	**456,024**
Segment profit (loss)	**121,208**	**(3,895)**	**(2,365)**	**15,363**	**130,311**
Change in fair value of derivative financial instruments *(note 16)*					**(1,572,625)**
Share of result of an associate					**(593)**
Unallocated other income, gains and losses					**(63,198)**
Unallocated finance costs					**(33,712)**
Unallocated expenses					**(25,401)**
Loss before taxation					**(1,565,218)**

Six months ended 30 June 2017 (Unaudited) (Restated)

	Property development *RMB'000*	Property leasing *RMB'000*	Hotel and integrated resort general consultancy services *RMB'000*	Travel related products and services *RMB'000*	Total *RMB'000*
Segment revenue from external customers	223,340	28,042	–	110,969	362,351
Segment profit (loss)	88,193	(19,495)	(7,626)	4,402	65,474
Reversal of impairment loss recognised in respect of deposits for non-current assets					150,000
Change in fair value of derivative financial instruments *(note 16)*					(628,538)
Provisions for litigations *(note 15)*					(70,606)
Unallocated other income, gains and losses					23,109
Unallocated finance costs					(36,499)
Unallocated expenses					(31,247)
Loss before taxation					(528,307)

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

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Advertising income	**81**	19
Interest income	**273**	155
Gain on disposal of property, plant and equipment	**4**	–
Net exchange (loss) gain	**(63,387)**	23,052
Others	**884**	399
	(62,145)	23,625

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Effective interest expense on convertible bond *(note 16)*	**33,712**	36,499
Interest on bank borrowings	**12,474**	13,513
Interest on other borrowings	**14,784**	10,679
	60,970	60,691

No finance costs have been capitalised for both periods.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current tax		
– Enterprise Income Tax ("EIT")	**34,472**	35,108
– Macau Complementary Income Tax ("CIT")	**1,751**	5
	36,223	35,113
LAT	**57,494**	92,750
Deferred tax	**(10,658)**	(23,790)
	83,059	104,073

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2017: 16.5%) of the estimated assessable profits. No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

(b) EIT

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

(c) PRC withholding income tax

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

(d) LAT

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

(e) Overseas income tax

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

(f) CIT

CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the six months ended 30 June 2018 and 2017.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Loss for the period has been arrived at after charging (crediting) the following:		
Depreciation	**786**	874
Directors' remuneration	**6,682**	2,801
Staff costs		
– salaries and wages, excluding directors	**18,389**	16,779
– share-based compensation benefits, excluding directors and consultants	**642**	–
– retirements benefits scheme contributions, excluding directors	**945**	1,022
Total staff costs, excluding directors	**19,976**	17,801
Impairment loss recognised in respect of other receivables (included in other operating expenses)	**1,762**	–
Legal and professional fee for litigations	**3,967**	756
Minimum lease payments under operating leases in respect of office premises	**1,638**	1,939
Cost of sales		
– cost of properties sold	**44,477**	52,803
– cost of travel related products sold	**231,092**	102,678
– cost of services rendered	**3,596**	1,954
	279,165	157,435
Gross rental income from investment properties	**(23,021)**	(23,869)
Less: Direct operating expenses incurred for investment properties	**2,294**	1,730
	(20,727)	(22,139)

9. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2018 and 2017. The directors of the Company have determined that no dividends will be paid in respect of the six months ended 30 June 2018 and 2017.

10. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	**(1,648,052)**	(632,324)

	Number of shares	
	2018	2017
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	6,076,460,186	6,069,179,302

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the six months ended 30 June 2017 have been adjusted to reflect the bonus element of the issue of rights shares during the six months ended 30 June 2017.

For the six months ended 30 June 2018 and 2017, 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 bond of the Company since the assumed exercise of those share options and the conversion of the outstanding convertible bond would result in decrease in loss per share.

11. MOVEMENT IN INVESTMENT PROPERTIES

The Group engages Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group to perform the valuation for the fair value of the Group's investment properties as at 30 June 2018 and 31 December 2017, respectively. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Income approach operates by taking into account the rental income of the property derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy which are then capitalised into the value at an appropriate capitalisation rate.

There is no change in fair value of investment properties for the six months ended 30 June 2018 (six months ended 30 June 2017: decrease in fair value of investment properties of RMB19,000,000).

As at 30 June 2018 and 31 December 2017, all investment properties of the Group have been pledged to secure the Group's bank borrowings.

12. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables *(Note)*		
within 30 days	**56,185**	56,791
31-90 days	**376**	31
91-180 days	**1,388**	120
over 180 days	**2,080**	2,080
	60,029	59,022
Other receivables	**6,971**	7,983
Oher deposits	**55,425**	54,387
	122,425	121,392

Note:

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

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

From 1 January 2018, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. As at 30 June 2018, majority of the trade receivables balances were within the credit period of 30 days, the directors of the Company considered that the lifetime ECL allowance is insignificant as at 30 June 2018.

13. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
0-90 days	**12,439**	11,157
over 90 days	**21,755**	65,016
	34,194	76,173
Other payables and accruals *(Note)*	**170,545**	113,124
Interest payables	**57,257**	42,473
Other tax payables	**26,133**	17,090
	288,129	248,860

Note: Amounts mainly include accrued expenses, other payables and salaries payable.

14. 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 agreement entered into between the Group and the buyers.

During the six months ended 30 June 2017, a bank (the "Bank") initiated an enforcement of a civil claim (the "Bank Claim") against the Group including the seizure of certain properties. During the period between the end of six months ended 30 June 2017 and the date when the interim financial statements for the six months ended 30 June 2017 were authorised for issue, the Group received a notice (the "Notice") from the 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 15.

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 (the "Event"). As a result, the Group failed to fulfil the obligations stipulated in the sales and purchase agreement within the predetermined period of time.

After careful assessment performed by the directors of the Company, the directors of the Company are of the opinion that the Event is an adjusting event after the period ended 30 June 2017 as the Group has present obligation as at 30 June 2017 and therefore the Group 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 agreement. With reference to the legal opinion from the PRC lawyer, the estimated provisions for potential claims were RMB38,500,000 and RMB200,000 as at 30 June 2017 and 31 December 2016, respectively, and therefore the Group recognised provision of RMB38,300,000 during the six months ended 30 June 2017.

During the six months ended 30 June 2018, all seized properties were released by the court as set out in note 15. The Group has then performed all obligations stipulated in the sales and purchase agreements, and reversal of provision of RMB19,368,000 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 six months ended 30 June 2018 and year ended 31 December 2017.

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

	RMB'000
At 1 January 2017 (Audited)	200
Charge to profit or loss (Restated)	38,300
At 30 June 2017 (Unaudited) (Restated)	38,500
Charge to profit or loss	3,582
At 31 December 2017 (Audited)	42,082
Credit to profit or loss	(19,368)
At 30 June 2018 (Unaudited)	22,714

15. 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 RMB602,521,000 and RMB539,082,000 as at 30 June 2017 and 31 December 2016, respectively and therefore, the Group recognised provision of RMB63,439,000 in relation to the Bank Claim for the six months ended 30 June 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 six months ended 30 June 2018, as all precedent events have been fulfilled and the Group has settled the Bank Claim, no provision in relation to the Bank Claim was made as at 30 June 2018. All the seized inventories were released from the Intermediate Court during the six months ended 30 June 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 Group have revisited the provisions in relation to the Consultant Claim in prior years. The provision in relation to the Consultant Claim was RMB121,928,000 and RMB114,761,000 as at 30 June 2017 and 31 December 2016, respectively and therefore, the Group recognised provision of RMB7,167,000 for the six months ended 30 June 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 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 30 June 2018 and 31 December 2017. However, inventories were still seized under the Enforcement Notice as the 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 30 June 2018.

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

	Bank Claim	Consultant Claim	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017 (Audited)	539,082	114,761	653,843
Charge to profit or loss for the period (Restated)	63,439	7,167	70,606
At 30 June 2017 (Unaudited) (Restated)	602,521	121,928	724,449
Charge to profit or loss for the period	–	7,675	7,675
Credit to profit or loss for the period	(367,521)	–	(367,521)
Settled through deposit paid	–	(84,603)	(84,603)
Payment for the period	–	(45,000)	(45,000)
At 31 December 2017 (Audited)	235,000	–	235,000
Payment for the period	(235,000)	–	(235,000)
At 30 June 2018 (Unaudited)	–	–	–

16. CONVERTIBLE BOND/DERIVATIVE FINANCIAL INSTRUMENTS

On 8 December 2016, the Company issued a convertible bond (the "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 Convertible Bond.

The maturity date of the Convertible Bond is 7 December 2018 ("CB Maturity Date") which is 2 years from the date of issue of the Convertible Bond. The Convertible Bond is not interest bearing and matures on CB Maturity Date at the principal amount. The Convertible Bond is convertible into shares at any time after the issuance up to the close of business on the CB Maturity Date at the conversion price of HK$0.26 per share, subject to anti-dilutive adjustments ("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 Convertible Bond on a fully diluted basis.

The Company is entitled to an option to early redeem at anytime before CB Maturity Date the whole or part of the principal outstanding amount of the Convertible Bond at principal amount ("CB Redemption Option").

The Convertible Bond contains a debt component and derivative component. The 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 Convertible Bond is denominated in HK$, a foreign currency of the Company.

The fair value of the Convertible Bond is HK$568,761,000 (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 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 issuance date and in subsequent periods with changes in fair value recognised in profit or loss.

The fair values of the derivative financial instruments as at 30 June 2018, 31 December 2017, 30 June 2017 and 1 January 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").

On 8 May 2018, the Company and Fame Select Limited entered into an Amendment Agreement (the "Amendment Agreement"), to extend the CB Maturity Date to 7 December 2020. The Amendment Agreement is subject to certain conditions precedent, details which are disclosed in the announcement of the Company dated 8 May 2018.

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

	30 June 2018	31 December 2017
Share price	**HK$1.370**	HK$0.465
Conversion price	**HK$0.260**	HK$0.260
Expected volatility *(Note (a))*	**78.580%**	71.403%
Expected option life	**0.44 years**	0.94 years
Expected dividend yield *(Note (b))*	**Zero**	Zero
Risk-free rate *(Note (c))*	**2.196%**	1.519%

Notes:

(a) The expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

(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 bond and derivative financial instruments are shown as follows:

	Debt component *RMB'000*	**Derivative financial instruments** *RMB'000*	**Total** *RMB'000*
At 1 January 2017 (Audited)	365,286	129,675	494,961
Charge to profit or loss (Restated)	–	628,538	628,538
Exchange difference (Restated)	(11,448)	(13,940)	(25,388)
Effective interest expenses (Restated) *(note 6)*	36,499	–	36,499
At 30 June 2017 (Unaudited) (Restated)	390,337	744,273	1,134,610
Credit to profit or loss	–	(298,683)	(298,683)
Exchange difference	(14,911)	(5,652)	(20,563)
Effective interest expenses	35,681	–	35,681
At 31 December 2017 (Audited)	411,107	439,938	851,045
Charge to profit or loss	–	1,572,625	1,572,625
Exchange difference	4,716	58,610	63,326
Effective interest expenses *(note 6)*	33,712	–	33,712
At 30 June 2018 (Unaudited)	449,535	2,071,173	2,520,708

17. CONTINGENT LIABILITIES

At 30 June 2018 and 31 December 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:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Guarantees given to banks for mortgage facilities granted to buyers	**990**	3,600

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

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

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 as at 30 June 2018.

18. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group obtained an unconditional facility of HK$400,000,000 from a related company which is beneficially owned by Mr. Chau and HK$176,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% p.a., and repayable after 60 months from the date of facility.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In course of the preparation of the Group's annual financial statements for the year ended 31 December 2017, certain adjustments have been made to restate the figures relating to the Group's annual financial statements for the year ended 31 December 2016 and the Group's interim results for the six months ended 30 June 2017 is therefore restated in this report to align the treatment with that for the year ended 31 December 2017. Details are set out in note 3.

Revenue

Revenue was derived from (i) property development, (ii) property leasing, (iii) provision of hotel and integrated resort management and consultancy services, and (iv) provision of travel related products and services. Revenue for the period under review was approximately RMB456.0 million, increased by approximately RMB93.6 million when compared to approximately RMB362.4 million for the corresponding period in 2017. The increase was mainly attributable to the continuous growth in sales of travel related products and services and the new source of income from provision of hotel and integrated resort management and consultancy services since the second half of 2017.

i) **Property development** – The Group delivered residential units in the aggregate Gross Floor Area ("GFA") of approximately 2,749 m^2 (six months ended 30 June 2017: 2,069 m^2), including high-rise building units of approximately 1,242 m^2 (six months ended 30 June 2017: 319 m^2) luxury high-rise building units of approximately 279 m^2 (six months ended 30 June 2017: 215 m^2) and villa of approximately 1,228 m^2 (six months ended 30 June 2017: 1,535 m^2). As a result of the decrease in sale of GFA of villa, which is of higher selling price, revenue for the six months under review decreased by approximately RMB53.7 million.

ii) **Property leasing –** The revenue represented the rental income and property management services income from the leasing of Gang Long City Shopping Centre. It recorded a slight decrease from RMB28.0 million for the six months ended 30 June 2017 to approximately RMB27.1 million in this period under review resulting from the decreased occupancy rate of the shopping centre.

iii) **Provision of hotel and integrated resort management and consultancy services –** Provision of hotel and integrated resort management and consultancy services commenced since the second half of 2017 and has generated revenue of approximately RMB8.5 million for the period under review.

iv) **Provision of travel related products and services –** After the acquisition of Sun Travel Ltd. ("Sun Travel") in August 2016, the income from this segment has been growing continuously to RMB250.8 million in current period, which was 2.26 times compared to corresponding period in 2017.

Other income, gains and losses

The decrease in other income, gains and losses during the six months under review was mainly due to the exchange loss of RMB63.4 million (six months ended 30 June 2017: exchange gain of RMB23.1 million) resulting from translation of HK$ to RMB.

Selling and distribution expenses

The decrease in selling and distribution expenses during the six months under review was mainly attributable to the decrease in commission paid for sales of Le Paysage.

Administrative expenses

The decrease in administrative expenses during the six months under review was mainly attributable to the net effect of the decrease in share-based compensation benefits offset against the increases in directors' remuneration and legal and professional fee.

Other operating expenses

The increase for the six months under review was mainly due to the increase in bank service charge for settlement of litigation claim of RMB4.9 million and impairment loss recognised in respect of other receivables.

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 value of the investment properties as at 30 June 2018 was assessed by an independent valuer.

Change in fair value of derivative financial instruments

It represented the change in fair value of derivative component carried in the convertible bond in the principal amount of HK$570,000,000 issued to the major shareholder of the Company in December 2016. The fair value of the derivative component as at 30 June 2018 was assessed by an independent valuer.

Provisions for litigations

It represented the provisions for litigations (the Bank Claim and Consultant Claim as defined in note 15) taken place in prior years. As the Group reached settlement agreements in relation to the Bank Claim and Consultant Claim during the second half of 2017 and the settlement amounts have been fully paid as of 30 June 2018, no reversal or provision for the litigations was made during the six months under review as compared to provisions of RMB70.6 million for litigations were recognised in profit or loss in corresponding period in 2017.

Reversal of provisions (provisions) for potential claims

The provisions for potential claims represented the potential refund of deposits and compensation to the buyers of the properties held for sale in relation to breach of terms stipulated in the sales and purchase agreement entered into between the Group and the buyers. As disclosed in the note 14, followed by the formal release of the seizure of properties by the court in 2018, reversal of provisions of RMB19,368,000 was recognised during the six months under review (six months ended 30 June 2017: provisions for potential claims of RMB38,300,000).

Share of result of an associate

The amount represented the share of loss and other comprehensive expense of the Group's associate which was incorporated in November 2017.

Finance costs

Finance costs for the six months under review comprise interests on interest-bearing loans and effective interest expenses on the convertible bond of approximately RMB27,258,000 (six months ended 30 June 2017: RMB24,192,000) and RMB33,712,000 (six months ended 30 June 2017: RMB36,499,000), respectively.

Income tax expense

Income tax expense comprises current tax, LAT and deferred taxation and the decrease for the six months under review was mainly due to the decreases in LAT and related deferred tax asset recognised during the period under review.

SEGMENT ANALYSIS

During the six months under review, (i) property development revenue; (ii) property leasing revenue; (iii) hotel and integrated resort management and consultancy services income; and (iv) travel related products and services revenue accounted for approximately 37.2% (six months ended 30 June 2017: 61.7%), 5.9% (six months ended 30 June 2017: 7.7%), 1.9% (six months ended 30 June 2017: Nil), and 55.0% (six months ended 30 June 2017: 30.6%) of total segment revenue of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash, pledged bank deposits and restricted bank deposits, in aggregate, as at 30 June 2018 amounted to approximately RMB49.8 million (31 December 2017: RMB308.8 million).

The Group had bank and other borrowings of approximately RMB607.5 million as at 30 June 2018 (31 December 2017: RMB617.5 million) of which RMB222.5 million were repayable on demand or within one year, RMB40.0 million were repayable in the second year; approximately RMB135.0 million were repayable in the third to fifth year, inclusive; and the remaining RMB210.0 million were repayable after the fifth year. The Group's borrowings carried interest at fixed or floating interest rates. The Group's total borrowings divided by total assets as at 30 June 2018 was 23.23% (31 December 2017: 21.16%).

As at 30 June 2018, the Group had convertible bond and derivative financial instruments of approximately RMB449.5 million (31 December 2017: RMB411.1 million) and RMB2,071.2 million (31 December 2017: RMB439.9 million), respectively. The total of convertible bond and derivative financial instruments divided by total assets as at 30 June 2018 was 96.40% (31 December 2017: 29.16%).

As at 30 June 2018, the Group had current assets of approximately RMB760.4 million (31 December 2017: RMB1,084.1 million) and current liabilities of approximately RMB3,756.4 million (31 December 2017: RMB2,403.6 million).

CHARGE ON ASSETS

As at 30 June 2018, bank and other borrowings of approximately RMB607.5 million (31 December 2017: RMB617.5 million) were secured by certain investment properties and inventories of the Group of approximately RMB1,724.9 million (31 December 2017: RMB1,724.9 million) and RMB177.4 million (31 December 2017: RMB178.1 million) respectively.

As at 30 June 2018, pledged bank deposits of approximately RMB6.9 million (31 December 2017: RMB5.6 million) were pledged for the license and suppliers in relation to Sun Travel, an indirect wholly-owned subsidiary of the Company.

As at 30 June 2018, pledged bank deposits of approximately RMB0.3 million (31 December 2017: RMB0.3 million) and RMB0.9 million (31 December 2017: Nil) have been pledged with the banks as guarantee deposits for the mortgage loan facilities granted to the buyers of the Group's properties and bank borrowings respectively.

EXPOSURE TO FLUCTATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group conducts its business primarily in RMB. Except for bank balances and cash of approximately HK$27.6 million and US$0.001 million, pledged bank deposits of approximately HK$7.7 million, convertible bond in the principal amount of HK$570 million and promissory note of approximately HK$5.6 million, the Group does 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 30 June 2018.

CONTINGENT LIABILITIES

For details of contingent liabilities, please refer to note 17.

TREASURY POLICIES AND CAPITAL STRUCTURE

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

EMPLOYEES

As at 30 June 2018, the Group had a staff force of approximately 155 (30 June 2017: 185) 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 incurred for the six months ended 30 June 2018 was approximately RMB20.0 million (six months ended 30 June 2017: RMB17.8 million).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group obtained an unconditional facility of HK$400,000,000 from a related company which is beneficially owned by Mr. Chau and HK$176,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% p.a., and repayable after 60 months from the date of facility.

BUSINESS REVIEW

The Group is principally engaged in (i) property development; (ii) property leasing; (iii) provision of hotel and integrated resort management and consultancy service; and (iv) travel related products and services.

Property Development

Summary of development and status of existing projects are reported in the following paragraphs:

Completed Project

Le Paysage: Le Paysage 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 planned GFA of approximately 138,000 m^2. In March 2013, the Group launched pre-sales part of Le Paysage and was well received by the market. The project is completed and to deliver in phases in the third quarter of 2014 onwards.

As at 30 June 2018, the majority of the gross floor area of the residential units in Le Paysage have been sold, and 12 apartments, 22 villas, and some commercial units and shops remain unsold.

Projects Under Development

The Landale: The Landale, formerly known as Vacation Water Town, and is situated in Zhongmiao Town of Chaohu in Anhui Province. The Landale consists of lake-side villas and residential units with planned GFA of approximately 85,756 m^2. To cope with the rectification, integration and development of Chaohu Scenic Area, the Group planned to postpone the development of The Landale and commence pre-sale of the project in phases in 2019 onwards.

Fushun Project: The Group entered into an agreement in relation to the transfer of land use right for a plot of land at Hua Mao Jie Dong, Fushun Economic Development Zone in Liaoning Province, the PRC with the local government. The site area of the land is approximately of 72,350 m^2 with a plot ratio of more than 1 but less than 2.7 and the planned GFA of approximately of 195,345m^2. The land is for commercial and residential use. During the period under review, the Group has approached several local construction and design companies to prepare the construction plan but the project is still in the initial design and planning stage.

Property Leasing

Hong Long Plaza: Hong Long Plaza is situated in Bao Min 2nd Road, Baoan District, Shenzhen City, Guangdong Province, the PRC. Hong Long Plaza is a commercial and residential complex occupying a total GFA of approximately 172,630m^2. For residential portion, it comprises three 25 to 27-storey towers with a total of approximately 1,500 residential units erected on a 5-storey shopping mall and a 2-storey basement for car parking. It is managed by Shenzhen Sun Era Management Company Limited, a wholly-owned subsidiary of the Company. The commercial portion of Hong Long Plaza, namely Gang Long City Shopping Centre, comprises a total GFA of approximately 64,397m^2 for a shopping mall. Gang Long City Shopping Centre is held by the Group for leasing purpose and is managed by Shenzhen Gang Long City Commercial Management Company Limited, another wholly-owned subsidiary of the Company.

Hotel and Integrated Resort Management and Consultancy Service

It represents the provision of management and consultancy services to hotel and integrated resorts.

After the Group entered into memorandums of understanding in relation to provision of management and consultancy services to two integrated resorts in Vietnam (Van Don Project and Hoi An Project) and a technical service agreement to provide pre-opening and technical services to the casinos and F&B facilities for Van Don Project in 2017, the Group further entered into another technical services agreement in February 2018 for Hoi An Project Phase 1 development of Hoi An Project, which is expected to be completed by July 2019.

Travel Related Products and Services

The Group commenced this business in 2017 to provide travel related products and entered into (i) a hotel accommodation procurement agreement and (ii) a ferry ticket supply agreement with Sun City Gaming Promotion Company Limited, a related company which is wholly-owned by Mr. Chau, in February 2017.

During the period under review, a wholly-owned subsidiary of the Company was established in the PRC to support the future growth and to provide more comprehensive customer services to customers.

Review and Outlook

The Group has commenced to deliver Le Paysage to buyers since the fourth quarter of 2014. With the heating up of Shenzhen property market and we began to deliver the boutique high-rise building and villa residential units, the gross profit margin in property development segment has decreased from 76.36% in the first half year of 2017 to 73.78% in the first half year of 2018.

Looking ahead, we expect the government policies will remain unchanged and the local governments will fine-tune and introduce targeted policies based on growth properties stock, properties prices and land prices. In the meantime, the Group will actively examine the developing real estate markets outside China. Asian countries, such as Korea, Malaysia and Vietnam are among the initial target markets of the Group.

The Group has been actively developed its travel agent business since the acquisition of the entire interest of Sun Travel in 2016. The sale of hotel accommodation products and ferry tickets increased significantly during the period under review compared to corresponding period in 2017. According to the information published by the Statistics and Census Service of the Macau Government, the average occupancy rate of hotels and guesthouses increased from 83.3% in 2016 to 86.9% in 2017 and the number of guests through travel agents increased from approximately 5.4 million in 2016 to approximately 5.8 million in 2017. The occupancy rates of 5-star hotels have climbed up to 92.1% and 90.9% respectively in the first two quarters of 2018 compared to 84.5% and 85.8% in the corresponding periods of 2017. With the continual growth in number of visitors to Macau and more specifically, the increase in overnight visitors, it is anticipated that revenue from travel agent business will continue to grow in the future.

Having entered into the technical services agreement to provide pre-opening and technical services to integrated resorts, the Group commenced to receive service income since the late 2017. Followed by the opening of the resort and casino in coming year, the service income will be expected to increase continuously.

The Group will continue to explore and invest in potential projects and business opportunities with good potential and to further expand its tourism-related business to other countries in the Asian market.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, the Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report, as amended from time to time (the "Code"), as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As far as the Code is concerned, the Company complies with all aspects of the Code during the six months ended 30 June 2018, save as disclosed below:

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. Lo"), Mr. Au Chung On John ("Mr. Au") and Mr. Manuel Assis Da Silva, executive Directors of the Company. However, Mr. Chau, Mr. Lo, Mr. Au and Mr. Manuel Assis Da Silva are subject to retirement by rotation at least once in every three years in accordance with the Articles.

Under Code provision E.1.2 of the Code, the chairman of the Board should attend the 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 meeting of the Company held on 11 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee (''Audit Committee'') with written terms of reference to set out its authority and duties. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

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 during the six months ended 30 June 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.

APPROVAL OF INTERIM REPORT

The unaudited condensed consolidated financial statements in this report have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and this report was approved and authorised for issue by the Board on 27 August 2018.

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

Hong Kong, 27 August 2018

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.