THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Suncity Group Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

太陽城集團
SUNCITY GROUP

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)

MAJOR TRANSACTION:
ACQUISITION OF INTEREST IN SUMMIT ASCENT

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Jade Room, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 2:30 p.m. on Wednesday, 2 September 2020 is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 2:30 p.m. on 31 August 2020) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

12 August 2020

CONTENTS

In this circular:

(a) *All references to times and dates are references to Hong Kong time unless otherwise stated.*

(b) *All references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.*

(c) *Unless otherwise stated, when translated, sums denominated in HK$ and RMB stated in this circular was translated at the exchange rate of HK$1.0 to PHP6.6142, HK$1.0 to US$0.1280, HK$1.0 to RMB0.9134, and RMB1.0 to JPY15.1976.*

(d) *Unless the context otherwise requires, the following expressions have the following meanings:*

"Acquisition"	the acquisition of interest in Summit Ascent as a result of the taking up of up to a maximum of all the Underwritten Shares by Victor Sky under and pursuant to the Underwriting Agreement
"Announcement"	the announcements of the Company dated 1 June 2020
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Committed SA Shares"	an aggregate of 669,462,696 SA Rights Shares to be offered to and subscribed by Victor Sky and the Company under their respective entitlements pursuant to the SA Rights Issue
"Company"	Suncity Group Holdings Limited (太陽城集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1383)
"Conditions Precedent"	the conditions precedent to the Underwriting Agreement as set out in "Letter from the Board – The Acquisition – The Underwriting Agreement – Conditions Precedent" in this circular
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder Facilities"	the HK$5,620 million loan facilities made available to the Group by Star Hope, particulars of which are set out on page I-6 – I-8 of this circular
"Convertible Bonds"	the 6.0% coupon rate convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately HK$847 million) convertible into shares of SunTrust at an initial conversion price of PHP1.8 for an initial term of 5 years from the date of their issue extendable for a further term of 5 years to be issued by SunTrust to Summit Ascent pursuant to the Subscription Agreement
"Directors"	the directors of the Company and a "Director" has the corresponding meaning
"EGM"	the extra-ordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Acquisition
"Enlarged Group"	the Group, including Summit Ascent immediately after completion of the Acquisition
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Fame Select"	Fame Select Limited, a company incorporated in BVI and a controlling shareholder of the Company
"Fortune Noble"	Fortune Noble Limited, a company incorporated in BVI with limited liability, being a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"JPY"	Japanese yen, the lawful currency of Japan
"Latest Practicable Date"	6 August 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular

"Latest Time for Termination"	4:30 p.m. on the first business day immediately after the latest time for acceptance of the SA Rights Shares, tentatively 6 October 2020, or such later time as may be agreed between Summit Ascent and Victor Sky, being the latest time for termination of the Underwriting Agreement by Victor Sky under the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Hotel Casino"	(a) the 5-Star hotel with at least four hundred (400) rooms, the standard room size of which shall not be less than 34 sq.m.; (b) casino establishment with approximately four hundred (400) gaming tables and one thousand two hundred (1,200) slot machines for both mass and VIP markets; and (c) nine hundred sixty (960) car parking slots for the 5-Star hotel and casino establishment erected or to be erected at the three parcels of land located at Manila Bayshore Integrated City (Site A) in Paranaque City, the Philippines.
"Mr. Chau"	Mr. Chau Cheok Wa, (a) an executive Director, the chairman of the Company and a controlling shareholder of the Company; and (b) the chairman of Summit Ascent and a non-executive SA Director
"PRC"	The People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"SA Board"	the board of SA Directors
"SA Directors"	the directors of Summit Ascent and a "SA Director" has the corresponding meaning
"SA Group"	Summit Ascent and its subsidiaries from time to time
"SA Rights Issue"	the proposed issue of the SA Rights Shares by way of rights on the basis of three (3) SA Rights Shares for every two (2) SA Shares held on the record date for the SA Rights Issue at a subscription price of HK$0.6 per SA Rights Share payable in full on acceptance pursuant to the relevant prospectus documents in connection with the SA Rights Issue
"SA Rights Shares"	SA Shares to be issued and allotted under the SA Rights Issue

"SA Share Option Scheme"	share option scheme adopted by Summit Ascent on 7 July 2011
"SA Shareholder"	the holder of any SA Share or SA Shares
"SA Shares"	ordinary shares of HK$0.025 each in the issued share capital of Summit Ascent
"SA SGM"	the special general meeting of Summit Ascent to be convened and held to consider, among others, the SA Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the holder(s) of any Share or Shares
"Shares"	ordinary shares of HK$0.10 each in the issued share capital of the Company
"Star Hope"	Star Hope Limited, a company incorporated in BVI with limited liability and wholly owned by Mr. Chau
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the proposed subscription of the Convertible Bonds by Summit Ascent pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the agreement dated 1 June 2020 and entered into between SunTrust as issuer and Summit Ascent as subscriber in relation to the subscription and issue of the Convertible Bonds
"Summit Ascent"	Summit Ascent Holdings Limited, a company incorporated in Bermuda with limited liability, and the SA Shares of which are listed on the Main Board of the Stock Exchange (stock code: 102)
"SunTrust"	Suntrust Home Developers, Inc., a company incorporated in the Philippines and a 51% owned subsidiary of the Company, the shares of which are listed on The Philippine Stock Exchange, Inc. (stock code: SUN)
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Underwriting Agreement"	the underwriting agreement dated 1 June 2020 entered into between Victor Sky as underwriter and Summit Ascent in relation to the underwriting arrangement in respect of the SA Rights Issue by which Victor Sky conditionally agrees to underwrite the Underwritten Shares
"Underwritten Shares"	the SA Rights Shares (other than the Committed SA Shares) being not less than 2,036,204,058 SA Rights Shares and not more than 2,066,705,058 SA Rights Shares to be underwritten by Victor Sky pursuant to the terms and conditions of the Underwriting Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"Victor Sky"	Victor Sky Holdings Limited, a company incorporated in BVI with limited liability, (a) a direct wholly-owned subsidiary of the Company; (b) a substantial shareholder of Summit Ascent; and (c) the underwriter to the SA Rights Issue under the Underwriting Agreement
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Victor Sky to make a mandatory general offer to the SA Shareholders in respect of the SA Shares not already owned or agreed to be acquired by Victor Sky and parties acting in concert with it as a result of the taking up of the Underwritten Shares pursuant to the Underwriting Agreement that would bring the aggregate interest of Victor Sky and parties acting in concert with it in Summit Ascent to or above 30%
"%"	per cent
"1,650M Loan Facility"	the loan facility from Star Hope to the Group up to the extent of HK$1,650,000,000 at an annual interest rate of 3.5% forming part of the Controlling Shareholder Facilities, particulars of which are set out on pages I-6 – I-8 of this circular
"1,750M Loan Facility"	the loan facility from Star Hope to the Group up to the extent of HK$1,750,000,000 at an annual interest rate of 3.5% forming part of the Controlling Shareholder Facilities, particulars of which are set on pages I-6 – I-8 of this circular

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)

Executive Directors:
Mr. Chau Cheok Wa *(Chairman)*
Mr. Lo Kai Bong
Mr. Au Chung On John
Mr. Manuel Assis Da Silva

Independent non-executive Directors:
Mr. Tou Kin Chuen
Dr. Wu Kam Fun Roderick
Mr. Lo Wai Tung John

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 1705, 17/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

12 August 2020

MAJOR TRANSACTION: ACQUISITION OF INTEREST IN SUMMIT ASCENT

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

Reference is made to the Announcement on, among other matters, the Acquisition.

The purpose of this circular is to provide you for information purposes only with, among other matters, (i) further details of the Acquisition; (ii) certain financial information and other information of the Group and the Enlarged Group; and (iii) a notice convening the EGM, all as required to be included in this circular under the Listing Rules.

THE ACQUISITION

On 1 June 2020, Victor Sky (a direct wholly-owned subsidiary of the Company), conditionally agreed to underwrite the Underwritten Shares as underwriter on and subject to the terms and conditions of the Underwriting Agreement.

The taking up of the Underwritten Shares by Victor Sky as underwriter under and pursuant to the Underwriting Agreement will constitute an acquisition of interest in Summit Ascent by the Company. If all the Underwritten Shares are taken up by Victor Sky, the acquisition of interest in Summit Ascent will constitute a major transaction for the Company, the implications of the Listing Rules are set out in "Implications of the Listing Rules" in this circular.

The date, parties and principal terms and conditions of the Underwriting Agreement relating to the SA Rights Issue pursuant to which Victor Sky could be required to take up the Underwritten Shares are as follows:

The Underwriting Agreement

Date:	1 June 2020.
Entity proposing the SA Rights Issue:	Summit Ascent.
Underwriter:	Victor Sky, a direct wholly-owned subsidiary of the Company and a substantial shareholder of Summit Ascent currently holding approximately 22.01% interest in Summit Ascent.
Total number of Underwritten Shares:	all the SA Rights Shares other than the Committed SA Shares, being not less than 2,036,204,058 SA Rights Shares and not more than 2,066,705,058 SA Rights Shares.
Subscription price for the Underwritten Shares:	The subscription price for the Underwritten Shares is HK$0.6 per SA Rights Share. On the basis of a maximum number of Underwritten Shares (i.e. 2,066,705,058 SA Rights Shares) to be underwritten and taken up by Victor Sky pursuant to the Underwriting Agreement, the aggregate consideration for the Underwritten Shares will be HK$1,240,023,034.80. In case Victor Sky has to take up the Underwritten Shares under the Underwriting Agreement, the aggregate subscription price for the Underwritten Shares shall be paid by Victor Sky on the settlement date which shall be the sixth business day after the latest time for acceptance of the SA Rights Shares (or such later time as may be agreed between Summit Ascent and Victor Sky).

The aggregate subscription price for the Underwritten Shares will be financed by the 1,650M Loan Facility.

The subscription price for the Underwritten Shares was arrived at after arm's length negotiations between Summit Ascent and Victor Sky with reference to, among other factors, (i) the recent closing prices of the SA Shares; (ii) the prevailing market conditions including but not limited to, the percentage discount(s) in other recent market comparable rights issues, the market price of the SA Shares prior to and including the last trading day of the SA Shares before the release of the announcement on, among others, the SA Shares, and the amount of funds Summit Ascent intends to raise under the rights issues; and (iii) the funding and capital needs of Summit Ascent for its business plans and prospects.

The Directors considered that the subscription price for the Underwritten Shares is fair and reasonable.

Underwriting commission: Victor Sky will not be receiving any underwriting commission.

Conditions Precedent: The obligations of Victor Sky to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement are conditional on the fulfilment (or waiver, if applicable, by Victor Sky) of the following conditions:

(1) Summit Ascent despatching its circular in connection with, among other matters, the SA Rights Issue and the passing of the resolutions for approving the SA Rights Issue and the increase in authorised share capital of Summit Ascent from HK$80,000,000 to HK$150,000,000 at the SA SGM;

(2) the approval by the independent shareholders of Summit Ascent of the SA Rights Issue, the Underwriting Agreement (and the transactions contemplated under the Underwriting Agreement) (more than 50% of the independent shareholders of Summit Ascent), and the Whitewash Waiver (at least 75% of the independent shareholders of Summit Ascent), in each case by way of poll at the SA SGM in accordance with the Listing Rules and the Takeovers Code by no later than the date of despatch of the prospectus of Summit Ascent containing details of the SA Rights Issue;

(3) the grant by the Executive of the Whitewash Waiver (and such grant not having been withdrawn or revoked) and the satisfaction of any condition as may be attached to the Whitewash Waiver granted;

(4) the grant (or agreement to grant) by the Listing Committee of the Stock Exchange (and such grant not having been withdrawn or revoked) of the listing of and permission to deal in all the SA Rights Shares (in their nil-paid and fully-paid forms) (subject only to allotment and despatch of the appropriate documents of title) by no later than the business day prior to the commencement of trading of the SA Rights Shares (in their nil-paid and fully-paid forms respectively);

(5) the delivery of the prospectus of Summit Ascent containing details of the SA Rights Issue to the Stock Exchange and the issue by the Stock Exchange on or prior to the date of despatch of the prospectus of Summit Ascent containing details of the SA Rights Issue of a certificate authorising registration of the prospectus of Summit Ascent containing details of the SA Rights Issue with the Registrar of Companies in Hong Kong;

(6) registration of the prospectus of Summit Ascent containing details of the SA Rights Issue (and other documents required to be attached thereto) with the Registrar of Companies in Hong Kong on or before the date of despatch of the prospectus of Summit Ascent containing details of the SA Rights Issue;

(7) the posting of the prospectus of Summit Ascent containing details of the SA Rights Issue to those SA Shareholders who are qualified to participate in the SA Rights Issue on the date of despatch of the prospectus of Summit Ascent containing details of the SA Rights Issue;

(8) the SA Shares remain listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to (or conditions will or may be attached thereto);

(9) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the SA Rights Shares pursuant to the SA Rights Issue;

(10) the compliance with and performance of all the obligations and undertakings of Summit Ascent under the Underwriting Agreement and by the time specified;

(11) no breach of any of the warranties of Summit Ascent contained in the Underwriting Agreement by the Latest Time for Termination;

(12) subject to the granting of the Whitewash Waiver, Victor Sky and the Company complying with their irrevocable undertakings to Summit Ascent to accept and pay for in full the Committed SA Shares;

(13) the two independent non-executive directors of Summit Ascent who are holding share options granted by Summit Ascent pursuant to its share option scheme adopted on 7 July 2011 providing their respective undertakings not to exercise the share options held by each of them and complying with such undertakings;

(14) the placing agreement dated 1 June 2020 for the placing of, among others, the unsubscribed SA Rights Shares not being terminated on or before the Latest Time for Termination;

(15) the Underwriting Agreement not being terminated by Victor Sky pursuant to its terms on or before the Latest Time for Termination; and

(16) (where required) the approval by the Shareholders of the acquisition of interest in Summit Ascent as a result of taking up of the Underwritten Shares pursuant to the Underwriting Agreement.

None of Summit Ascent and Victor Sky may waive the Conditions Precedent set out in the above conditions (1) to (9) and (12) to (16). Victor Sky may waive the Conditions Precedent set out in the above conditions (10) to (11) in whole or in part by written notice to Summit Ascent.

If the Conditions Precedent are not satisfied and/or waived (to the extent such conditions precedent are capable of being waived) in whole or in part by the latest time for acceptance of the SA Rights Shares, tentatively 6 October 2020 (or such later time or date as may be agreed between Summit Ascent and Victor Sky), the Underwriting Agreement shall terminate and (save in respect of any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

Termination: If at any time prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, or come into effect:

(1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or

(2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or

(3) any material adverse change in the business or in the financial or trading position or prospects of the SA Group as a whole; or

(4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(5) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the SA Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or

(6) any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs,

which event or events is or are in the reasonable opinion of Victor Sky:

(a) likely to have a material adverse effect on the business or the financial or trading position or prospects of the SA Group as a whole; or

(b) likely to have a material adverse effect on the success of the SA Rights Issue or might cause a prudent investor not to accept the SA Rights Shares provisionally allotted to it; or

(c) make it inexpedient or inadvisable to proceed further with the SA Rights Issue,

Victor Sky shall be entitled by a notice in writing to Summit Ascent, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If prior to the Latest Time for Termination any such notice as is referred to above is given by Victor Sky, all obligations of Victor Sky under the Underwriting Agreement shall cease and determine. If the Underwriting Agreement is terminated, the SA Rights Issue will not proceed.

FINANCIAL EFFECTS OF THE ACQUISITION

The Group is currently holding an aggregate of approximately 24.74% interest in Summit Ascent with the Company holding approximately 2.73% interest and Victor Sky (a direct wholly-owned subsidiary of the Company) holding approximately 22.01% interest. The Company and Victor Sky are substantial shareholders of Summit Ascent.

If the Underwriting Agreement becomes unconditional, not otherwise terminated by Victor Sky in accordance with its terms and Victor Sky is required to take up all the Underwritten Shares, Summit Ascent will become an indirect subsidiary of the Company as the Company and Victor Sky (a direct wholly-owned subsidiary of the Company), in aggregate, will be interested in approximately 69.78% interest in Summit Ascent (assuming all outstanding share options (other than those held by two independent non-executive SA Directors) granted by Summit Ascent pursuant to the SA Share Option Scheme are exercised in full on or prior to the record date of the SA Rights Issue) or 69.89% (assuming no share options granted by Summit Ascent pursuant to the SA Share Option Scheme are exercised prior to the record date of the SA Rights Issue). The financial results of Summit Ascent will be accounted for as a subsidiary of the Company in that case and will be consolidated in the consolidated financial statements of the Company.

The unaudited consolidated pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group is set out in Appendix III to this circular.

INFORMATION OF SUMMIT ASCENT

General information

Summit Ascent is a company incorporated in Bermuda with limited liability, and the SA Shares of which are listed on the Main Board of the Stock Exchange (stock code: 102).

Summit Ascent is an investment holding company with the SA Group principally engaged in the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation ("**IEZ Primorye**").

Financial information

The following is a summary of the audited consolidated financial information of the SA Group for the periods as stated below:

	For the year ended		**For the three months ended**
	31 December 2018	**31 December 2019**	**31 March 2020**
	HK$ million	*HK$ million*	*HK$ million*
Audited net profit (loss) before tax	4.16	106.96	(28.53)
Audited net profit (loss) after tax	4.06	106.85	(28.56)

The following is the audited consolidated net asset value of the SA Group as at the dates specified below:

	As at		
	31 December 2018	**31 December 2019**	**31 March 2020**
	HK$ million	*HK$ million*	*HK$ million*
Audited consolidated net asset value	1,626.58	2,036.41	2,007.86

Property information

SA Group holds 60% interest in a subsidiary which operates the integrated resort known as "Tigre de Cristal" currently erected on the site of land with land area of 90,455 square meters with cadastral number 25:27:020102:133. It is located at bld. 11, coast of the Pionerskaya Bay, town of Artyom, Primorsky Krai, Russia with total gross floor area of approximately 36,000 square meters, comprising gaming, food and beverage area and 121 hotel guest rooms.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) property development in Guangdong and Anhui Provinces in the PRC; (ii) property leasing in Shenzhen in the PRC; (iii) provision of hotel and integrated resort general consultancy service in Vietnam; and (iv) provision of travel related products and service. The Group has been expanding and seeking opportunities to expand its tourism-related business, in particular, investment in integrated resort and provision of hotel and integrated resort general consultancy services in the South East Asia region.

REASONS FOR, AND BENEFITS OF, THE UNDERWRITING AGREEMENT AND THE ACQUISITION

The principal business of the SA Group in the operation of the hotel and gaming business is in line with the Group's current and expanding investments in the hotel and gaming related business. The SA Rights Issue provides a channel through which the funding need of the SA Group for its business development and investment can be met.

The estimated net proceeds from the SA Rights Issue of not less than approximately HK$1,618.42 million are intended to be applied by Summit Ascent in the following manner (assuming no new SA Shares will be issued and no SA Shares will be bought back) as to (i) approximately 52.3% or HK$847 million to the Subscription; (ii) approximately 37.1% or HK$601 million to the Phase II development of Tigre de Cristal; and (iii) approximately 10.6% or HK$170 million for general working capital.

As at the Latest Practicable Date, SA Group's income is predominately generated from its gaming and hotel operations in the IEZ Primorye. To reduce SA Group's reliance on a single revenue source within a single country, it is considered to be in the interests of Summit Ascent to diversify its revenue source by exploring different revenue streams and/or markets in different countries. Compared to the Russian Federation's average annual GDP growth of 1.4% from 2016 to 2018, it is noticed that the Philippines recorded an average annual GDP growth of 6.6% across the same period, with the gambling sector in the Philippines growing at an even faster rate. Hence, the Philippines gambling sector is considered by the board of directors of Summit Ascent as having a great potential in developing and investment return. With the Subscription in place, Summit Ascent can have an additional source of revenue from the 6.0% coupon rate or 8.0% internal rate of return of the Convertible Bonds on one hand. On the other hand, Summit Ascent can exercise the conversion rights attached to the Convertible Bonds to obtain shares of SunTrust when SunTrust's financial performance has been greatly benefited by the Main Hotel Casino which is expected to commence operations prior to 2023. Given the maturity date of the Convertible Bonds is 5 years from the date of issue of the Convertible Bonds which is expected to be in 2025, Summit Ascent is considered to have sufficient time to observe the financial impact of Main Hotel Casino on SunTrust before exercising the conversion rights attached to the Convertible Bonds. Therefore, the Subscription enables Summit Ascent to diversify the SA Group's revenue source and enter into a new growing geographical market.

In addition, with the gaming license in place granted by the Russian government for an indefinite period, SA Group possesses the development rights on two adjacent parcels of land, namely Lot 9 and Lot 10, in the IEZ Primorye. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and has commenced operation since the fourth quarter of 2015. Summit Ascent is currently refining the design and construction elements of the Phase II development on Lot 10 and the opening of which is targeted to be in 2022. This Phase II development is expected to double the SA Group's VIP gaming tables and slots, enhance twice the lodging capacity of the existing property, as well as including additional facilities such as restaurants, bars, retail offerings, indoor beach club and spa.

Based on the financial resources available to Summit Ascent, Summit Ascent may not have sufficient fund for both the development of Phase II of Tigre de Cristal and the Subscription without obtaining the net proceeds from the SA Rights Issue. Save for the proposed SA Rights Issue, Summit Ascent does not have any other plans to conduct equity fund raising, or obtain debt financing to finance the Phase II development of Tigre de Cristal, and neither are there any plans nor binding agreements signed for expanding the scale of Tigre de Cristal or the expansion of the remaining part of Lot 10.

Pursuant to the Subscription Agreement, Summit Ascent may exercise the conversion rights attaching to the Convertible Bonds which are convertible to the shares of SunTrust at PHP1.8 per share of SunTrust. Since the Convertible Bonds have a coupon rate of 6.0% per annum or an internal rate of return of 8.0%, Summit Ascent may only exercise the conversion rights when the Convertible Bonds are in the money. The Group has also subscribed convertible bonds of SunTrust in the principal amount of PHP7.3 billion (equivalent to approximately HK$1.1 billion) in which the conversion price is PHP1.1 per share of SunTrust, therefore, if the Convertible Bonds are in the money, the Group will also exercise its conversion rights and will hold approximately 60.8% interest in SunTrust after the conversion of the abovementioned convertible bonds.

The participation of the Group in the SA Rights Issue in committing to subscribe for the Committed SA Shares and acting as an underwriter to the SA Rights Issue, is expected to foster SA Shareholders' confidence in the SA Group and promote the success of the SA Rights Issue which is not only solely for the good of the SA Group but also for that of the Group with the Company and Victor Sky as its substantial shareholders, despite the fact that Summit Ascent may or may not become a subsidiary of the Company depending on the number of Underwritten Shares as may be taken up by Victor Sky under the Underwriting Agreement.

On the bases of the above, the Directors consider that (1) the Underwriting Agreement and the Acquisition are on terms fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the use of proceeds from the SA Rights Issue by Summit Ascent is fair and reasonable and is in the interest of the Company.

LISTING RULES IMPLICATIONS

The taking up of the Underwritten Shares by Victor Sky as underwriter under and pursuant to the Underwriting Agreement will constitute an acquisition of interest in Summit Ascent by the Company.

As the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 and is subject to announcement and Shareholders' approval requirements under Chapter 14.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Acquisition.

At the EGM, any Shareholder with a material interest or potential conflict of interest in the Acquisition and the transaction will be required to abstain from voting on the resolution to be put forward to the Shareholders for approving the Acquisition. Fame Select, the controlling shareholder of the Company, is 50% owned by Mr. Chau who is a Director as well as a SA Director is regarded as having a material interest or potential conflict of interest in the Acquisition. Fame Select and its associates will abstain from voting on such resolution at the EGM.

CLOSURE OF THE SHAREHOLDERS' REGISTER

The register of members of the Company will be closed from 28 August 2020 to 2 September 2020 (both days inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose names appear on the register of members of the Company on 2 September 2020 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 27 August 2020.

EGM AND VOTING

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Fame Select, the controlling shareholder of the Company, and its associates will abstain from voting on the resolution approving the resolution to be put forward to the Shareholders for approving the Acquisition.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

In compliance with the Listing Rules, voting on the resolution to be proposed at the EGM will be conducted by way of poll.

RECOMMENDATION

The Directors consider that Underwriting Agreement and the Acquisition are on normal commercial terms, on terms fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

WARNING NOTICE

The Acquisition may or may not proceed as it is subject to satisfaction of the conditions precedent set out in "Letter from the Board – The Acquisition – The Underwriting Agreement – Conditions Precedent" in this circular. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

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

1. FINANCIAL SUMMARY

A summary of the financial information with respect to the profits and losses, financial record and position of the Group for the three financial years ended 31 December 2019 is set out in a comparative table on pages 6 and 7 of the annual report of the Company for the year ended 31 December 2019.

The audited financial statements of the Group for the year ended 31 December 2019 together with the notes thereto are contained in the annual report of the Company for the year ended 31 December 2019 published as “2019 Annual Report” on 11 June 2020 on the websites of the Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0611/2020061100380.pdf) and are incorporated in this circular by way of reference.

2. STATEMENT OF INDEBTEDNESS

The Enlarged Group

As at 30 June 2020, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had the following aggregate outstanding indebtedness:

	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of bank borrowings	404,812	–	404,812
Carrying amount of other borrowings	216,442	649,000	865,442
Carrying amount of loans from non-controlling shareholders of subsidiaries	87,053	213,167	300,220
Carrying amount of interest payables of loans from non-controlling shareholders of a subsidiary	–	1,729	1,729
Carrying amount of amount due to a director	–	5,101	5,101
Principal amount of amount due to a related company	–	276,760	276,760
Carrying amount of interest payables of amount due to a related company	–	4,658	4,658
Principal amount of convertible bonds payable to related companies	–	638,467	638,467
Principal amount of loans from a related company	–	3,464,918	3,464,918
Carrying amount of interest payables of loans from a related company	–	69,528	69,528
Lease liabilities	3,317	4,230	7,547
	711,624	5,327,558	6,039,182

As 30 June 2020, except for a bank loan of approximately RMB59,812,000 was guaranteed by Mr. Chau, all of the above indebtedness were unguaranteed.

Pledged assets

The Enlarged Group pledged the entire equity interest of a subsidiary, certain of its property, plant and equipment, investment properties, inventories, rental deposits and bank deposits for credit facilities granted to the Enlarged Group. The secured and unguaranteed lease liabilities of the Enlarged Group were secured by rental deposits paid by the Enlarged Group.

As at 30 June 2020, the indirect equity interest of approximately 34% in Hoi An South Development Limited ("**HASD**"), a subsidiary of the Company's joint venture, were pledged to a bank for the banking facilities granted to HASD.

Contingent liabilities and guarantees

As at 30 June 2020, the Enlarged Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by buyers of the Enlarged Group's properties of approximately RMB1 million. Pursuant to the terms of the guarantees contract, if there are any defaults on the mortgages, the Enlarged 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 Enlarged 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.

Bank balances of approximately RMB299,000 have been pledged with the banks as guarantee deposits for the mortgage loan facilities granted by the banks to buyers of the Enlarged Group's properties as at 30 June 2020.

As at 30 June 2020, the Enlarged Group was involved in several litigations in relation to the construction of the Enlarged Group's properties under development in the PRC with several contractors and suppliers, who are independent third parties to the Company and Summit Ascent. Based on the view that the legal proceeding was still in progress and with reference to the legal opinion obtained from the Company's PRC lawyer, the management considered that the likelihood for further outflow of resources of the Enlarged Group was not probable, and therefore, liabilities in relation to these litigations have been disclosed as contingent liabilities.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, the Enlarged Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills), mortgages and charges, acceptance credits, hire purchase commitments, other material contingent liabilities or guarantees outstanding as at 30 June 2020.

3. MATERIAL ADVERSE CHANGE

Due to the seize of certain portion of the investment properties in relation to the 2013 Litigation as described in "Appendix V (General Information) – 7. Litigation" in this circular, a subsidiary of the Group was in breach of the covenants in respect of a bank borrowing, which led to an event of default for such bank borrowing. Accordingly, the bank borrowing amounting to RMB55,000,000 is reclassified from non-current liabilities to current liabilities as of 31 December 2019. On discovery of the breach, the Company has informed the relevant bank and commenced negotiations to obtain waiver from strict compliance with the relevant financial covenants.

Save as disclosed above and the section headed "49. EVENTS AFTER THE REPORTING PERIOD" in the 2019 Annual Report, as at the Latest Practicable Date, the Directors confirmed there has not been any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

As at 30 June 2020, the Enlarged Group's total borrowings comprising bank and other borrowings, loans from a related company and non-controlling shareholders of subsidiaries, convertible bonds due to related companies, non-trade related amounts due to a related company, non-controlling shareholders of a subsidiary and a director and lease liabilities amounted to approximately RMB6,039,182,000.

The Directors have reviewed the Enlarged Group's cash flow projections which cover a period of not less than 12 months from the date of this circular. They are of the opinion that the Enlarged Group will have sufficient working capital to meet its financial obligations that will be due in the coming twelve months from the date of this circular based on the Enlarged Group's existing resources and upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Enlarged Group:

- SunTrust will be succeeded in raising fund to the extent of PHP16.6 billion (equivalent to RMB2.36 billion or US$333 million) through debt and/or equity financings to finance the construction and development of the Main Hotel Casino, of which US$200 million will be deployed in effecting payment of the Project Site Payment (i.e. the US$200 million payable by SunTrust under the co-development agreement dated 28 October 2019 (as the same is supplemented and amended from time to time), of which:

  – PHP2.55 billion (equivalent to approximately RMB0.36 billion or US$51 million) from subscription of new shares in SunTrust by Fortune Noble from SunTrust under the subscription agreement dated 28 October 2019 as financed by the 1,750M Loan Facility, details of which are set out in "5. Details of the Controlling Shareholder Facilities" in this Appendix I. As at the Latest Practicable Date, there is no outstanding amount of money to be paid for the subscription of new shares in SunTrust by Fortune Noble;

– PHP7.3 billion (equivalent to approximately RMB1.04 billion or US$146.6 million) from subscription of zero coupon convertible bonds by Fortune Noble from SunTrust under the subscription agreement dated 29 May 2020 to be financed by the 1,750M Loan Facility, details of which are set out in "5. Details of the Controlling Shareholder Facilities" in this Appendix I; and

– PHP5.6 billion (equivalent to approximately RMB0.80 billion or US$115 million) from subscription of the Convertible Bonds by Summit Ascent from SunTrust under the Subscription Agreement.

In the unlikely event that the financings of PHP16.6 billion (equivalent to approximately HK$2,500 million) cannot be raised, the impact of the working capital sufficiency forecast will be minimal, if at all, on the basis that the availability of 1,750M Loan Facility from Star Hope, which is a connected person of the Company for it being a company wholly-owned by Mr. Chau, to the Enlarged Group up to the extent of HK$1,750 million at an annual interest rate of 3.5% and the continuing financing support from Mr. Chau if and when needed by the Enlarged Group as stated in a letter of financial support from Mr. Chau have been factored when assessing the working capital sufficiency forecast of the Enlarged Group.

- The Enlarged Group had certain loans from non-controlling shareholders of MSRD Corporation Limited ("**MSRD**") with principal amount of JPY1,323,000,000 (equivalent to approximately RMB87,053,000) pursuant to the loan and security agreement dated 30 August 2019 as at 30 June 2020, which matured in July 2020. Pursuant to the supplemental agreement dated 21 July 2020, the maturity date of the loan and security agreement is extended by 12 months from July 2020 to July 2021. Save for the extension of the maturity date, all other terms of the loan and security agreement shall remain unchanged. The Enlarged Group has obtained a letter of undertaking from the non-controlling shareholders of MSRD that the loans from non-controlling shareholders will be further renewed upon July 2021 for more than one year if necessary.

- As at 30 June 2020, the Enlarged Group had 2016 Convertible Bond with outstanding principal amount of HK$402,000,000 (equivalent to approximately RMB367,187,000) and 2018 Convertible Bond with outstanding principal amount of HK$297,000,000 (equivalent to approximately RMB271,280,000), which are held by related companies controlled by Mr. Chau, the controlling shareholder of the Enlarged Group, and Mr. Lo Kai Bong, the director of the Company, and will mature in December 2020 and August 2020 respectively. The Enlarged Group has obtained a written agreement from Mr. Chau that the 2016 Convertible Bond will be extended upon the relevant maturity date for more than one year. Pursuant to the supplemental deed dated 3 July 2020, the maturity date of the 2018 Convertible Bond will be extended by 24 months from 28 August 2020 to 28 August 2022, subject to the fulfillment of the conditions precedent as stated in the announcement of the Company dated 3 July 2020.

- As at 30 June 2020, the Enlarged Group had a promissory note issued to a related company in the principal amount of HK$303,000,000 (equivalent to approximately RMB276,760,000) which will mature in August 2020. Pursuant to the supplemental promissory note dated 3 July 2020, the maturity date of the promissory note is extended by 24 months from 28 August 2020 to 28 August 2022 where the approval of Shareholders is not required. Save for the extension of the maturity date, all other terms of the promissory note shall remain unchanged.

- As at 30 June 2020, the Enlarged Group had a promissory note issued to a director of the Company in the principal amount of HK$5,584,000 (equivalent to approximately RMB5,101,000) which will mature in August 2020. The Enlarged Group has obtained a written agreement from Mr. Chau that promissory note will be extended upon the relevant maturity date for more than one year.

- The Enlarged Group is currently negotiating with a bank for additional financing for the hotel project of MSRD in Japan, the first tranche of bank financing amounted to approximately JPY4,144 million (equivalent to RMB273 million) will be drawn down during the period of 12 months from date of this circular. The Enlarged Group has received preliminary proposal from the bank for banking facility with repayment periods for more than one year.

- The non-controlling shareholders of MSRD will inject approximately JPY2,031 million (equivalent to approximately RMB134 million), representing the consideration for potential subscription of 49% of new shares to be issued by MSRD or further shareholders' loan, to MSRD upon finalising the development plan of the plot of land of MSRD in 2020.

- Mr. Chau, its controlling shareholder, will provide financial support to the Enlarged Group to meet its financial obligation if it is required. Based on the Board's review of Mr. Chau's financial background and information, assets backing and the track record of Mr. Chau's continuous financial support to the Enlarged Group, the Board is of the view that Mr. Chau has sufficient financial resources to render his financial support to the Enlarged Group.

Based on the details of existing loan facilities granted by a related company of the Company as described in "Appendix I (Financial Information of the Group) – 5. Details of the Controlling Shareholder Facilities", the further investment of the Enlarged Group in SunTrust will be financed by (i) the 1,750M Loan Facility; and (ii) part of the net proceeds from the SA Rights Issue of Summit Ascent.

After taking into account of the completion of the Acquisition, the Enlarged Group's business prospects, financial support from controlling shareholder, internal resources, and the available committed and uncommitted financing facilities and arrangements, equity issuance as mentioned above, the Directors are satisfied that, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

Notwithstanding the above, significant uncertainties exist as to whether the Enlarged Group can achieve the plans and measures described above. The sufficiency of the Enlarged Group's working capital to satisfy its present requirements for at least the next twelve months from the date of this circular is highly dependent on the Enlarged Group's ability to obtain sufficient financial support from its controlling shareholder, Mr. Chau, generate adequate financing cash flows through successful securing of the financing from banks or financial institutions, extending loans, convertible bonds and promissory note which will be matured in the next twelve months from the date of this circular, issuance of convertible bonds and shares by subsidiaries and other long-term financing.

5. DETAILS OF THE CONTROLLING SHAREHOLDER FACILITIES

As at the Latest Practicable Date, Star Hope has made available the following unconditional loan facilities to the Enlarged Group:

Date of loan facility agreement	**Facility amount** *(HK$ in million)*	**Unutilised amount** *(HK$ in million)*	**Usage**	
27 July 2018	400	–	(i)	provision of shareholder's loan to a joint venture of the Group as disclosed in the circular of the Company dated 1 November 2017;
			(ii)	acquisition of shares of Summit Ascent in 2018;
			(iii)	provision of shareholder's loan to a joint venture of the Group as disclosed in the announcement of the Company dated 7 January 2020; and
			(iv)	general working capital of the Group.
8 April 2019	1,500	275.3	(i)	acquisition of shares of Summit Ascent in 2019;
			(ii)	acquisition of 51% equity interest and shareholder's loan of MSRD as disclosed in the announcement of the Company dated 30 August 2019;

Date of loan facility agreement	**Facility amount** *(HK$ in million)*	**Unutilised amount** *(HK$ in million)*	**Usage**
			(iii) provision of shareholder's loan to a joint venture of the Group as disclosed in the announcement of the Company dated 7 January 2020;
			(iv) provision of shareholder's loan to a joint venture of the Group as disclosed in the announcement of the Company dated 6 July 2020;
			(v) possible further investment or contribution to MSRD for project development by subscription of new shares of MSRD or provision of shareholder's loan; and
			(vi) general working capital of the Group.
30 October 2019 (the "**1,750M Loan Facility**")	1,750	1,180	(i) acquisition of 51% equity interest of SunTrust as disclosed in the announcement of the Company dated 29 October 2019;
			(ii) subscription of new shares of SunTrust as disclosed in the announcement of the Company date 29 October 2019; and
			(iii) subscription of the zero coupon convertible bonds to be issued by SunTrust under the conditional subscription agreement dated 29 May 2020 made between SunTrust as issuer and Fortune Noble as subscriber.

Date of loan facility agreement	Facility amount *(HK$ in million)*	Unutilised amount *(HK$ in million)*	Usage
6 March 2020	320	137.2	(i) acquisition of an aircraft and relevant working capital; (ii) provision of shareholder's loan to a joint venture of the Group as stated in the announcement of the Company dated 6 March 2020; and (iii) general working capital of the Group.
21 May 2020 (the "**1,650M Loan Facility**")	1,650	1,650	Payment of the aggregate subscription price for the Underwritten Shares and Committed SA Shares.
Total (collectively, the "Controlling Shareholder Facilities")	**5,620**	**3,242.5**	

6. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Enlarged Group continued to engage in (i) property development in Guangdong and Anhui Provinces in the PRC; (ii) property leasing in Shenzhen in the PRC, (iii) provision of hotel and integrated resort general consultancy services in Vietnam; (iv) provision of travel related products and services; and (v) the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation.

Outside the Greater China, in addition to the entering into several technical service and casino management agreements in Vietnam and Cambodia in 2018, the Enlarged Group has been expanding its tourism-related business in the South East Asia region. The Enlarged Group has successfully acquired a joint venture which primarily holds approximately 34% equity interest in the Hoiana Project in 2018. The Certificate for the Eligibility for Casino Business in relation to the casino operation of Hoiana Project in Vietnam was granted in May 2020, and the soft opening took place on 28 June 2020. The Hoiana Project features an integrated resort with a casino that holds gaming tables, electronic gaming machines, Asian delights and other international cuisine with more than 1,000 hotel rooms and an eighteen-hole golf course. As all the relevant regulatory requirements in relation to casino business activities have been complied, the grand opening of the Hoiana Project is scheduled to take place in 2021.

Summit Ascent holds 60% of the issued share capital of an integrated resort named "TIGRE DE CRISTAL" in Russian Far East. Phase 1 of TIGRE DE CRISTAL has commenced operation since 2015 and is comprised of gaming area with about 30 VIP gaming tables, 35 mass gaming tables and 330 slot machines and a 121 rooms 5-star hotel with F&B and retail outlets. Phase 2 of TIGRE DE CRISTAL is expected to be comprised of a 4-star hotel with 350 rooms, 50 VIP gaming tables, 25 mass gaming tables and 300 slot machines, four restaurants, additional entertainment and retail facilities and an indoor beach club.

The Group also owns 51% of the issued share capital of MSRD, which held a plot of land with a total site area 108,799 sq.m. located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRD intends to build 40 villas with pool and a hotel of more than 100 rooms on the land.

Upon completion of the acquisition by Fortune Noble of the 1,147,500,000 shares of SunTrust on 28 October 2019, SunTrust became a 51% owned subsidiary of the Company. Pursuant to the operations and management/services agreement dated 4 May 2020 entered into between Westside as appointer and SunTrust as appointee in relation to the appointment of SunTrust as the sole and exclusive operator to operate and manage the Main Hotel Casino (the "**O&M Agreement**") as contemplated under the Co-Development Agreement, SunTrust will be the sole and exclusive operator and manager of the Main Hotel Casino, which will be a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines. The Main Hotel Casino is expected to commence operation prior to 2023. Entertainment City is the casino hub in Manila. The investment in SunTrust marked the first step towards establishing the Enlarged Group's footprint in the casino and entertainment market of the Philippines and allowing the Enlarged Group to tap into this growing market as well as providing synergies to the overall tourism-related business of the Enlarged Group in the South East Asia region.

On 29 May 2020, SunTrust and Fortune Noble have entered into the subscription agreement (the "**CB Subscription Agreement**") of the PHP7,300,000,000 (equivalent to approximately HK$1.1 billion) zero coupon convertible bonds of SunTrust to be issued by SunTrust to Fortune Noble (the "**CB**"). The subscription price payable by Fortune Noble for the subscription of the CB under the CB Subscription Agreement will be applied by SunTrust for the development of the Main Hotel Casino. Upon full exercise of the rights to convert the CB into common shares of SunTrust at the initial conversion price of PHP1.1 each into shares of SunTrust (the "**SunTrust Conversion Shares**"), SunTrust will become 74.42% owned by the Company (on the basis of 7,250,000,000 shares of SunTrust in issue as at the date of this circular and assuming no change in that number other than by the issuance of the SunTrust Conversion Shares).

On 1 June 2020, SunTrust (as issuer) and Summit Ascent (as subscriber) entered into the Subscription Agreement pursuant to which Summit Ascent has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to HK$847 million) convertible into shares of SunTrust to be issued by SunTrust.

On 1 June 2020, Victor Sky and Summit Ascent entered into the Underwriting Agreement. If the Underwriting Agreement becomes unconditional, not otherwise terminated by Victor Sky in accordance with its terms and Victor Sky is required to take up all the Underwritten Shares, Summit Ascent will become an indirect subsidiary of the Company as the Company and Victor Sky (a direct wholly-owned subsidiary of the Company), in aggregate, will be interested in approximately 69.78% interest in Summit Ascent (assuming all outstanding share options (other than those held by two independent non-executive SA Directors) granted by Summit Ascent pursuant to its share option scheme adopted on 7 July 2011 are exercised in full on or prior to the record date of the SA Rights Issue).

The Enlarged Group will continue to diversify its businesses to tourism-related business in Asian countries and grasp opportunities on the provision for hotel and integrated resort general consultancy services. The Enlarged 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.

The Enlarged Group's business strategies will continue in tourism-related business in Asian countries. The Enlarged Group is dedicated to bring greater value to the Shareholders in the long run.

Financial information of Summit Ascent for the three financial years ended 31 December 2019 are disclosed on pages 50 to 109 of the 2017 annual report dated 25 April 2018, pages 62 to 127 of the 2018 annual report dated 29 April 2019, and pages 70 to 141 of the 2019 annual report dated 22 April 2020, respectively, which are published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of Summit Ascent (https://www.saholdings.com.hk).

Please refer to the hyperlinks as stated below:

2017 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn20180425769.pdf

2018 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291146.pdf

2019 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200696.pdf

The following is the text of the accountants' report on Summit Ascent for the three months ended 31 March 2020, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SUMMIT ASCENT HOLDINGS LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF SUNCITY GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Summit Ascent Holdings Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-5 to II-52, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the three months ended 31 March 2020 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-52 forms an integral part of this report, which has been prepared for inclusion in the circular of Suncity Group Holdings Limited dated 12 August 2020 (the "**Circular**") in connection with the proposed transaction in relation to the acquisition of equity interests in the Target Group.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 March 2020 and of the Target Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Relevant Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 August 2020

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Period, on which the Historical Financial Information is based, have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in HK dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	NOTES	**Three months ended 31 March 2020** *HK$'000*	**Three months ended 31 March 2019** *HK$'000* (Unaudited)
Revenue from gaming and hotel operations	*6*	91,934	132,263
Other income	*7*	3,757	1,652
Other gains and losses	*9*	(16,904)	9,656
Gaming tax		(2,941)	(3,528)
Inventories consumed		(2,760)	(3,319)
Marketing and promotion expenses		(3,628)	(3,853)
Employee benefits expenses		(43,493)	(35,767)
Depreciation and amortisation		(22,479)	(22,777)
Other expenses	*10*	(24,646)	(28,878)
Finance costs	*11*	(7,374)	(8,443)
(Loss) profit before taxation		(28,534)	37,006
Income tax expense	*12*	(22)	(33)
(Loss) profit and total comprehensive (expense) income for the period	*13*	(28,556)	36,973
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Target Company		(13,267)	27,176
Non-controlling interests		(15,289)	9,797
		(28,556)	36,973
		HK cent	*HK cents*
(Loss) earnings per share	*17*		
Basic		(0.74)	1.83
Diluted		(0.74)	1.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	NOTES	**As at 31 March 2020** *HK$'000*	**As at 31 December 2019** *HK$'000*
Non-current assets			
Property, operating right and equipment	*18*	1,403,864	1,408,519
Right-of-use assets	*19*	6,193	6,782
Long-term prepayments and other non-current assets	*20*	19,400	31,849
Intangible assets		416	420
		1,429,873	1,447,570
Current assets			
Inventories	*21*	2,047	3,003
Trade and other receivables	*22*	67,946	61,657
Bank balances and cash	*23*	826,223	860,698
		896,216	925,358
Current liabilities			
Contract liabilities, trade and other payables	*24*	53,280	61,557
Lease liabilities	*25*	1,332	1,966
Loans from non-controlling shareholders of a subsidiary	*26*	229,550	223,214
		284,162	286,737
Net current assets		612,054	638,621
Total assets less current liabilities		2,041,927	2,086,191
Non-current liabilities			
Liabilities for value-added tax ("**VAT**") arrangements	*27*	30,017	44,641
Lease liabilities	*25*	4,053	5,137
		34,070	49,778
Net assets		2,007,857	2,036,413

	NOTE	As at 31 March 2020 HK$'000	As at 31 December 2019 HK$'000
Capital and reserves			
Share capital	28	45,094	45,094
Reserves		1,586,027	1,599,294
Equity attributable to owners of the Target Company		1,631,121	1,644,388
Non-controlling interests		376,736	392,025
Total equity		2,007,857	2,036,413

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Attributable to owners of the Target Company						
	Share capital	Share premium	Share-based compensation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2019 and 1 January 2020	45,094	1,597,405	33,100	(31,211)	1,644,388	392,025	2,036,413
Loss and total comprehensive expense for the period	–	–	–	(13,267)	(13,267)	(15,289)	(28,556)
Forfeiture/cancellation of share options	–	–	(9,090)	9,090	–	–	–
At 31 March 2020	45,094	1,597,405	24,010	(35,388)	1,631,121	376,736	2,007,857
At 1 January 2019	37,209	1,286,885	52,869	(126,298)	1,250,665	375,919	1,626,584
Profit and total comprehensive income for the period (unaudited)	–	–	–	27,176	27,176	9,797	36,973
At 31 March 2019 (unaudited)	37,209	1,286,885	52,869	(99,122)	1,277,841	385,716	1,663,557

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Three months ended 31 March 2020 *HK$'000*	**Three months ended 31 March 2019** *HK$'000* (Unaudited)
OPERATING ACTIVITIES		
(Loss) profit before taxation	(28,534)	37,006
Adjustments for:		
Depreciation and amortisation of property, operating right, equipment, right-of-use assets and intangible assets	22,479	22,777
Finance costs	7,374	8,443
Impairment loss on deposits	7,267	–
Loss on disposal/written off of property, operating right and equipment	60	32
Bank interest income	(3,399)	(1,506)
Loss on written-off of intangible assets	–	32
Reversal of losses recognised on other receivables, deposits and prepayments	–	(741)
Operating cash flows before movements in working capital	5,247	66,043
Increase in trade and other receivables	(3,768)	(68,589)
Increase in contract liabilities, trade and other payables	1,715	57,189
Decrease in inventories	956	179
Cash generated from operation	4,150	54,822
Income tax paid	(22)	(33)
Net cash from operating activities	4,128	54,789
INVESTING ACTIVITIES		
Payment for property, operating right and equipment	(9,902)	(1,403)
Return of VAT refunded under VAT arrangements	(9,853)	(9,924)
Deposits paid for purchase of property, operating right and equipment	(2,207)	–
Interest received	3,399	1,506
Payment for intangible assets	–	(369)
VAT refunded under VAT arrangements	–	657
Net cash used in investing activities	(18,563)	(9,533)

	Three months ended 31 March 2020	**Three months ended 31 March 2019**
	HK$'000	*HK$'000*
		(Unaudited)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,718)	(476)
Interest paid for lease liabilities	(161)	(203)
Net cash used in financing activities	(1,879)	(679)
Net (decrease) increase in cash and cash equivalents	(16,314)	44,577
Cash and cash equivalents at 1 January	860,698	479,822
Effect of foreign exchange rate changes	(18,161)	(4,709)
Cash and cash equivalents at 31 March, represented by bank balances and cash	826,223	519,690

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

FOR THE THREE MONTHS ENDED 31 MARCH 2020

1. GENERAL

The Target Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Target Company is Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The Target Company acts as an investment holding company. The principal activities of the Target Group are the operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (the "**IEZ Primorye**") in the Russian Federation. The principal subsidiaries and their activities are set out in note 36.

The Historical Financial Information are presented in Hong Kong dollar ("**HK$**") which is also the functional currency of the Target Company. The functional currency of G1 Entertainment Limited Liability Company ("**G1 Entertainment**"), a principal subsidiary of the Target Group engaged in the gaming and hotel operations in the Russian Federation, is in HK$. This is based on the fact that the currency that mainly influences its gaming revenue is HK$.

Significant event in the current period

The outbreak of the Coronavirus Disease 2019 ("COVID-19")

With effect from 20 February 2020, as part of the efforts to contain the COVID-19 outbreak, the Russian government implemented a temporary entry ban for Chinese nationals, including passport holders from Hong Kong and Macau, which had an adverse impact on the Target Group's visitation in early 2020, particularly in the rolling chip business. On 27 March 2020, the Target Company announced, as COVID-19 outbreak situation has been escalating in the Russian Federation, the Russian government has announced a number of measures to control the outbreak. The gaming property operated under a subsidiary of the Target Company, G1 Entertainment, has followed the suggestions of the Russian government by temporarily suspending its gaming operations from 28 March 2020 (Saturday) until its reopening on 16 July 2020 (Thursday). The hotel operations of the Target Group, G1 Entertainment, continued to serve in a limited capacity during the period of suspension.

The SA Directors believe that COVID-19 will continue to present challenges to the business and it is impossible to quantify the impact to the overall business due to many uncertainties, including:

- Length of closure period, if any
- Time to reopen and ramp up once reopened
- Impact of COVID-19 on the economy and consumer behavior in the short and long term

Nevertheless, the Target Group has a strong liquidity position and would be able to continue its operation under this unprecedented period of 'near-zero revenue' for over twelve months from the end of the reporting period.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs. The significant accounting policies are set out in note 4.

No statutory financial statements of the Target Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Period, the Target Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2020. The application of the new and amendments to HKFRSs since 1 January 2020 has had no material impact on the Target Group's financial position and performance for the Relevant Period and/or on the disclosures set out in these Historical Financial Information.

New or revised standards and interpretations that have been issued but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[4]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 June 2020.
4 Effective for annual periods beginning on or after 1 January 2022.

The directors of the Target Company ("**SA Directors**") anticipate that the application of all new and amendments to HKFRSs will have no material impact on the financial statements of the Target Group in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information 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 ("**CO**").

The Historical Financial Information have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (typically include settling a customer's wager, providing rooms and food and beverage services to the customers on a discounted or complementary basis and points earned under the Target Group's customer loyalty program), the Target Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Target Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Target Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Target Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

For revenue contracts that include discounted or complimentary products and services provided by the Target Group to customers, the Target Group allocates the relative stand-alone selling price of each product and service to the respective revenue type. Cost of the respective products or services provided by the Target Group are recorded as an expense.

For revenue transactions that entitles a customer to earn points under the Target Group's customer loyalty programs, the Target Group allocates the estimated stand-alone selling price of the points earned to the loyalty program liability. Such amount is deferred as loyalty program liability in other payables until redemption occurs. Upon redemption of the loyalty program points for products and services provided by the Target Group, the amount deferred of each product or service provided by the Target Group is allocated to the respective revenue type.

For the rooms and food and beverage services provided for which the control of services is transferred over time or at a point in time, respectively, revenue is recognised when the customer obtains the control of the completed services and the Target Group has present right to payment and the collection of the consideration is probable.

Gaming tax

The Target Group is required to make certain variable and fixed payments to the tax authority in the Russian Federation based on the number of tables and slot machines in its possession. These expenses are reported as "gaming tax" in the consolidated statement of profit or loss and other comprehensive income and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or business acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Target Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to leases of office and that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and

- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate; and

- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Target Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Group as lessor

Classification and measurement of leases

Leases for which the Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Target Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Target Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("**MPF Scheme**") and the Russian Federation State Pension Fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from (loss) profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary difference on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Target Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individually group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, operating right and equipment

Properties, operating right and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Target Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, operating right and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, operating right and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, operating right and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, operating rights and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Target Group reviews the carrying amounts of its property, operating rights and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, operating rights and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial recognition of a financial asset the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Debtors with significant outstanding or credit-impaired were assessed individually. Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics and days past due.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, and loans from non-controlling shareholders of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derecognition/substantial modification of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

The Target Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Target Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Target Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Target Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve). At the end of each reporting period, the Target Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in the share-based compensation reserve will be transferred to share capital and share premium. When the share options are forfeited/cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses (unless the services qualify for recognition as assets).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the SA Directors have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Target Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Target Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. The lease on land plots from a third party was originally with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be extended upon expiry to match the estimated useful life of the buildings on the land plot of 30 years.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Provision of ECL for trade receivables

The Target Group applies the HKFRS 9 simplified approach to measuring ECL, using a lifetime expected loss allowance for all trade receivables. The Target Group determines the allowance based on specific customer information, historical experience with the customer, current industry and economic data and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. A provision of ECL for trade receivables is recorded when the Target Group believes it is probable the recoverable amount of the receivables will be less than their carrying amounts.

The provision of ECL is sensitive to changes in estimates. The information about the Target Group's trade receivables and the ECL are disclosed in notes 22 and 31 respectively.

Useful lives and depreciation and impairment of property, operating right and equipment and right-of-use assets

The Target Group determines the estimated useful lives and related depreciation charges for its property, operating right and equipment. This estimate is based on the historical experience of the actual useful lives of property, operating right and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. The property of the Target Group mainly comprises a hotel and entertainment complex, which is situated on land plots in the Russian Federation with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be renewed upon expiry of the relevant lease or the land plots could be acquired by the Target Group at a minimal consideration if the land lease is not extended, to match with the estimated useful lives of the buildings of 30 years.

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Target Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions including budgeted revenue taking into account future development of the Tigre de Cristal and pre-tax discount rate of 19.11%, to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Target Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Target Group is experiencing decreased revenues that indicate that the relevant property, operating right and equipment may be impaired. For the three months ended 31 March 2020, the Target Group performed impairment testing and concluded that no impairment loss should be recognised (31 December 2019: Nil).

As at 31 March 2020, the carrying amount of property, operating right and equipment and right-of-use assets was HK$1,403,864,000 and HK$6,193,000 (31 December 2019: HK$1,408,519,000 and HK$6,782,000), net of accumulated depreciation and amortisation of HK$409,554,000 and HK$2,947,000 (31 December 2019: HK$388,722,000 and HK$2,358,000).

6. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
Revenue from gaming and hotel operations:		
– Gaming operations	88,368	122,540
– Hotel operations	3,566	9,723
	91,934	132,263

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

For the rooms and food and beverage, revenue is recognised when the control of goods and services is transferred, either over time or a point in time, as appropriate.

7. OTHER INCOME

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
Bank interest income	3,399	1,506
Rental income	109	139
Others	249	7
	3,757	1,652

8. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Target Group that are regularly reviewed by the Target Company's Deputy Chairman and Executive Director, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance.

The Target Group operates only in one operating and reportable segment, i.e. the gaming and hotel operations. Single management report for the gaming and hotel business is reviewed by the Target Company's Deputy Chairman and Executive Director who allocates resources and assesses performance based on the consolidated financial information for the entire business. Accordingly, the Target Group does not present separate segment information other than entity-wide disclosures.

During the periods ended 31 March 2020 and 2019, all revenues are derived from customers patronising in the Target Group's property located in the Russian Federation. At 31 March 2020 and 31 December 2019, almost all non-current assets of the Target Group are located in the Russian Federation.

9. OTHER GAINS AND LOSSES

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
Exchange (losses) gains, net	(9,577)	8,979
Impairment loss on deposits *(Note)*	(7,267)	–
Loss on disposal/written-off of property, operating right and equipment	(60)	(32)
Reversal of recognised on other receivables, deposits and prepayments	–	741
Loss on written-off of intangible assets	–	(32)
	(16,904)	9,656

Note: For the period ended 31 March 2020, the Target Group recognised an impairment loss on deposits for purchase of property, operating right and equipment of approximately HK$7,267,000 due to a dispute with a contractor in relation to a renovation contract. The contract had been terminated by the Target Group and such deposit is fully impaired.

10. OTHER EXPENSES

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
Security expenses	3,868	3,835
Non-recoverable value-added tax	2,677	1,439
Utilities and fuel	2,323	2,272
Costs for employee relations	2,177	1,849
Bank charges	1,992	1,451
Auditors' remuneration	1,169	1,169
Travel agency expenses	1,483	6,461
Repair and maintenance expenses	1,367	2,140
Motor vehicle expenses	1,273	1,018
Legal and professional fees	1,033	295
Gaming supplies	977	1,488
Insurance expenses	583	1,068
Communication and networking costs	409	428
Hotel supplies	275	460
Overseas travel expenses	206	1,085
Consultancy fees	–	294
Sundry	2,834	2,126
	24,646	28,878

11. FINANCE COSTS

	Three months ended 31 March 2020	Three months ended 31 March 2019
	HK$'000	*HK$'000*
		(Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary	6,336	7,240
Imputed interest on VAT arrangements	877	1,000
Interest on lease liabilities	161	203
	7,374	8,443

12. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continues to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods as the SA Directors considered the amount involved in the two-tiered profits tax rates regime is insignificant to the consolidated financial information of the Target Group.

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for both periods; however, no Russian corporation tax is levied on the Target Group's gaming activities in the Russian Federation in accordance with Russian legislation.

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

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

The tax charged for the periods can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
(Loss) profit before taxation	(28,534)	37,006
Tax at the domestic income tax rate of 20% *(Note)*	(5,707)	7,401
Tax effect of expenses not deductible for tax purpose	20,002	16,415
Tax effect of income not taxable for tax purpose	(17,605)	(29,084)
Tax effect of deductible temporary difference not recognised	66	29
Tax effect of tax losses not recognised	3,289	5,263
Others	(23)	9
Income tax expense for the period	22	33

Note: The Russian corporate tax rate is used as it is the domestic tax in the jurisdiction where the operation of the Target Group is substantially based.

At the end of the reporting period, the Target Group has unused tax losses of HK$30,975,000 (31 December 2019: HK$30,062,000) and HK$537,868,000 (approximately RUB3,374,632,000) (31 December 2019: HK$522,336,000 (approximately RUB3,469,730,000)) available under Hong Kong profits tax and Russian corporate tax respectively for offset against future profits. No deferred tax assets have been recognised on such tax losses for both periods due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

13. (LOSS) PROFIT FOR THE PERIOD

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
(Loss) profit for the period has been arrived at after charging:		
SA Directors' remunerations *(Note 14)*	1,820	688
Salaries, wages, bonus and other benefits, excluding SA Directors	33,266	27,391
Contributions to retirement benefits schemes, excluding SA Directors	8,407	7,688
Total employee benefits expenses (including SA Directors' emoluments)	43,493	35,767
Amortisation of intangible assets	4	12
Depreciation of property, operating right and equipment	21,886	22,176
Depreciation of right-of-use assets	589	589
Total depreciation and amortisation	22,479	22,777

14. SA DIRECTORS' EMOLUMENTS

SA Directors' remuneration for the period, disclosed pursuant to the applicable Listing Rules, is as follows:

Three months ended 31 March 2020

	Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director	Former Executive Director	Non-Executive Directors		Independent Non-executive Directors			
	Chau Cheok Wa	**Lo Kai Bong**	**Chiu King Yan**	**Eric Daniel Landheer**	**U Chio Ieong**	**Wong Pak Ling Philip**	**Lau Yau Cheung**	**Li Chak Hung**	**Lam Kwan Sing**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note i)	*(Note ii)*	*(Note iii)*	*(Note iv)*		*(Note v)*			*(Note vi)*	
Fees	–	300	300	–	–	90	36	36	42	804
Other emoluments										
Salaries and other benefits	–	–	–	1,011	–	–	–	–	–	1,011
Contributions to retirement benefits schemes	–	–	–	5	–	–	–	–	–	5
Total emoluments	–	300	300	1,016	–	90	36	36	42	1,820

Three months ended 31 March 2019 (Unaudited)

	Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director	Non-Executive Directors		Independent Non-executive Directors			
	Kuo Jen Hao	**Wang, John Peter Ben**	**Eric Daniel Landheer**	**Lo Kai Bong**	**U Chio Ieong**	**Lau Yau Cheung**	**Li Chak Hung**	**Gerard Joseph McMahon**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note vii)	*(Note viii)*	*(Note iv)*	*(Note ii)*				*(Note ix)*	
Fees	–	45	–	–	–	36	36	42	159
Other emoluments									
Salaries and other benefits	–	–	524	–	–	–	–	–	524
Contributions to retirement benefits schemes	–	–	5	–	–	–	–	–	5
Total emoluments	–	45	529	–	–	36	36	42	688

Notes:

(i) Chau Cheok Wa has been appointed as a Non-executive Director and the Chairman of the Board of Directors of the Target Company with effect from 1 June 2019.

(ii) With effect from 26 April 2019, Lo Kai Bong has been re-designated to an Executive Director and has been appointed as the Deputy Chairman of the Board of Directors of the Target Company.

(iii) Chiu King Yan has been appointed as an Executive Director with effect from 26 April 2019.

(iv) Eric Daniel Landheer has resigned as an Executive Director of the Target Company with effect from 23 March 2020.

(v) Wong Pak Ling Philip has been appointed as a Non-executive Director with effect from 1 June 2019.

(vi) Lam Kwan Sing has been appointed as an Independent Non-executive Director with effect from 14 June 2019.

(vii) With effect from 26 April 2019, Kuo Jen Hao has resigned as a Non-executive Director and the Chairman of the Board of Directors of the Target Company.

(viii) Wang, John Peter Ben has resigned as an Executive Director and the Deputy Chairman of the Board of Directors of the Target Company with effect from 12 April 2019.

(ix) Gerard Joseph McMahon has resigned as an Independent Non-executive Director of the Target Company with effect from 14 June 2019.

There was no arrangement under which a SA Director waived or agreed to waive any remuneration during the period.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Target Company and the Target Group. The Non-Executive Director's emoluments shown above were for his services as a director of the Target Company or its subsidiaries. The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Target Company.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Target Group included one and one (unaudited) SA director for the three months ended 31 March 2020 and 2019, respectively, details of whose remuneration as a SA director is set out in note 14. Details of the total remuneration for the period of the other four highest paid employees are as follows:

	Three months ended 31 March 2020	**Three months ended 31 March 2019**
	HK$'000	*HK$'000*
		(Unaudited)
Salaries and other benefits	1,210	1,098
Discretionary and performance related incentive payments	50	39
Contributions to retirement benefits schemes	9	9
	1,269	1,146

Their emoluments fell within the following bands:

	Number of employees	
	Three months ended 31 March 2020	**Three months ended 31 March 2019**
		(Unaudited)
Nil to HK$1,000,000	4	4

In addition, neither emoluments as an inducement to join nor a compensation for the loss of office was paid to the SA Directors and five highest paid employees for both periods.

16. DIVIDENDS

No dividend was declared or paid by the Target Company in respect of the Relevant Period.

17. (LOSS) EARNINGS PER SHARE

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

	Three months ended 31 March 2020	**Three months ended 31 March 2019**
	HK$'000	*HK$'000*
		(Unaudited)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	(13,267)	27,176

	Three months ended 31 March 2020	**Three months ended 31 March 2019**
	Number of shares *(in thousands)*	
		(unaudited)
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,803,778	1,488,378
Effect of dilutive potential ordinary shares:		
Share options issued by the Target Company	–	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,803,778	1,488,378

The computation of diluted loss per share for the three months ended 31 March 2020 did not assume the exercise of the Target Company's share options because the exercise would result in a decrease in loss per share.

18. PROPERTY, OPERATING RIGHT AND EQUIPMENT

	Buildings, operating right and leasehold improvements	Furniture, fixtures and equipment	Gaming equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2019	1,520,965	137,641	94,171	12,595	2,767	1,768,139
Additions	2,599	20,903	17,688	2,663	7,728	51,581
Disposal	–	(11,662)	(9,991)	(826)	–	(22,479)
At 31 December 2019	1,523,564	146,882	101,868	14,432	10,495	1,797,241
Additions	–	6,319	–	1,872	9,100	17,291
Disposal	–	(20)	–	(1,094)	–	(1,114)
At 31 March 2020	1,523,564	153,181	101,868	15,210	19,595	1,813,418
DEPRECIATION						
At 1 January 2019	149,510	109,412	40,988	7,663	–	307,573
Provided for the year	57,422	16,557	21,307	1,572	–	96,858
Disposal	–	(7,496)	(8,098)	(115)	–	(15,709)
At 31 December 2019	206,932	118,473	54,197	9,120	–	388,722
Provided for the period	13,369	5,090	2,917	510	–	21,886
Disposal	–	(17)	–	(1,037)	–	(1,054)
At 31 March 2020	220,301	123,546	57,114	8,593	–	409,554
CARRYING VALUES						
At 31 March 2020	1,303,263	29,635	44,754	6,617	19,595	1,403,864
At 31 December 2019	1,316,632	28,409	47,671	5,312	10,495	1,408,519

Operating right represents the right to conduct business in the IEZ Primorye, one of the five integrated entertainment zones in the Russian Federation for gaming activities. Although the right was awarded by the Administration of the Primorye Region, the Russian Federation for an indefinite period, the SA Directors determine its estimated useful life as 30 years and accordingly, the right is amortised over 30 years. The building mainly includes the hotel and entertainment complex situated on land plots from a third party with a lease term of 14 years. Taking into account the Russian legislation and a legal opinion as advised by an external legal counsel, the management expected that the lease terms could be renewed upon expiry or the land plots could be acquired by the Target Group if the land lease is not extended, to reflect the estimated useful life of the buildings of 30 years.

The above items of property, operating right and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings, operating right and leasehold improvements	3 – 30 years
Furniture, fixtures and equipment	2 – 20 years
Gaming equipment	2 – 7 years
Motor vehicles	3 – 7 years

19. RIGHT-OF-USE ASSETS

	Leasehold lands	**Office**	**Warehouse**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019 and 1 January 2020				
Carrying amount	5,041	1,283	458	6,782
As at 31 March 2020				
Carrying amount	4,956	916	321	6,193
For the three months ended 31 March 2020				
Depreciation charge	85	367	137	589
For the three months ended 31 March 2019 (unaudited)				
Depreciation charge	85	367	137	589
Total cash outflow for leases for the three months ended 31 March 2020				1,879
Expense relating to short-term leases and other leases with lease term ended within 12 months of date of initial application of HKFRS 16 for the three months ended 31 March 2019 (unaudited)				485
Total cash outflow for leases for the three months ended 31 March 2019 (unaudited)				1,164

For the three months ended 31 March 2020 and 2019, the Target Group leases various leasehold lands, office and warehouse for its operations. Lease contracts are entered into for fixed term of 1 year to 14 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Group applies the definition of a contract and determines the period for which the contract is enforceable.

Extension and termination options

The Target Group has extension options in the lease for one of the leasehold lands. This is used to maximise operational flexibility in terms of managing the assets used in the Target Group's operations. The extension option held is exercisable only by the Target Group and not by the respective lessor. The lease on land plots under a medium-term lease from a third party was originally with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be extended upon expiry to match the estimated useful life of the buildings on the land plot of 30 years.

The Target Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options in which the Target Group is not reasonably certain to exercise and (ii) termination options in which the Target Group is not reasonably certain not to exercise is summarised below:

	Lease liabilities recognised as at 31 March 2020	**Potential future lease payments not included in lease liabilities (undiscounted)**
	HK$'000	*HK$'000*
Office – Hong Kong	922	4,823

	Lease liabilities recognised as at 31 December 2019	**Potential future lease payments not included in lease liabilities (undiscounted)**
	HK$'000	*HK$'000*
Office – Hong Kong	1,309	4,823

In addition, the Target Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the three months ended 31 March 2020, there was no such triggering event.

20. LONG-TERM PREPAYMENTS AND OTHER NON-CURRENT ASSETS

	As at 31 March 2020	**As at 31 December 2019**
	HK$'000	*HK$'000*
Long-term prepayments	13,533	13,533
Deposits for purchase of property, operating right and equipment	13,134	18,316
Less: Impairment	(7,267)	–
	5,867	18,316
	19,400	31,849

Long-term prepayments represent prepayments for connection to the utility infrastructure network located in IEZ Primorye in the Russian Federation.

21. INVENTORIES

Inventories consist of retail products, food and beverage items and certain general operating supplies, which are stated at the lower of cost or net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

22. TRADE AND OTHER RECEIVABLES

	As at 31 March 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Trade receivables	4,002	8,032
Prepayments	20,948	30,768
Other receivables and deposits *(Note)*	43,595	23,456
Less: Allowance	(599)	(599)
	63,944	53,625
	67,946	61,657

Note: This includes an amount due from an employee of a substantial shareholder of the Target Company amounting to HK$40,090,000 (31 December 2019: HK$21,003,000) and represents the sum collected from patrons on behalf of the Target Group. They are unsecured, interest bearing and repayable on demand. The amount has been fully settled subsequent to 31 March 2020.

As at 1 January 2019, trade receivables from contracts with customers amounted to HK$29,852,000.

Trade receivables as at 31 March 2020 and 31 December 2019 mainly represent outstanding amounts pending settlements by customers which are usually repaid within 44 days (31 December 2019: 16 days) after each trip to the Target Group's gaming property. The Target Group provides short-term temporary credit to approved customers following background checks and credit risk assessments of these customers.

All trade receivables as at 31 March 2020 and 31 December 2019 were aged within 30 days based on the revenue recognition date, at the end of the reporting period.

All of the Target Group's trade receivables as at 31 March 2020 and 31 December 2019 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from patrons as at 31 March 2020 and 31 December 2019 were assessed individually. There were no impairment allowance as at 31 March 2020 and 31 December 2019. For other trade receivables, the Target Group assessed the expected credit losses collectively based on the provision matrix as at 31 March 2020 and 31 December 2019. No impairment allowance was provided due to the low probability of default of those receivables based on the short credit period and the fact that the customers are still active in the Target Group's property located in the Russian Federation.

Allowance of HK$599,000 and HK$599,000 as at 31 March 2020 and 31 December 2019 respectively represented individually impaired prepayments and other receivables that the SA Directors considered uncollectible.

Further details of impairment assessment of trade and other receivables for the period/year are set out in note 31.

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranges from 0.001% to 2.25% (31 December 2019: 0.001% to 2.40%) per annum.

24. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at 31 March 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Trade payables	140	453
Payable in respect of transfer of connection right to local electricity supply network	10,269	12,895
Liabilities for VAT arrangements *(Note 27)*	6,283	10,603
Outstanding gaming chips	1,174	2,078
Gaming tax payables	739	1,108
Accruals and other payables	34,675	34,420
	53,280	61,557

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

	As at 31 March 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Within 30 days	140	408
Over 90 days	–	45
	140	453

The Target Group mainly has two types of liabilities related to contracts with customers which are included in the above: (1) outstanding gaming chips in the customers' possession amounting to HK$1,174,000 (31 December 2019: HK$2,078,000); and (2) loyalty programs liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK$1,126,000 (31 December 2019: HK$1,403,000). Loyalty programs liabilities and customer deposits on hotel rooms are included in accruals and other payables above.

Outstanding gaming chips liabilities are expected to be recognised as revenue or redeemed within one year of being purchased. Loyalty programs liabilities are generally expected to be recognised as revenue within one year of being earned.

25. LEASE LIABILITIES

	As at 31 March 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Lease liabilities payable:		
Within one year	1,332	1,966
Within a period of more than one year but not more than two years	168	205
Within a period of more than two years but not more than five years	627	766
Within a period of more than five years	3,258	4,166
	5,385	7,103
Less: Amount due for settlement with 12 months shown under current liabilities	(1,332)	(1,966)
Amount due from settlement after 12 months shown under non-current liabilities	4,053	5,137

26. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

On 15 July 2014, each of the shareholders of Oriental Regent Limited ("**Oriental Regent**"), the then joint venture of the Target Group which the Target Group has obtained control during the year ended 31 December 2016, entered into a loan agreement with Oriental Regent whilst they agreed to provide their pro rata proportion of the additional capital amount of US$137,691,000 (equivalent to HK$1,071,236,000) in total as required by Oriental Regent to continue to fund the gaming and resort project in the Russian Federation by way of ordinary shareholder convertible loan (the "**Loan**") as contemplated under the investment and shareholders agreement dated 23 August 2013. A total of HK$428,494,000 was contributed by the other shareholders of Oriental Regent. The Loan is non-interest bearing, unsecured and due to mature after 3 years from the date of the agreement, which shall automatically renew for another term of three years. No repayment at all time shall be made by Oriental Regent unless there are sufficient free cash flows generated from its operations to make the repayment. The Loan can only be converted into new shares of Oriental Regent at the option of Oriental Regent at such conversion price(s) and ratio(s) as Oriental Regent shall agree with the shareholders of Oriental Regent at the relevant time. The conversion period is from the date on which the payment for the entire principal amount of the Loan was made by the shareholders to the day immediately prior to the repayment date. The loan is discounted at an effective interest rate calculated at 11.28% per annum at inception.

27. LIABILITIES FOR VAT ARRANGEMENTS

In the relevant jurisdiction of the Russian Federation, G1 Entertainment is entitled to deduct VAT liabilities ("**Output VAT**") against VAT which was previously paid to the tax authority in the Russian Federation for the construction and purchase of assets or services for the gaming and hotel operations ("**Input VAT**"). Input VAT arising from the construction and the purchase of property and equipment is refunded by the relevant tax authority within 4 months after the application.

However, according to Russian regulations, as gaming activities are not subject to Output VAT in the Russian Federation, the Input VAT refunded to the Target Group cannot be utilised. Instead it is required to be divided into 10 equal parts and each has to be returned to the tax authority in each of the next 10 years from the first year of operations to the extent of the annual proportion of the revenue generated from the gaming activities over the total revenues of the Target Group's gaming and hotel operations in the Russian Federation. Such assessment is performed on an annual basis over a period of 10 years from the year when the relevant VAT is refunded to the Target Group. Against this, a provision of RUB359,910,000 (approximately HK$36,300,000) (31 December 2019: RUB436,211,000 (approximately HK$55,244,000)) is recognised for the estimated amount of the relevant Input VAT that has been refunded to the Target Group but has to be returned to the tax authority under this regulation. The estimated repayable amount to the tax authority is calculated by using an effective interest rate of 8.47% (2019: 8.47%) per annum. Accordingly, approximately RUB62,292,000 (approximately HK$6,283,000) (31 December 2019: RUB83,721,000 (approximately HK$10,603,000)) of such provision is presented as current and included in other payables (Note 24) as such amount is under the aforesaid assessment within the next twelve months and is expected to be returned to the tax authority upon final assessment, with the remainder of RUB297,618,000 (approximately HK$30,017,000) (31 December 2019: RUB352,490,000 (approximately HK$44,641,000)) presented as non-current.

28. SHARE CAPITAL OF THE TARGET COMPANY

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 March 2020	3,200,000,000	80,000
Issued and fully paid:		
At 1 January 2019	1,488,377,836	37,209
Ordinary shares issued	300,000,000	7,500
Exercise of share options	15,400,000	385
At 31 December 2019 and 31 March 2020	1,803,777,836	45,094

All shares issued rank pari passu in all respects with the then existing shares.

On 25 July 2019, the Target Company entered into a shares placing agreement ("**Placing Agreement**") with a securities firm ("**Placing Agent**") pursuant to which the Target Company conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 300,000,000 new shares ("**Placing Share(s)**") of the Target Company of HK$0.025 each at a price of HK$1.01 per Placing Share to not less than six investors who are independent third parties (the "**Placing**"), pursuant to the general mandate granted to the SA Directors at the 2019 annual general meeting of the Target Company. Further details of the Placing are set out in the Target Company's announcement dated 25 July 2019.

Completion of the Placing took place on 19 August 2019 pursuant to the terms and conditions of the Placing Agreement. The 300,000,000 Placing Shares represent approximately 19.95% and 16.63% of the issued share capital of the Target Company immediately before and after the completion of the Placing. The net proceeds of the Placing are approximately HK$296,633,000. Proceeds of HK$7,500,000, representing the par value of the shares issued, were credited to the share capital of the Target Company and the remaining proceeds of HK$289,133,000 net of share issue expense were credited to the share premium account.

29. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Target Company:

Pursuant to an extraordinary general meeting held on 7 July 2011, the shareholders of the Target Company approved the adoption of a new share option scheme (the "**Scheme**") and the termination of the previous share option scheme adopted on 11 July 2002.

Under the Scheme, the SA Directors may, at their discretion, grant to any directors, executives and employees of any members of the Target Group and consultants, professional and other advisors to any members of the Target Group (the "**Participant(s)**") share options to subscribe for the shares, subject to the terms and conditions stipulated therein. The purpose of the Scheme is to recognise the contribution of the Participants who have made or may make to the Target Company, to provide them with the opportunity to acquire proprietary interests in the Target Company and to encourage them to work towards enhancing the value of the Target Company and its shares for the benefit of the Target Company and its shareholders as a whole.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme (and under any other scheme of the Target Company) shall not in aggregate exceed 10% of the shares in issue as at the date of the adoption of the Scheme, provided that the Target Company seeks approval from shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme (and under any other scheme of the Target Company) shall not exceed 30% of the shares in issue from time to time. The maximum entitlement of each Participant under the Scheme in any 12-month period is 1% of the shares in issue from time to time.

As at 31 March 2020, the number of shares in respect of the options granted and remained outstanding under the Scheme was 22,514,000 (31 December 2019: 32,714,000), representing 1.25% (31 December 2019: 1.81%) of the total number of issued shares of the Target Company.

The period within which an option may be exercised will be determined by the SA Directors at its absolute discretion but no option may be exercised later than 10 years from the date on which the option is granted. The minimum period for which an option must be held before it can be exercised is determined by the SA Directors upon the grant of an option.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the SA Directors, and will not be less than the higher of (i) the closing price of the Target Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Target Company's share. The Scheme will be valid and effective for a period of ten years from the adoption date until 6 July 2021.

Movements of the Target Company's share options held by the SA Directors, employees and consultants of the Target Group during the three months ended 31 March 2020 are set out below:

Category of Participants	Number of share options: As at 1 January 2020	Lapsed	As at 31 March 2020	Date of grant	Exercise price HK$	*Notes*
SA Director	2,300,000	(2,300,000)	–	1 September 2016	1.99	*ii*
SA Directors	9,900,000	(7,900,000)	2,000,000	13 December 2018	0.98	*iii*
Employees	1,292,000	–	1,292,000	1 September 2016	1.99	*ii*
Employees	13,410,000	–	13,410,000	13 December 2018	0.98	*iii*
Consultants	5,812,000	–	5,812,000	1 September 2016	1.99	*ii*
Total	32,714,000	(10,200,000)	22,514,000			
Exercisable at the end of the period			22,514,000			
Weighted average exercise price *(HK$)*	1.27	1.21	1.3			

During the period ended 31 March 2019 (unaudited) there was no movements (unaudited) of the Target Company's share options held by the SA Directors, employees and consultants of the Target Group and all outstanding shares options of 78,464,000 (unaudited) were exercisable as at 31 March 2019 with a weighted average exercise price of HK$1.101 (unaudited).

Notes:

(i) The vesting period of the share options is from the date of grant until the commencement of the exercise period. Once vested, each option gives the holder of the right to subscribe for one ordinary share of the Target Company.

(ii) On 1 September 2016, (1) a total of 9,404,000 share options (the "**Previously Granted Options**") granted by the Target Company on 9 December 2014 to its employees and consultants (the "**Grantees**") under the Scheme, which had not been exercised or lapsed since they were granted, were cancelled; and (2) a total of 9,404,000 new share options (the "**Replacement Share Options**") were granted to the Grantees under the Scheme in replacement of the Previously Granted Options.

The Replacement Share Options are treated as modified options since the terms of such options were modified by changing the exercise period and reducing the exercise prices of the Previously Granted Options from HK$4.218 to HK$1.99.

The Replacement Share Options granted on 1 September 2016 are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 August 2021.

(iii) On 13 December 2018, the Target Company granted a total of 69,060,000 share options to certain SA Directors, employees and consultants of the Target Group to subscribe for shares of the Target Company with an exercise price of HK$0.98, under the Scheme with no vesting conditions. The options are exercisable from 13 December 2018 to 12 December 2023.

(iv) During the Relevant Period, no share options were granted under the Scheme.

30. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remain unchanged from prior year.

The capital structure of the Target Group consists of cash and cash equivalents, net of debts (which include loans from non-controlling shareholders of a subsidiary disclosed in note 26) and equity attributable to owners of the Target Company, comprising issued share capital and reserves.

The SA Directors review the capital structure on a regular basis. As part of this review, the SA Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the SA Directors, the Target Group will balance its overall capital structure through raising of new capital as well as the issue of new debt and shares or the redemption of existing debt and shares.

31. FINANCIAL INSTRUMENTS

31a. Categories of financial instruments

	As at 31 March 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Financial assets		
At amortised cost	871,615	891,447
Financial liabilities		
At amortised cost	286,886	302,843

31b. Financial risk management objectives and policies

The Target Group's major financial instruments include bank balances and cash, trade and other receivables, trade and other payables, lease liabilities and loans from non-controlling shareholders of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, receivables and payables of the Target Group are denominated in foreign currencies and certain subsidiaries of the Target Company have foreign currency revenue and purchases, which expose the Target Group to foreign currency risk. Approximately 60% of the Target Group's gross revenue before rebate are denominated in currencies other than the functional currency of the Target Group entity making the revenue for the three months ended 31 March 2020 (for the year ended 31 December 2019: 48%). The Target Group currently does not have a foreign currency hedging policy. However, the SA Directors monitor foreign exchange exposure by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign exposure should the need arise.

The carrying amounts of the Target Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	As at 31 March 2020 HK$'000	As at 31 December 2019 HK$'000
Assets		
United States dollars ("**US$**")	265,880	266,467
Russian Rubles ("**RUB**")	61,570	92,198
Liabilities		
US$	230,415	225,113
RUB	58,525	82,135

Sensitivity analysis

The Target Group is mainly exposed to RUB against HK$, the functional currency of the relevant group entity.

Considering the HK$ is pegged with the US$, management is of the opinion that the currency exposure arising from these transactions is not significant to the Target Group. As a result, the profit and equity of the Target Group are unlikely to be materially sensitive to movement in HK$/US$ exchange rates.

The following table details the Target Group's sensitivity to a 30% (31 December 2019: 30%) increase and decrease in HK$ against the relevant foreign currency. 30% (31 December 2019: 30%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 30% (31 December 2019: 30%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the period/year where RUB strengthen 30% (31 December 2019: 30%) against HK$. For a 30% (31 December 2019: 30%) weakening of RUB against HK$, there would be an equal and opposite impact on the profit and equity and balances below would be negative.

	As at 31 March 2020 HK$'000	As at 31 December 2019 HK$'000
(Loss) profit for the period/year	(731)	2,415

(ii) Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable rate bank balances. The management considers the cash flow interest rate risk in relation to variable-rate bank balances is insignificant and therefore no sensitivity analysis on such risk has been prepared.

Credit risk and impairment assessment

As at 31 March 2020 and 31 December 2019, the financial assets' carrying amounts best represent the maximum exposure to credit risk.

In order to minimise the credit risk, the management of the Target 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. In addition, the Target Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the SA Directors consider that the Target Group's credit risk is significantly reduced.

As part of the Target Group's credit risk management, the Target Group uses debtors' aging to assess the impairment for other receivable because these consist of a large number of miscellaneous receivables with common risk characteristics that are representative of the counterparties' abilities to pay all amounts due in accordance with the contractual terms. Debtors with significant outstanding balances or credit-impaired as at 31 December 2019 and 31 March 2020 were assessed individually.

The SA Directors have also assessed all available forward looking information, including but not limited to expected growth rate of the industry and changes in regulatory and economic environment, and concluded that there is no significant increase in credit risk.

There were no impairment allowance during the three months ended 31 March 2020 and 31 March 2019 for debtors that were assessed individually. Allowance for other receivables of HK$599,000 (31 December 2019: HK$599,000) represents certain amounts that the SA Directors considered uncollectible. For the amount due from an employee of a substantial shareholder of the Target Company, the SA Directors of make periodic individual assessment on the recoverability of the amount based on historical settlement records, past experience, and supportive forward-looking information. The SA Directors assessed the ECL for the amount are insignificant and thus no loss allowance was recognised.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Other than concentration of credit risk on liquid funds which are deposited with banks with good reputation, the Target Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2020							
Trade and other payables	–	21,036	–	–	–	21,036	21,036
Lease liabilities	9.10	1,813	607	1,820	8,002	12,242	5,385
Liabilities for VAT arrangement	8.47	6,283	8,943	26,829	5,996	48,051	36,300
Loans from non-controlling shareholders of a subsidiary	11.28	237,367	–	–	–	237,367	229,550
		266,499	9,550	28,649	13,998	318,696	292,271
At 31 December 2019							
Trade and other payables	–	24,385	–	–	–	24,385	24,385
Lease liabilities	9.10	2,598	762	2,285	10,237	15,882	7,103
Liabilities for VAT arrangement	8.47	10,603	10,603	31,809	14,792	67,807	55,244
Loans from non-controlling shareholders of a subsidiary	11.28	237,367	–	–	–	237,367	223,214
		274,953	11,365	34,094	25,029	345,441	309,946

31c. Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The SA Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Loans from non-controlling shareholders of a subsidiary	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Note 25)	*(Note 26)*	
At 1 January 2020	7,103	223,214	230,317
Financing cash flows	(1,879)	–	(1,879)
Interest expenses	161	6,336	6,497
At 31 March 2020	5,385	229,550	234,935

	Lease liabilities	Loans from non-controlling shareholders of a subsidiary	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Note 25)	*(Note 26)*	
At 1 January 2019	8,507	257,892	266,399
Financing cash flows (unaudited)	(679)	–	(679)
Foreign exchange translation (unaudited)	474	–	474
Interest expenses (unaudited)	203	7,240	7,443
At 31 March 2019 (unaudited)	8,505	265,132	273,637

33. RETIREMENT BENEFIT PLAN

Defined contribution plan

Hong Kong

The Target Group participates in the Mandatory Provident Fund Scheme ("**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Target Group in funds under the control of trustees.

For members of the MPF Scheme, the Target Group contributes 5% of the relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee, which contribution is matched by the employees.

Russian Federation

The Target Group is required to contribute for the range of 0% to 30% of payroll costs to the Russian Federation State Pension Fund depending on the annual gross remuneration of the staff, to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$8,412,000 for the three months ended 31 March 2020 (for the three months 31 March 2019 (unaudited): HK$7,693,000) represented contributions paid or payable to the plans by the Target Group at rates specified in the rules of the plans.

At 31 March 2020 and 31 March 2019, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

34. CAPITAL COMMITMENTS

	As at 31 March 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated statement of financial position	1,542	23,729

35. RELATED PARTY TRANSACTIONS

The Target Group entered into the following transactions with related parties during the period:

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
Transaction with a subsidiary of a non-controlling shareholder of a subsidiary:		
Marketing fee expenses	40	26
Transaction with non-controlling shareholders of a subsidiary:		
Imputed interest expense on loans	6,336	7,240
Transactions with a related company controlled by a substantial shareholder:		
Service fee income	(193)	–
Service fee expenses	44	–

Details of the balances with the related parties have been disclosed in the consolidated statement of financial position on pages II-7 and II-8 and notes 22 and 26.

Compensation of key management personnel

The remuneration of SA Directors and other members of key management during the period, which is included in "Total employee benefits expenses (including SA Directors' emoluments)" in note 13, were as follows:

	Three months ended 31 March 2020 *HK$'000*	Three months ended 31 March 2019 *HK$'000* (Unaudited)
Short-term benefits	2,608	1,337
Post-employment benefits	9	9
	2,617	1,346

Certain shares of the Target Company were issued to key management upon exercise of shares options granted to them under the Scheme as disclosed in note 29.

The remuneration of SA Directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

36. PARTICULARS OF SUBSIDIARIES OF THE TARGET COMPANY

During the Relevant Period and as at the date of this report, the Target Company has direct and indirect shareholding/equity interests in the following subsidiaries:

			Particulars of issued share capital			Proportion of ownership/ effective interest held by the Target Company							
						Directly			Indirectly				
Name of subsidiaries	Place of incorporation/ establishment	Place of operations	31 December 2019	31 March 2020	as at the date of this report	31 December 2019	31 March 2020	as at the date of this report	31 December 2019	31 March 2020	as at the date of this report	Principal activities	*Notes*
Summit Ascent Russia Limited	BVI	Hong Kong	1 ordinary share of US$1	1 ordinary share of US$1	1 ordinary share of US$1	100%	100%	100%	–	–	–	Investment holding	*a*
Summit Ascent Services Limited	Hong Kong	Hong Kong	1 ordinary share	1 ordinary share	1 ordinary share	100%	100%	100%	–	–	–	Provision of administrative services	*b*
Summit Ascent Investments Limited	BVI	Hong Kong	–	–	1 ordinary share of US$1	–	–	100%	–	–	–	Investment holding	*a*
Oriental Regent	Hong Kong	Hong Kong	140,000 ordinary shares	140,000 ordinary shares	140,000 ordinary shares	–	–	–	60%	60%	60%	Investment holding	*b*
G1 Entertainment	Russian Federation	Russian Federation	Charter capital of RUB1,190,795,312	Charter capital of RUB1,190,795,312	Charter capital of RUB1,190,795,312	–	–	–	60%	60%	60%	Operation of hotel and gaming business in IEZ Primorye in the Russian Federation	*c*
EZ Transport Limited Liability Company	Russian Federation	Russian Federation	Charter capital of RUB20,000	Charter capital of RUB20,000	Charter capital of RUB20,000	–	–	–	30.6%	30.6%	30.6%	Provision of bus services in the Russian Federation	*a, d*
Oriental Winner Limited	Hong Kong	Hong Kong	10,000 ordinary shares	10,000 ordinary shares	10,000 ordinary shares	–	–	–	100%	100%	100%	Investment holding	*b*

Notes:

(a) No audited financial statements of these companies have been prepared since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements.

(b) The statutory financial statements of these companies for the year ended 31 December 2019 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us and no subsequent financial statements are due for issuance as at the date of the report.

(c) The statutory financial statements of this company for the year ended 31 December 2019 were prepared in accordance with Russian Accounting Standards and were audited by Deloitte & Touche CIS and no subsequent financial statements are due for issuance as at the date of the report.

(d) Despite the Target Group indirectly holds less than 50% of the effective equity interest of the subsidiary, the Target Group considers to have control over the subsidiary through G1 Entertainment as G1 Entertainment holds more than 50% of the equity interest of EZ Transport Limited Liability Company.

None of the subsidiaries had issued any debt securities at the end of the period/year.

The table below shows details of non wholly-owned subsidiaries of the Target Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation or establishment and operations	Proportion of equity interest/ voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31 March 2020	31 December 2019	31 March 2020	31 March 2019	31 March 2020	31 December 2019
				HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Oriental Regent and its subsidiaries	Hong Kong and Russian Federation	40%/43%	40%/43%	(15,289)	9,797	(376,736)	392,025

Summarised financial information in respect of the Target Group's subsidiaries that have material non-controlling interests, on a group consolidation basis is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Oriental Regent

	As at 31 March 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Current assets	174,099	200,720
Non-current assets	1,427,059	1,444,120
Current liabilities	625,248	615,000
Non-current liabilities	34,070	49,778
Equity attributable to owners of Oriental Regent	565,104	588,037
Non-controlling interests	376,736	392,025

	Three months ended 31 March 2020	Three months ended 31 March 2019
	HK$'000	*HK$'000*
		(Unaudited)
Revenue	91,934	132,263
Expenses	113,978	116,386
(Loss) profit for the period	(38,309)	24,406
(Loss) profit and total comprehensive (expense) income for the period attributable to:		
– owners of the Target Company	(23,020)	14,609
– non-controlling interests	(15,289)	9,797
	(38,309)	24,406
Net cash inflow from operating activities	9,656	54,350
Net cash outflow from investing activities	(21,681)	(9,248)
Net cash outflow from financing activities	(1,478)	(464)
Effect of foreign exchange rate changes	(18,160)	(4,708)
Net cash (outflow) inflow	(31,663)	39,930

Note: The amounts are presented on the basis of the Target Group and reflected the fair value adjustments on property, operating right, and equipment, goodwill and additional post-acquisition depreciation charge resulted from the acquisition of Oriental Regent.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE TARGET COMPANY

	As at 31 March 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Non-current assets		
Unlisted investments in subsidiaries *(Note i)*	94,957	180,778
Advance to subsidiaries *(Note ii)*	788,968	696,563
	883,925	877,341
Current assets		
Other receivables, deposits and prepayments	807	435
Bank balances and cash	710,695	719,258
	711,502	719,693
Current liability		
Other payables	2,825	3,033
Net current assets	708,677	716,660
Net assets	1,592,602	1,594,001
Capital and reserves		
Share capital *(Note 28)*	45,094	45,094
Reserves *(Note iii)*	1,547,508	1,548,907
Total equity	1,592,602	1,594,001

Note i: Unlisted investments in subsidiaries

	As at 31 March 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Unlisted interests, at cost *(Note a)*	–	–
Deemed capital contribution *(Note b)*	94,957	180,787
	94,957	180,787

Notes:

(a) The balances are presented as zero when rounded to the nearest thousand for the period/year.

(b) Deemed capital contribution represented the imputed interest on the interest-free advances provided to subsidiaries.

Note ii: Advance to subsidiaries

ECL for advance to subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Target Company's internal and/or external credit rating.

Note iii: Movements in the Target Company's reserves

	Share premium	Share-based compensation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	1,286,885	52,869	(189,909)	1,149,845
Profit and total comprehensive income for the year	–	–	95,222	95,222
Exercise of share options	21,387	(6,680)	–	14,707
Ordinary shares issued	295,500	–	–	295,500
Transaction costs attributable to issue of new shares	(6,367)	–	–	(6,367)
Forfeiture/cancellation of share options	–	(13,089)	13,089	–
At 31 December 2019	1,597,405	33,100	(81,598)	1,548,907
Loss and total comprehensive expense for the period	–	–	(1,399)	(1,399)
Forfeiture/cancellation of share options	–	(9,090)	9,090	–
At 31 March 2020	1,597,405	24,010	(73,907)	1,547,508

38. EVENTS AFTER REPORTING PERIOD

Proposed rights issue and subscription for convertible bonds

On 1 June 2020, the Target Group announced the proposal to raise not less than approximately HK$1,623.40 million before expenses and not more than approximately HK$1,641.70 million before expenses by the rights issue on the basis of three (3) rights shares for every two (2) shares held at the subscription price of HK$0.6 per rights share.

In addition, on 1 June 2020, Summit Ascent Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Target Company (the "**Subscriber**") and Suntrust Home Developers, Inc. ("**SunTrust**"), a company incorporated in the Philippines, the shares of which are listed on The Philippine Stock Exchange, Inc. (stock code: SUN) and is 51% owned by the Company, entered into a subscription agreement dated 1 June 2020, pursuant to which SunTrust has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the convertible bonds which may be converted into the conversion shares pursuant to the terms and conditions of the convertible bonds. The measurement of the convertible bonds at initial recognition and subsequent reporting period will follow HKFRS 9 *Financial Instruments* issued by the HKICPA. The convertible bonds contains embedded derivative (i.e. the conversion option) and would be accounted for as financial asset measured at FVTPL upon completion.

Details of the above transactions are included in the announcement of the Target Group dated 1 June 2020.

Extension of the loans from non-controlling shareholders of a subsidiary

On 15 July 2020, each of the shareholders of Oriental Regent entered into supplemental agreements to the loan agreements as described in note 26 with Oriental Regent pursuant to which, each of the shareholders agreed to amend the maturity date of the Loan to 15 July 2023, which shall automatically renew for another term of three years. All other terms in the original loan agreement remains unchanged.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Relevant Period.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

On the same date, the Group entered into an irrevocable undertaking ("**Irrevocable Undertaking**") with Summit Ascent that it will accept and pay for 669,462,696 rights shares to be provisionally allotted to the Group under the SA Rights Issue and the Group, through its direct wholly owned subsidiary, namely Victor Sky Holdings Limited ("**Victor Sky**"), entered into an underwriting agreement (the "**Underwriting Agreement**") with Summit Ascent to underwrite a maximum amount of 2,066,705,058 rights shares (the "**Underwritten Shares**"). If the Underwriting Agreement becomes unconditional, not otherwise terminated by Victor Sky in accordance with its terms and Victor Sky is required to take up all the Underwritten Shares, Summit Ascent will become an indirect subsidiary of the Company as the Company and Victor Sky, in aggregate, will be interested in approximately 69.78% interest in Summit Ascent (assuming all outstanding share options (other than those held by two independent non-executive SA Directors) granted by Summit Ascent pursuant to the SA Share Option Scheme are exercised in full on or prior to the record date of the SA Rights Issue) or 69.89% (assuming no share options granted by Summit Ascent pursuant to the SA Share Option Scheme are exercised prior to the record date of the SA Rights Issue). Summit Ascent will be accounted for as a subsidiary of the Company in that case and its financial results will be consolidated in the consolidated financial statements of the Company (the "**Acquisition**") since then.

The following unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the "**Group**"), together with Summit Ascent in respect of the Acquisition (collectively referred to as the "**Enlarged Group**") ("**Unaudited Pro Forma Financial Information**") is prepared by the directors of the Company ("**Directors**") in accordance with Rule 4.29 of the Listing Rules to illustrate the financial effect of the Acquisition on the Enlarged Group as if the Acquisition had been completed on 31 December 2019.

The Acquisition will be financed by a loan facility agreement signed with Star Hope Limited ("**Star Hope**"), a company wholly owned by a controlling shareholder of the Company, on 21 May 2020, under which Star Hope will provide an unconditional loan facility up to HK$1,650 million (equivalent to approximately RMB1,478.07 million) (the "**Loan Facility**"). Although the availability of the Loan Facility is not a condition precedent under the terms of the Underwriting Agreement, the following Unaudited Pro Forma Financial Information reflects the drawdown of the Loan Facility to finance the Acquisition because the directors of the Company consider that it reflects a more complete picture of the transaction for investors to understand the effect of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2019, which has been extracted from published annual report of the Company for the year ended 31 December 2019; (ii) the audited consolidated statement of financial position of Summit Ascent as at 31 March 2020, which has been extracted from the accountants' report of Summit Ascent as set out in Appendix II to this circular, and adjusted in accordance with the pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 31 December 2019.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group upon completion of the Acquisition as at 31 December 2019 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the published annual consolidated financial statements of the Company for the year ended 31 December 2019 and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31 DECEMBER 2019

	The Group as at 31 December 2019		Unaudited pro forma adjustments				The Enlarged Group as at 31 December 2019
	RMB'000	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets							
Property, operating right and equipment	299,976	1,403,864	1,257,581		481,984		2,039,541
Right-of-use assets	2,656	6,193	5,548				8,204
Intangible assets	–	416	373				373
Investment properties	1,601,400	–	–				1,601,400
Prepayment and deposit for non-current assets	8,921	19,400	17,379				26,300
Pledged bank deposits	11,771	–	–				11,771
Interests in associates	514,519	–	–			(495,086)	19,433
Interest in a joint venture	727,780	–	–				727,780
Deferred tax assets	66	–	–				66
Derivative financial instrument	2,619	–	–				2,619
	3,169,708	1,429,873	1,280,881	–	481,984	(495,086)	4,437,487
Current assets							
Inventories	595,039	2,047	1,834				596,873
Trade and other receivables and prepayments	73,202	67,946	60,866				134,068
Amounts due from directors	32	–	–				32
Amount due from a non-controlling shareholder	3,768	–	–				3,768
Pledged bank deposits	304	–	–				304
Restricted bank deposits	23,542	–	–				23,542
Bank balances and cash	253,397	826,223	740,130	1,478,070			2,471,597
	949,284	896,216	802,830	1,478,070	–	–	3,230,184
Total assets	4,118,992	2,326,089	2,083,711	1,478,070	481,984	(495,086)	7,667,671

	The Group as at 31 December 2019	Unaudited pro forma adjustments					The Enlarged Group as at 31 December 2019
	RMB'000	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Current liabilities							
Trade and other payables	208,953	50,980	45,668				254,621
Amounts due to related companies	308,668	–	–				308,668
Amount due to a director	5,002	–	–				5,002
Loans from non-controlling shareholders of subsidiaries	84,804	229,550	205,631				290,435
Amounts due to non-controlling shareholders of a subsidiary	669	–	–				669
Contract liabilities	127,197	2,300	2,060				129,257
Receipt in advance	1,043	–	–				1,043
Rental and other deposits	6,141	–	–				6,141
Provisions for potential claims	22,564	–	–				22,564
Provision for litigation	27,800	–	–				27,800
Bank and other borrowings – due within one year	373,442	–	–				373,442
Lease liabilities	2,274	1,332	1,193				3,467
Convertible bonds	581,731	–	–				581,731
Derivative financial instruments	2,146,215	–	–				2,146,215
Current tax liabilities	335,109	–	–				335,109
	4,231,612	284,162	254,552	–	–	–	4,486,164

	The Group as at 31 December 2019	Unaudited pro forma adjustments					The Enlarged Group as at 31 December 2019
	RMB'000	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current liabilities							
Bank and other borrowings	486,000	–	–				486,000
Interest payables	9,052	–	–				9,052
Lease liabilities	661	4,053	3,631				4,292
Liabilities for value–added tax arrangements	–	30,017	26,890				26,890
Amount due to a related company	32,128	–	–				32,128
Loans from a related company	729,589	–	–	603,694			1,333,283
Deferred tax liabilities	335,326	–	–				335,326
	1,592,756	34,070	30,521	603,694	–	–	2,226,971
Total liabilities	5,824,368	318,232	285,073	603,694	–	–	6,713,135
Net (liabilities) assets	(1,705,376)	2,007,857	1,798,638	874,376	481,984	(495,086)	954,536
Capital and reserves							
Share capital	582,811	45,094	40,395		(40,395)		582,811
Reserves	(2,534,530)	1,586,027	1,420,763	874,376	(1,072,203)	(59,301)	(1,370,895)
(Deficit) Equity attributable to owners of the Company	(1,951,719)	1,631,121	1,461,158	874,376	(1,112,598)	(59,301)	(788,084)
Non-controlling interests	246,343	376,736	337,480		1,158,797		1,742,620
Total (deficit) equity	(1,705,376)	2,007,857	1,798,638	874,376	46,199	(59,301)	954,536

(2) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

1. The amounts are extracted from the audited consolidated financial statements of the Group as set out in the published annual report of the Company for the year ended 31 December 2019 dated 8 June 2020.

2. The amounts represent the audited consolidated statement of financial position as at 31 March 2020 of Summit Ascent which is extracted from the accountants' report of Summit Ascent as set out in Appendix II to the circular, with certain reclassification being made to bring them in line with the presentation of the consolidated financial statements of the Group, where appropriate.

   For the purpose of preparation of the Unaudited Pro Forma Financial Information, the exchange rate adopted is HK$1: RMB0.8958.

   No representation is made that the HK$ amounts have been, could have been or could be converted to RMB, or vice versa, at those rates or at any other rates or at all.

3. Under the Irrevocable Undertaking dated 1 June 2020, the Group has undertaken to subscribe for 669,462,696 SA rights shares under the SA Rights Issue. Also, pursuant to the Underwriting Agreement dated 1 June 2020 and for the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Group will underwrite 2,036,204,058 SA rights shares (assuming no SA Share Options are exercised prior to the record date of the SA Rights Issue). The total consideration is HK$1,623.40 million (equivalent to approximately RMB1,454.24 million). For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that (i) all consideration will be financed by Star Hope; and (ii) the entire Loan Facility is to be drawn. The terms of the Loan Facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the Loan Facility.

   Imputed interest upon initial recognition of the Loan Facility of approximately RMB874,376,000 based on the difference between the prevailing market rate and the coupon interest rate has been charged to capital reserve as deemed contribution from a shareholder. The prevailing market rate of the loan is 23.54% per annum.

4. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed no SA Share Options are exercised prior to the record date of the SA Rights Issue.

   For the purpose of Unaudited Pro Forma Financial Information, 2,036,204,058 SA rights shares are assumed to be underwritten by Victor Sky together with SA rights shares entitled by the Company and Victor Sky of 73,953,000 SA rights shares and 595,509,696 SA rights shares respectively. Accordingly, upon completion of the Acquisition, the Company and Victor Sky, will own approximately 69.89% of the issued shares of Summit Ascent. Total proceeds from the SA Rights Issue to be received by Summit Ascent would be HK$1,623.40 million (equivalent to approximately RMB1,454.24 million), calculated at the subscription price of HK$0.6 per SA rights share.

The identifiable assets and liabilities of Summit Ascent will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value at the date of completion of the Acquisition under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair value of the identifiable assets and liabilities of Summit Ascent based on the assumption that the Acquisition was completed on 31 December 2019.

The adjustment represents (i) the recognition of fair value adjustments on property, operating right and equipment; (ii) de-recognition of investments in Summit Ascent previously held by the Group; and (iii) recognition of the pro forma gain arising from the bargain purchase on the Acquisition, as if the Acquisition had been completed on 31 December 2019. These adjustments are not expected to have a continuing effect on the Enlarged Group.

	Notes	*RMB'000*
Fair value of consideration for the Acquisition		1,454,242
Less: fair value of net identifiable assets		
Net identifiable assets of Summit Ascent attributable to owners of Summit Ascent	*(a)*	1,461,158
Pro forma fair value adjustment attributable to owners of Summit Ascent in relation to property, operating right and equipment	*(b)*	481,984
Subtotal		(488,900)
Less: Increase in cash after SA Rights Issue	*(c)*	(1,454,242)
Add: Non-controlling interests	*(b)*	1,158,797
Add: Fair value of the Group's 24.74% previously held equity interest in Summit Ascent at 31 December 2019	*(d)*	435,785
Pro forma gain arising from bargain purchase on the Acquisition	*(e)*	(348,560)

Notes:

(a) The amounts represent net identifiable assets attributable to owners of Summit Ascent as at 31 March 2020 extracted from the accountants' report of Summit Ascent as set out in the Appendix II to the circular and translated into RMB, the presentation currency of the Enlarged Group using the exchange rate mentioned in note 2. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the net identifiable assets of Summit Ascent approximates their carrying values as at 31 March 2020, except for property, operating right and equipment is adjusted with the fair value adjustments calculated as if the Acquisition had been completed on 31 December 2019, details of which are set out in note (b) below. The fair value of the net identifiable assets of Summit Ascent being acquired is subject to changes upon completion of the Acquisition because the fair value being acquired shall be assessed at the date of the actual completion of the Acquisition.

(b) The estimated fair value of the property, operating right and equipment was based on the independent valuation report prepared by an independent professional qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, as if the Acquisition had been completed on 31 December 2019.

For the purpose of the Unaudited Pro Forma Financial Information, the Group's management considers that there is no impairment indicator as at 31 December 2019 in respect of the property, operating right and equipment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**"). The Directors confirmed that they will assess impairment of property, plant and equipment in subsequent reporting periods in accordance with the requirements of HKAS 36 if there is any impairment indicator.

(c) The amount represents the aggregate consideration for the subscription of 2,036,204,058 SA rights shares pursuant to the Irrevocable Undertaking and the Underwriting Agreement to be received by Summit Ascent.

(d) The Group held 446,308,464 shares of Summit Ascent as at 31 December 2019 and at the Latest Practicable Date, representing 24.74% equity interest in Summit Ascent. For the purpose of the Unaudited Pro Forma Financial Information, the fair value of equity interest in Summit Ascent previously held by the Group is based on the closing share price of Summit Ascent of HK$1.09 on 31 December 2019. The closing share price of Summit Ascent of on 31 December 2019 used for the purpose of the Unaudited Pro Forma Financial Information is solely for the sake of convenience and is not a market price of Summit Ascent that reflect effect of the SA Rights Issue.

(e) The adjustment represents the gain arising from the bargain purchase on the Acquisition provisionally determined based on the fair value of the identifiable assets acquired and liabilities assumed of Summit Ascent, the fair value of equity interest in Summit Ascent previously held by the Group and the consideration on the completion date. For the purpose of the Unaudited Pro Forma Financial Information, bargain purchase on the Acquisition, which represents the amount by which the fair value of the identifiable assets and liabilities of the Summit Ascent to be acquired exceeds the fair value of consideration transferred, as if the Acquisition had been completed on 31 December 2019. The amount of bargain purchase is subject to re-assessment and change based on the fair value of assets acquired and liabilities assumed of Summit Ascent and the fair value of equity interest in Summit Ascent previously held by the Group, being finalised on the date of actual completion of the Acquisition.

The amounts of the bargain purchase, the fair value of equity interest in Summit Ascent previously held by the Group, property, operating right and equipment and the related impairment assessment are subject to change upon actual completion of the Acquisition due to the fair value assessment of the net assets, which may differ materially from the amounts disclosed above.

5. The adjustment represents the consolidation adjustments to derecognise the previously held equity interest in Summit Ascent and recognise the pro forma loss on derecognition of the previously held equity interest in Summit Ascent as if the Acquisition had been taken place on 31 December 2019. The adjustment is not expected to have a continuing effect on the Enlarged Group.

	RMB'000
Fair value of 24.74% equity interest in Summit Ascent as at 31 December 2019 *(note)*	435,785
Less: Carrying value of the Group's 24.74% equity interest in Summit Ascent as at 31 December 2019	(495,086)
Add: Release of Summit Ascent's exchange reserve shared by the Group up to 31 December 2019	32,140
Pro forma loss on derecognition of the previously held equity interest in Summit Ascent for the pro forma consolidated statement of financial position	(27,161)

Note: The Group held 446,308,464 shares of Summit Ascent as at 31 December 2019 and at the Latest Practicable Date, representing 24.74% equity interest in Summit Ascent. For the purpose of the Unaudited Pro Forma Financial Information, the fair value of equity interest in Summit Ascent held by the Group for calculation of pro forma loss on derecognition of the previously held equity interest in Summit Ascent, the Directors adopted the closing share price of Summit Ascent of HK$1.09 on 31 December 2019. The closing share price of Summit Ascent of on 31 December 2019 used for the purpose of the Unaudited Pro Forma Financial Information is solely for the sake of convenience and is not a market price of Summit Ascent that reflect effect of the SA Rights Issue.

Since the fair value of Summit Ascent on the date of actual completion of the Acquisition may be different from the amount used when preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the loss on de recognition of the previously held equity interest in Summit Ascent is for illustrative purpose only and subject to change upon actual completion of the Acquisition.

6. No adjustment has been made to reflect the transaction costs of the Acquisition since the Directors considered the amount involved will not be significant. The total transaction costs, including legal, valuation, accountancy and other professional services are estimated to be approximately RMB6,500,000. The expenses are charged to profit or loss directly and settled by cash.

C. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report on the unaudited financial information of the Enlarged Group, prepared for the sole purpose of inclusion in this circular, received from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SUNCITY GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Suncity Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2019 and related notes as set out on pages III-3 to III-9 of the circular issued by the Company dated 12 August 2020 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group's proposed major acquisition of Summit Ascent Holdings Limited (the "**Proposed Transaction**") on the Group's financial position as at 31 December 2019 as if the Proposed Transaction had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

12 August 2020

Set out in Appendix II to this circular is the financial information of Summit Ascent Holdings Limited ("**Summit Ascent**") (1) for the three financial years ended 31 December 2019 derived from the annual reports of Summit Ascent; and (2) for the three months ended 31 March 2020 ("**Q1 2020**") as reported on by the reporting accountant.

Management discussion and analysis of Summit Ascent for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 are disclosed on pages 4 to 12 of the 2017 annual report published on 25 April 2018, pages 4 to 14 of the 2018 annual report published on 29 April 2019, and pages 4 to 15 of the 2019 annual report published on 22 April 2020, respectively, which are posted on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of Summit Ascent (https://www.saholdings.com.hk). They should be read in conjunction with the financial information of Summit Ascent for the three financial years ended 31 December 2019 as included in this circular by way of reference in Appendix II to this circular.

Please refer to the hyperlinks as stated below:

2017 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn20180425769.pdf

2018 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291146.pdf

2019 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200696.pdf

Below is the management discussion and analysis of Summit Ascent Q1 2020.

Business Review

The gaming and hotel operations of Summit Ascent and its subsidiaries (collectively referred to as the "**SA Group**") are conducted through its 60% equity interest in Oriental Regent Limited ("**Oriental Regent**"). The SA Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by G1 Entertainment Limited Liability Company ("**G1 Entertainment**"), a wholly-owned subsidiary of Oriental Regent.

G1 Entertainment holds a gaming license granted by the Russian government for an indefinite period and the development rights on two adjacent parcels of land, namely Lot 9 and Lot 10, in the Integrated Entertainment Zone of the Primorye Region ("**IEZ Primorye**") of the Russian Far East, being the largest of five designated zones in the Russian Federation where gaming and casino activities are legally permitted. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. Due to the recent changes in our substantial shareholders, we are currently refining the design and construction elements of our Phase II project on Lot 10.

Tigre de Cristal is currently the only casino, hotel and entertainment destination operating in the IEZ Primorye. We continuously strive to enhance our property and the current features of Tigre de Cristal are as follows:

- Approximately 36,000 square meters of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- The finest luxury hotel in the Russian Far East with 121 rooms and suites;
- Casual and fine dining in 2 restaurants and 3 bars;
- Virtual golf zone, and a soon to be opened private club with karaoke rooms;
- A convenience store and a Tigre de Cristal branded shop; and
- A high-end diamond and luxury watch boutique "DOMINO" and a Montblanc outlet.

Additional amenities to be added later this year include a hotel extension with 34 new rooms, new VIP gaming rooms, a stand-alone noodle bar, and a new hot pot section in our existing Pan-Asian restaurant.

Since October 2017, Tigre de Cristal has been certified as a 5-star hotel. The property was also named "Russia's Leading Resort 2018" at the Europe Gala Ceremony 2018 and one of the Top 5 nominees of "Russia's Leading Resort 2019" organised by World Travel Awards.

Change of director

During the first quarter of 2020, we had the following change to Summit Ascent's board of directors:

Mr. Eric Daniel Landheer has resigned as an executive director of Summit Ascent with effect from 23 March 2020.

Financial Review

Segment Information

SA Group operates only in one operating and reportable segment, i.e. the gaming and hotel operations in the IEZ Primorye of the Russian Far East. Accordingly, SA Group does not present separate segment information other than entity-wide disclosures.

Adjusted Property EBITDA of Tigre de Cristal

Adjusted Property EBITDA generated by Oriental Regent, a 60% owned subsidiary of Summit Ascent operating our integrated resort in the Russian Far East, Tigre de Cristal, is used by management as the primary measure of operating performance of our gaming and hotel operations. Adjusted Property EBITDA, which is a non-IFRS financial measure and defined as net income before management fee payable to Summit Ascent, company corporate expenses, unrealised exchange differences, interest, taxes, and depreciation and amortisation, was HK$9.7 million in Q1 2020, down 83% compared to HK$58.1 million in the three months ended 31 March 2019 ("**Q1 2019**").

Adjusted Property EBITDA margin (represented the ratio of Adjusted Property EBITDA to total revenue) also dropped to 10.6% in Q1 2020, versus 44.0% in Q1 2019.

The Coronavirus Disease 2019 (**"COVID-19"**) continues to affect everyone across the globe, by putting many businesses under considerable pressure which is leading to the closure of businesses and loss of employment. The hospitality and gaming sector has not been immune from the effects of COVID-19. Indeed, the gaming business, which thrives on air travel and large groups of people in close proximity, is one of the hardest hit as the world goes into lockdown. Physical barriers such as cross-border travel restrictions (inter-provincial or international), much more limited transportation options (in particular, via airlines, but also for cruise ships and buses) and quarantine requirements for customers traveling to or from Vladivostok, the Russian Far East, already are and will continue to, make it extremely difficult for customers to visit our property as easily as they once could.

The following table sets forth a reconciliation of Adjusted Property EBITDA to the reported loss for the period attributable to owners of Summit Ascent as per the consolidated statement of profit or loss and other comprehensive income for Q1 2020.

Reconciliation of Adjusted Property EBITDA to the loss for Q1 2020 attributable to owners of Summit Ascent

	Q1 2020 *HK$'000*	Q1 2019 *HK$'000*
Gross revenue from rolling chip business	47,489	154,692
Less: Rebates	(31,057)	(114,917)
Revenue from rolling chip business	16,432	39,775
Revenue from mass table business	32,578	40,993
Revenue from slot business	39,358	41,772
Net revenue from gaming operations	88,368	122,540
Revenue from hotel operations	3,566	9,723
Total revenue from gaming and hotel operations	91,934	132,263
Add: Other income	358	145
Less: Other gains and losses	(7,327)	677
Gaming tax	(2,941)	(3,528)
Inventories consumed	(2,760)	(3,319)
Marketing and promotion expenses	(3,628)	(3,853)
Employee benefits expenses	(40,228)	(33,816)
Other expenses	(25,692)	(30,422)
Adjusted Property EBITDA of Tigre de Cristal	9,716	58,147
Add: Management fee payable to Summit Ascent	2,661	3,735
Less: Company corporate expenses	(4,880)	(4,141)
	7,497	57,741
Add: Bank interest income	3,399	1,506
Less: Interest on lease liabilities	(161)	(203)
Income tax expense	(22)	(33)
	10,713	59,011

	Q1 2020	Q1 2019
	HK$'000	*HK$'000*
Non-cash items:		
Less: Depreciation and amortisation	(22,479)	(22,777)
Net exchange (losses) gains	(9,577)	8,979
Imputed interest expenses	(7,213)	(8,240)
(Loss) profit for the period of SA Group	(28,556)	36,973
Less: Loss (profit) for the period attributable to non-controlling interests	15,289	(9,797)
(Loss) profit for the period attributable to owners of Summit Ascent	(13,267)	27,176

Operating Revenues of SA Group

Total revenue of SA Group for Q1 2020 was HK$91.9 million, representing a decrease of 30% compared to Q1 2019.

Gaming Revenues

Gaming revenue of Tigre de Cristal, which comprises three main sources, namely the rolling chip business, mass table business and slot business, decreased to HK$88.4 million, compared to HK$122.5 million in Q1 2019, and such decline, especially rolling chip business which targeting foreign players, was primarily due to the number of foreigners visiting our property plummeted after several governments have issued entry restrictions, visa suspensions and quarantine measures for travellers.

Rolling chip business

The table below sets forth the key performance indicators of our rolling chip business for the period ended Q1 2020.

(HK$'million)	**Q1 2020**	**Q1 2019**
Rolling chip turnover	1,167	4,471
Gross win	47	155
Less: Rebate	(31)	(115)
Net win after rebate	16	40
Gross win %	4.03%	3.47%
Daily average number of tables opened	15	21

Rolling chip turnover (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal Q1 2020 was HK$1,167 million, representing a decrease of 74% compared to Q1 2019. Net win after all commissions rebated directly or indirectly to customers from rolling chip business decreased by 60% to HK$16 million for Q1 2020. Gross win percentage (represented the ratio of gross win to rolling chip turnover) increased slightly from 3.47% in Q1 2019 to 4.03% in Q1 2020.

Mass table business

Mass table business targets both the foreign tourists and the local market. The table below sets forth the key performance indicators of our mass table business for the period ended Q1 2020.

(HK$'million)	**Q1 2020**	**Q1 2019**
Total table drop	136	171
Table net win	33	41
Hold %	24.3%	24.0%
Daily average number of tables opened	24	26

Total table drop (measured as the sum of gaming chips purchased or exchanged at the cage) decreased by 20% to HK$136 million for Q1 2020. Table net win from mass table business decreased by 20% to HK$33 million for Q1 2020. Hold percentage (represented table net win as a percent of table drop) increased slightly from 24.0% in Q1 2019 to 24.3% in Q1 2020.

Slot business

Our slot business primarily targets the local Russian market. The table below sets forth the key performance indicators for Q1 2020.

(HK$'million)	**Q1 2020**	**Q1 2019**
Total slot handle	782	826
Slot net win	39	42
Hold %	5.0%	5.1%
Daily average number of slots deployed	317	325

The slot business recorded revenue of HK$39 million, down 7% compared to HK$42 million in Q1 2019. The average hold percentage decreased slightly to 5.0% in Q1 2020 from 5.1% in Q1 2019. The average number of slots deployed decreased by 2% to 317 in Q1 2020.

Non-gaming Revenues

Revenue from hotel operations, which is largely dependent on foreign guests, decreased to HK$3.6 million or by 63% compared to Q1 2019. Average hotel occupancy rates were maintained at 20% (Q1 2019: 85%) during weekends and 26% (Q1 2019: 60%) during weekdays in Q1 2020.

Operating Expenses of SA Group

SA Group continued to maintain stringent cost controls and streamline our operations during the period. Total operating costs, including inventories consumed, marketing and promotion expenses, employee benefits expenses and other expenses but excluding non-cash items like depreciation and amortisation.

Depreciation and Amortisation

Depreciation and amortisation of SA Group decreased by 1% to HK$22.5 million in Q1 2020 as compared to HK$22.8 million for Q1 2019. The decrease was primarily due to some assets, which were depreciated over a three-year time period, having become fully depreciated as Tigre de Cristal has been operating for more than three years.

Finance Costs

Finance costs of SA Group were HK$7.4 million in 2020, a decrease of 12% compared to HK$8.4 million for Q1 2019. These costs were primarily comprised non-cash imputed interest by applying the effective notional interest rate on the interest-free loans payable to non-controlling shareholders of Oriental Regent. The decrease in imputed interest was due to the continuous repayments to the shareholders of Oriental Regent by using internally generated cash flows.

Gaming Tax

Unlike in Macau and most other jurisdictions in Asia, gaming tax in the Russian Federation is not levied on a percentage of gaming revenue. The Russian Federation has established a gaming tax regime which is based on a fixed levy on each gaming table and gaming machine deployed in a particular calendar month in the casino. Gaming taxes are payable to the local governments, who can set their own tax rate based on a range stipulated by the Tax Code of the Russian Federation as follows:

	Minimum *(RUB)*	**Maximum** *(RUB)*
Each gaming table	50,000	250,000
Each gaming machine	3,000	15,000

In Q1 2020, the monthly rates per gaming table and per gaming machine applicable to SA Group were RUB125,000 and RUB7,500 respectively, resulting in total gaming tax of approximately HK$2.9 million (Q1 2019: HK$3.5 million) which corresponded to 3.3% of SA Group's net gaming revenue for Q1 2020 (Q1 2019: 2.9%).

Income Tax Expense

No provision for taxation in Hong Kong has been made as SA Group has no assessable profit for the period. As at 31 March 2020, SA Group had unused tax losses of HK$31.0 million (as at 31 March 2019: HK$30.1 million) available under Hong Kong Profits Tax for offset against future profits.

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. As for non-gaming revenues, SA Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%.

As at 31 March 2020, SA Group had unused tax losses of HK$537.9 million (31 March 2019: HK$522.3 million) available under Russian corporate tax and all losses may be carried forward indefinitely. SA Group believes that these unrecognised tax losses are adequate to offset any adjustments related to uncertain tax matters that might be proposed by the Russian tax authorities.

Loss Attributable to Owners of Summit Ascent

Loss attributable to owners of Summit Ascent was HK$13.3 million in Q1 2020, compared to profit of HK$27.2 million in Q1 2019.

Liquidity, Financial Resources and Capital Structure

SA Group continues to maintain a strong financial position and finances its business operations with internal resources and cash revenues generated from operating activities. As at 31 March 2020, total equity attributable to the owners of Summit Ascent was HK$1,631.1 million (31 December 2019: HK$1,644.4 million).

SA Group had no outstanding external borrowings throughout the period and as at 31 March 2020 (31 December 2019: Nil). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 31 March 2020 (31 December 2019: zero percent).

SA Group remains conservative in its working capital management. As at 31 March 2020, net current assets of SA Group were HK$612.1 million (31 December 2019: HK$638.6 million) and bank balances and cash were HK$826.2 million (31 December 2019: HK$860.7 million), of which 32% was denominated in United States dollar, 61% in Hong Kong dollar, and 7% in Russian ruble. The majority of our cash equivalents at 31 March 2020 was in fixed deposits with a maturity of three months or less generally.

The following table sets forth a summary of SA Group's cash flows for Q1 2020:

	Q1 2020	**Q1 2019**
	HK$'000	*HK$'000*
Net cash from operating activities	4,128	54,789
Net cash used in investing activities	(18,563)	(9,533)
Net cash used in financing activities	(1,879)	(679)
Net (decrease) increase in cash and cash equivalents	(16,314)	44,577
Cash and cash equivalents at 1 January	860,698	479,822
Effect of foreign exchange rate changes	(18,161)	(4,709)
Cash and cash equivalents at 31 March	826,223	519,690

Net cash from operating activities of HK$4.1 million and HK$54.8 million for Q1 2020 and Q1 2019 respectively, represented the positive operating cash flows generated by Tigre de Cristal.

Net cash used in investing activities of HK$18.6 million and HK$9.5 million for Q1 2020 and Q1 2019, respectively, were mainly due to additions for equipment and the return of VAT refunded under VAT arrangements to the tax authority of the Russian Federation.

Net cash used in financing activities of HK$1.9 million and HK$0.7 million for Q1 2020 and Q1 2019, respectively, represented the repayment of leases liabilities.

Charge on Assets

None of SA Group's assets were pledged or otherwise encumbered as at 31 March 2020 and 31 December 2019.

Exposure to Fluctuations in Exchange Rates

The functional currency of Summit Ascent is Hong Kong dollar and the consolidated financial statements of SA Group are presented in Hong Kong dollars.

For financial reporting purposes, the consolidated financial statements of SA Group incorporate the financial statements of its subsidiaries. The income and expenses, and the assets and liabilities of subsidiaries which stated in currencies other than its functional currency are converted into Hong Kong dollars. SA Group's equity position reflects changes in book values caused by exchange rates. Hence, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on results, and assets and liabilities of SA Group. As these fluctuations do not necessarily affect future cash flows, SA Group does not hedge against exchange rate translation risk.

On the other hand, revenues from mass table business and slot business are denominated in Russian rubles. The risk of Russian ruble fluctuation impacting the results of SA Group is substantially mitigated by a natural hedge in matching our operating costs, incurred by subsidiaries in the Russian Federation, denominated in the same currency.

Capital Commitment

SA Group's capital commitment as at 31 March 2020 amounted to approximately HK$1,542,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (31 December 2019: HK$23,729,000).

Contingent Liabilities

There were no contingent liabilities as at 31 March 2020 and 31 December 2019.

Employees

As at 31 March 2020, total number of employees employed by SA Group was 1,202 (31 December 2019: 1,139). Currently, more than 97% of our full-time employees are local Russian citizens (31 December 2019: 97%). SA Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs, Summit Ascent has a share option program in place and occasionally may grant shares options to directors, employees and consultants of SA Group as incentives.

Outlook

Since 23 April 2019, the Company has become the substantial shareholder of Summit Ascent and, together with the subsequent changes in directors of Summit Ascent, we believe the cooperation with Suncity Group will continue to grow in scope and scale. In addition, Tigre de Cristal fits into the strategic roadmap of Suncity Group to provide a diversified portfolio of gaming options for its players around the world. The comparatively low gaming tax rate in the Russian Federation enables Tigre de Cristal to pay attractive rebates while maintaining solid margins.

In addition, SA Group continued to execute on several initiatives – most notably significant progress has been made in the expansion and refinement of the customer offerings at Tigre de Cristal. The completion of these enhancements has been inevitably slowed by the delays in deliveries of materials and other logistical constraints effected by the recent COVID-19 outbreak.

Current status of the property enhancements is detailed below:

- Suncity VIP Salon. The luxurious new VIP room has been slightly delayed but is nearing completion and will welcome its first VIP customers once travel connectivity returns to normalcy. With this addition to our gaming offering, Summit Ascent expects to more than double its number of VIP gaming tables.

- A separate hot pot section in the rear of Summit Ascent's existing Pan-Asian restaurant, and a large private club located on the lower level of the property are nearing completion, but they have been delayed due to the unavoidable logistical issues mentioned above.

- A 34-room extension to our existing hotel and a stand-alone noodle bar on the main gaming floor are both expected to be completed and operating later in 2020.

Going forward, SA Group expects the following factors to drive its growth:

- More operators expected. In addition to the new Suncity VIP room referenced above, Summit Ascent expects to invite more traditional VIP operators to the property and believe that they will follow the Company's lead into the Russian market. This is in line with Summit Ascent's strategy to move up the VIP value chain.

- The "Cluster Effect". Two other casino operators in the IEZ Primorye continue to develop their properties. Summit Ascent expects the smaller of the two to open for business in 2020 and the other in 2021 or 2022. Summit Ascent believes that more lodging, gaming choices, and amenities in the zone will increase the draw for both VIP and mass customers.

- Phase II. Summit Ascent has reviewed and is finalizing conceptual designs, and is targeting an opening of our next property in the IEZ Primorye in 2022. This new integrated resort is expected to double Summit Ascent's VIP and mass gaming tables, slots, and have at least twice the lodging capacity of its first property. The plans include four restaurants and bars, additional retail offerings, and an indoor beach club and spa.

- SA Group continues to enjoy a constructive dialogue and relationship with relevant Russian officials at the provincial and national levels and Summit Ascent does not expect adverse changes in legislation for the foreseeable future.

Effective from 20 February 2020, as part of the efforts to contain the COVID-19 outbreak, the Russian government implemented a temporary entry ban for Chinese nationals, including passport holders from Hong Kong and Macau, which understandably had an adverse impact on its visitation to start 2020 and a negative impact on its rolling chip business in particular. Tigre de Cristal has followed the suggestions of the Russian government by temporarily suspending its gaming operations from 28 March 2020 until its reopening on 16 July 2020. The hotel operations of the Target Group continued to serve in a limited capacity during the period of suspension.

COVID-19 is and will continue to, unfortunately, present challenges to all forms of policy, economic and regulatory with many uncertainties, including:

- Length of closure period of our property, if any

- Time to reopen and ramp up once reopened

- Impact of COVID-19 on the economy and consumer behavior in the short and long term

Unlike many businesses taking a hit during the global crisis, SA Group is well positioned to weather the current turmoil as it sits on huge piles of cash generated from the past years, with current ratio of 3.2 and debt to equity of zero at 31 March 2020. SA Group has ample liquidity to survive this unprecedented period of ‘near-zero revenue’ for over a year. The past few months have presented Tigre de Cristal with an unprecedented challenge. However, we expect the industry’s fortunes to rebound if travel restrictions are lifted. We are optimistic that customers will see that Tigre de Cristal invested time and effort to welcome them back to a safe and entertaining environment.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests in the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to (i) Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

(i) Long positions in the Shares and/or the underlying Shares of the Company

Name of Director	Capacity/nature of interest	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of the issued share capital of the Company *(Note 8)*
Mr. Chau	Interest of controlled corporation	4,991,643,335 *(Note 1)*	1,742,820,512 *(Note 2)*	6,734,463,847	101.01%
Mr. Lo Kai Bong	Interest of controlled corporation	5,770,000 *(Note 3)*	133,333,333 *(Note 4)*	139,103,333	2.09%
	Beneficial owner	1,230,000	40,000,000 *(Note 5)*	41,230,000	0.62%
Mr. Au Chung On John	Beneficial owner	–	40,000,000 *(Note 6)*	40,000,000	0.59%
	Interest of spouse	400,000	–	400,000	0.01%
Mr. Manuel Assis Da Silva	Beneficial owner	290,000	3,000,000 *(Note 7)*	3,290,000	0.05%
	Interest of spouse	520,000	–	520,000	0.01%

Notes:

1. This represents interests held by Mr. Chau through Fame Select, which holds 4,991,643,335 Shares. Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in 4,991,643,335 Shares.

2. Out of 1,742,820,512 underlying Shares, 1,546,153,846 underlying Shares and 196,666,666 underlying Shares were held by Fame Select and Star Hope respectively.

   The 1,546,153,846 underlying Shares held by Fame Select represents the maximum of 1,546,153,846 conversion Shares to be issued upon the full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK$0.26 (subject to adjustments). Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in 1,546,153,846 underlying Shares.

   The 196,666,666 underlying Shares held by Star Hope represents the maximum of 196,666,666 conversion Shares to be issued upon the full conversion of another convertible bonds issued by the Company to Star Hope at the initial conversion price of HK$0.90 (subject to adjustments). Mr. Chau has 100% interests in Star Hope and is therefore deemed to be interested in 196,666,666 underlying Shares.

3. This represents interests held by Mr. Lo Kai Bong through Better Linkage Limited and Ever Smart Capital Limited (companies wholly and beneficially owned by Mr. Lo Kai Bong).

4. This represents the maximum of 133,333,333 conversion Shares to be issued upon the full conversion of another convertible bonds issued by the Company to Better Linkage Limited, at the initial conversion price of HK$0.90 (subject to adjustments). Mr. Lo Kai Bong has 100% interests in Better Linkage Limited and is therefore deemed to be interested in 133,333,333 underlying Shares.

5. Mr. Lo Kai Bong is interested in 40,000,000 share options at an exercise price of HK$0.455 per Share to subscribe for Shares.

6. Mr. Au Chung On John is interested in 40,000,000 share options at an exercise price of HK$1.920 per share to subscribe for Shares.

7. Mr. Manuel Assis Da Silva is interested in 3,000,000 share options at an exercise price of HK$0.455 per Share to subscribe for Shares.

8. The percentage has been calculated based on the total number of Shares of the Company in issue as at the Latest Practicable Date (i.e. 6,666,972,746 Shares).

(ii) Long position in the shares and/or the underlying shares of the Company's associated corporation

Name of associated corporation	Name of Director	Capacity/nature of interest	Number of shares of the Company's associated corporation held	Percentage of the issued share capital of the Company's associated corporation *(Note 2)*
Summit Ascent Holdings Limited ("**Summit Ascent**")	Mr. Chau	Interest of controlled corporations *(Note 1)*	3,182,476,218	176.43%

Notes:

1. These 3,182,476,218 shares represent 49,302,000 SA Shares beneficially owned by the Company, 397,006,464 SA Shares beneficially held by Victor Sky, 73,953,000 Committed SA Shares and 595,509,696 Committed SA Shares that the Company and Victor Sky have respectively irrevocably and unconditionally undertaken to Summit Ascent that, among other things, each of them shall subject to the granting of the Whitewash Waiver by the Executive, accept in full pursuant to an irrevocable undertaking, and 2,066,705,058 Underwritten Shares agreed to be underwritten by Victor Sky as underwriter pursuant to the Underwriting Agreement (assuming full exercise of all share options other than those held by two independent non-executive SA Directors). As at the Latest Practicable Date, (a) Victor Sky was wholly-owned by the Company; and (b) the Company was 74.87% owned by Fame Select, which was owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. By virtue of the SFO, Mr. Chau is deemed to be interested in the SA Shares in which the Company is interested, including those in which Victor Sky is interested.

2. The percentage has been calculated based on the total number of SA Shares in issue as at the Latest Practicable Date (i.e. 1,803,777,836 SA Shares).

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor any of their close associates had interest in any business apart from the Group's business which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

On 6 February 2017, Sun Travel Ltd. ("**Sun Travel**"), an indirect wholly-owned subsidiary of the Company, and Sun City Gaming Promotion Company Limited ("**Sun City Gaming Promotion**"), a company wholly owned by Mr. Chau, entered into two agreements in relation to (i) the supply of hotel accommodation and related services by Sun City Gaming Promotion to Sun Travel, as amended by the supplemental agreement dated 15 May 2017 and (ii) the supply of ferry tickets and related services by Sun Travel to Sun City Gaming Promotion, respectively (together, the "**2017 CCT Agreements**"). As Sun City Gaming Promotion is wholly owned by Mr. Chau, Mr. Chau is deemed to have a material interest in the 2017 CCT Agreements.

On 27 July 2018, the Company entered into a loan facility agreement with Star Hope, a company which is beneficially wholly owned by Mr. Chau as lender for an unconditional loan facility of up to HK$400,000,000 and as at the Latest Practicable Date, the entire HK$400,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the date of the facility (or such longer period as the lender and the Group may agree).

On 8 April 2019, the Company entered into a loan facility agreement with Star Hope as lender for an unconditional loan facility of up to HK$1,500,000,000 and as at the Latest Practicable Date, approximately HK$991,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the date of the facility (or such longer period as the lender and the Group may agree).

On 30 October 2019, the Company entered into a loan facility agreement with Star Hope as lender for an unconditional loan facility of up to HK$1,750,000,000 and as at the Latest Practicable Date, approximately HK$570,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the date of the facility (or such longer period as the lender and the Group may agree).

On 5 November 2019, Sun Travel and Sun City Gaming Promotion entered into two agreements in relation to (i) the supply of hotel accommodation and related services by Sun City Gaming Promotion to Sun Travel and (ii) the supply of travel related products and services including ferry tickets between Hong Kong and Macau, entertainment tickets/vouchers, travel packages and other transportation tickets by Sun Travel to Sun City Gaming Promotion, respectively (together, the "**2019 CCT Agreements**"). As Sun City Gaming Promotion is wholly owned by Mr. Chau, Mr. Chau is deemed to have a material interest in the 2019 CCT Agreements.

On 6 March 2020, the Company entered into a loan facility agreement with Star Hope as lender for an unconditional loan facility of up to HK$320,000,000 and as at the Latest Practicable Date, approximately HK$183,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility (or such longer period as the lender and the Group may agree).

On 21 May 2020, the Company entered into a loan facility agreement with Star Hope as lender for an unconditional loan facility of up to HK$1,650,000,000 and as at the Latest Practicable Date, the entire HK$1,650,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the first drawdown date of the facility (or such longer period as the lender and the Group may agree).

As at the Latest Practicable Date, the Group has outstanding convertible bond ("**2016 Convertible Bond**") with a principal amount of HK$402,000,000 held by Fame Select, the immediate holding company of the Company which is owned as to 50% by Mr. Chau. The 2016 Convertible Bond will mature on 7 December 2020 and is non-interest bearing. The 2016 Convertible Bond is convertible into Shares at the conversion price of HK$0.26 per Share (subject to adjustments).

As at the Latest Practicable Date, the Group has outstanding convertible bond ("**2018 Convertible Bond**") with a principal amount of HK$297,000,000 held by Star Hope and Better Linkage Limited, a company beneficially wholly owned by Mr. Lo Kai Bong, an executive Director of the Company respectively. The 2018 Convertible Bond is non-interest bearing. The 2018 Convertible Bond is convertible into Shares at the conversion price of HK$0.90 per Share (subject to adjustments). Pursuant to the supplemental deed dated 3 July 2020, the maturity date of the 2018 Convertible Bond will be extended by 24 months from 28 August 2020 to 28 August 2022, subject to the fulfillment of the conditions precedent as stated in the announcement of the Company dated 3 July 2020.

Save as disclosed above, as at the date of this circular, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(1) the agreement dated 29 September 2018 entered into between Suncity Group Management and Consultancy (Sihanoukville) Limited ("**SGMC (Sihanoukville)**"), a wholly-owned subsidiary of the Company, and Golden Sun Sky Entertainment Co., Ltd, a company incorporated in Cambodia, in relation to the provision of pre-opening and technical services by SGMC (Sihanoukville) to Golden Sun Sky Entertainment Co., Ltd in respect of the casino to be established under an integrated resort project being developed in Sihanoukville, Cambodia prior to its opening;

(2) the agreement dated 29 September 2018 entered into between SGMC (Sihanoukville) and Golden Sun Sky Entertainment Co., Ltd in relation to the provision of management services by SGMC (Sihanoukville) to Golden Sun Sky Entertainment Co., Ltd in respect of the casino to be established under an integrated resort project being developed in Sihanoukville, Cambodia after its opening;

(3) the loan agreement dated 6 December 2018 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US$26,214,650 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries;

(4) the agreement dated 23 April 2019 entered into between (i) Victor Sky Holdings Limited (as purchaser), a wholly-owned subsidiary of the Company, (ii) Mr. Kuo Jen-Hao and Heritage Riches Limited (together as vendors) and (iii) First Steamship Company Limited (as second guarantor), pursuant to which Victor Sky Holdings Limited conditionally agreed to acquire 24.68% interest in Summit Ascent in consideration of HK$717,812,540;

(5) the agreement dated 13 May 2019 entered into between Suncity Group Management And Consultancy (Hoi An) Limited ("**SGMC (Hoi An)**"), an indirectly wholly-owned subsidiary of the Company and Hoi An South Development Ltd, a company incorporated in Vietnam in relation to the provision of (i) management services to the casino to be developed under an integrated resort project currently being developed in Quang Nam Province (the "**Quang Nam Project**"), Vietnam and the (ii) food and beverages facilities of the Quang Nam Project on an exclusive basis by SGMC (Hoi An) to Hoi An South Development Ltd;

(6) the placing agreement dated 25 July 2019 entered into between Summit Ascent (as issuer) and Kingston Securities Limited (as placing agent) pursuant to which Kingston Securities Limited has conditionally agreed to procure, on a best efforts basis, not less than six placees to subscribe for up to 300,000,000 shares of Summit Ascent;

(7) the agreement dated 30 August 2019 entered into between AIIA (HK) Corporation Limited (as vendor) and Modest Achieve Limited, a wholly-owned subsidiary of the Company (as purchaser) pursuant to which Modest Achieve Limited acquired 51% interest in MSRD in consideration of US$9,588,000;

(8) the conditional subscription agreement dated 28 October 2019 (as supplemented by two supplemental agreements dated 28 March 2020 and 23 July 2020) entered into between SunTrust as issuer, Fortune Noble as subscriber and Westside and Travellers as warrantors in relation to the conditional subscription of the 2,550,000,000 new SunTrust shares at PHP2,550,000,000 by Fortune Noble;

(9) the conditional subscription agreement dated 28 October 2019 entered into between SunTrust as issuer and Megaworld Corporation as subscriber in relation to the conditional subscription of the 2,177,165,008 new SunTrust shares at PHP2,177,165,008 by Megaworld Corporation;

(10) the conditional subscription agreement dated 28 October 2019 entered into between SunTrust as issuer and Aurora Securities, Inc. as subscriber in relation to the conditional subscription of the 272,834,992 new SunTrust shares at PHP272,834,992 by Aurora Securities, Inc.;

(11) the co-development agreement dated 28 October 2019 (as supplemented by five supplemental agreements dated 25 November 2019, 20 January 2020, 28 March 2020, 15 June 2020 and 23 July 2020) entered into between Westside and SunTrust in relation to the arrangements for the development, construction, operation and management of the Main Hotel Casino;

(12) the share subscription agreement dated 28 November 2019 entered into between First Oceanic Property Management, Inc ("**FOPM**"), a wholly owned subsidiary of SunTrust and an indirect 51% owned subsidiary of the Company immediately prior to the completion of the subscription of 150 million new FOPM ordinary shares (the "**FOPM Subscription Shares**") and Asian E-Commerce, Inc., a connected person of the Company at the subsidiary level (as subscriber) to which Asian E-Commerce, Inc. agreed to subscribe the FOPM Subscription Shares at PHP150 million;

(13) the loan agreement dated 7 January 2020 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US$17,022,500 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries;

(14) the lease agreement dated 21 February 2020 and entered into between Westside and Travellers (as lessor) and SunTrust (as lessee) for the leasing of the Project Site on and subject to the terms and conditions contained in it;

(15) the loan agreement dated 6 March 2020 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US$17,022,500 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries;

(16) the operations and management/services agreement dated 4 May 2020 entered into between Westside as appointer and SunTrust as appointee in relation to the appointment of SunTrust as the sole and exclusive operator to operate and manage the Main Hotel Casino;

(17) the conditional subscription agreement dated 29 May 2020 made between SunTrust as issuer and Fortune Noble as subscriber in relation to the PHP7,300,000,000 (equivalent to approximately HK$1.1 billion) zero coupon convertible bonds of SunTrust to be issued by SunTrust to Fortune Noble;

(18) the subscription agreement dated 1 June 2020 and entered into between SunTrust (as issuer) and Summit Ascent (as subscriber) in relation to the subscription and issue of the 6.0% coupon rate convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately HK$847 million) convertible into shares of SunTrust to be issued by SunTrust to Summit Ascent;

(19) the placing agreement dated 1 June 2020 and entered into between Summit Ascent and Merdeka Securities Limited (as placing agent) in relation to the placing of shares of Summit Ascent by Merdeka Securities Limited to the placees on a best effort basis;

(20) the Underwriting Agreement; and

(21) the loan agreement dated 6 July 2020 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US$30,000,000 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries.

7. LITIGATION

As disclosed in the annual report of the Company for year ended 31 December 2019 (the "**2019 Annual Report**"), a subsidiary of the Enlarged Group (the "**Defendant**") was involved in a litigation with an individual (the "**Plaintiff**") in respect of the right to use of an area located at certain investment properties of the Enlarged Group (the "**Unit**") during 2013 (the "**2013 Litigation**"). The Plaintiff claimed that she had a lease agreement regarding the right to use the Unit for the period from 26 September 2011 to 24 October 2062 and sought for damages in respect of the loss arising from failing to use of the Unit (the "**Claim**"). Four judgments were handed down between 2014 and 2019. The judge rejected all the demands from the Plaintiff in the first and second hearings, however at the end of 2018, the judge accepted the appeal by the Plaintiff and remanded the case for a re-trial in the Shenzhen People's Court.

According to the judgements of the court dated 7 May 2019 and 27 May 2019, certain portion of the investment properties of the Enlarged Group with fair value of approximately RMB533,000,000 was seized for the period from 10 May 2019 to 9 May 2022.

On 15 September 2019, the Defendant was ordered to (i) compensate the Plaintiff for an amount of RMB1,595,136 for the loss of rental income of the Unit for the period from 26 October 2011 to 25 June 2019 and (ii) bear the legal cost of approximately RMB29,000 (the "**September Judgement**").

As at the Latest Practicable Date, the Plaintiff has filed for an appeal to further claim for damages with respect to the right of use of the Unit between 26 September 2011 and 24 October 2062.

The Defendant has also filed for an appeal with respect to the September Judgement. No court hearing date has been fixed as at the Latest Practicable Date. Based on a legal opinion obtained, the Defendant may be liable to potential damages of approximately RMB27,800,000 in aggregate in connection with the 2013 Litigation. As at the Latest Practicable Date, the Enlarged Group has made provision of RMB27,800,000 for potential liability of the Claim.

In addition, the Enlarged Group was involved in several litigations in relation to the construction of the Enlarged Group's properties under development in the PRC with several contractors and suppliers, who are independent third parties to the Company and Summit Ascent. Based on the view that the legal proceeding was still in progress and with reference to the legal opinion obtained from the Company's PRC lawyer, the management considered that the likelihood for further outflow of resources of the Enlarged Group was remote.

Save as disclosed above, as at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group that would have a material adverse effect on the results of operation or financial condition of the Enlarged Group.

8. QUALIFICATION AND CONSENTS OF EXPERT

(a) The following sets out the qualifications of the expert who have given their opinions or advice or statements as contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified public accountants

(b) As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

(c) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to any member of the Enlarged Group.

(d) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, reports or its name in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business days from the date of this circular up to and including 14 days (except public holidays) at the Company's principal place of business in Hong Kong situated at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph 6 of this Appendix;

(c) the accountant's report on Summit Ascent for the three months ended 31 March 2020, the text of which is set out in Appendix II to this Circular;

(d) the assurance report of Deloitte Touche Tohmatsu on the compilation of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the annual reports of Summit Ascent containing the audited consolidated financial statements of Summit Ascent for the three years ended 31 December 2019;

(f) the annual reports of the Company containing the audited consolidated financial statements of the Company for the three years ended 31 December 2019;

(g) the written consents of the expert referred to in paragraph 8 of this Appendix;

(h) the circular of the Company on the major and connected transactions in relation to the acquisition of right-of-use assets–project site payment and lease agreement dated 26 March 2020; and

(i) this circular.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Ng Wing Ching, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The head office and principal place of business of the Company in Hong Kong is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(d) The principal share registrar of the Company is SMP Partners (Cayman) Limited, Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110, Cayman Islands.

(e) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The English text of this circular shall prevail over its Chinese text.

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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders (the "**Shareholders**") of Suncity Group Holdings Limited (the "**Company**") will be held at Jade Room, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 2 September 2020 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company.

Capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 12 August 2020.

ORDINARY RESOLUTION

"**THAT**

(a) the Acquisition be and is hereby approved and the entering into of the Underwriting Agreement (a copy of which marked "A" is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and

(b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder."

By order of the Board
SUNCITY GROUP HOLDINGS LIMITED
Chau Cheok Wa
Chairman

Hong Kong, 12 August 2020

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Unit 1705, 17/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

4. The register of members of the Company will be closed from 28 August 2020 to 2 September 2020 (both days inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose name appears on the register of members of the Company on 2 September 2020 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 27 August 2020.

As at the date of this notice, 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.

PRECAUTIONARY MEASURES FOR THE EGM

At the time of publishing this notice the coronavirus (COVID-19) situation in Hong Kong is still developing and the situation at the time of the EGM is difficult to predict. The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends shareholders to appoint the chairman of the EGM as their proxy and submit their form of proxy as early as possible.

Should the coronavirus continue to affect Hong Kong at or around the time of the EGM, the Company may implement precautionary measures at the EGM in the interests of the health and safety of the attendees of the EGM which include without limitation:

1. All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the EGM.

2. There will be compulsory body temperature screening for all persons before entering the EGM venue. Should anyone seeking to attend the EGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company reserves the right to refuse such person's admission to the EGM.

3. Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the EGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the EGM venue and will not be allowed to attend the EGM.

4. Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.

5. Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.

6. No gifts, food or beverages will be provided at the EGM.

7. Company staff and representatives at the EGM venue will assist with crowd control and queue management to ensure appropriate social distancing.

8. Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the EGM arrangements at short notice. Shareholders should check the Company's website.