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## **SUMMIT ASCENT HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 102)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

The board of directors (the “**Board**” or the “**Directors**”) of Summit Ascent Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six-month period ended 30 June 2019, together with comparative figures for the corresponding period in 2018 as follows:

#### **HIGHLIGHTS**

- Adjusted Property EBITDA generated by Oriental Regent Limited, a 60% owned subsidiary of the Company operating our integrated resort in the Russian Far East – Tigre de Cristal, was HK\$108.5 million in 1H 2019, up 62% compared to HK\$66.8 million in 1H 2018. Adjusted Property EBITDA margin also jumped to 42.2% in 1H 2019, versus 32.1% in 1H 2018.
- Profit attributable to owners of the Company was HK\$42.8 million in 1H 2019, compared to HK\$2.6 million in 1H 2018.
- The Group’s total revenue in 1H 2019 was HK\$257.3 million, representing an increase of 24% compared to HK\$207.8 million in 1H 2018.
- The slot business outperformed the Company’s other lines of business in 1H 2019 and recorded revenue of HK\$90.6 million, up 37% compared to HK\$66.3 million in 1H 2018. Rolling chip business also saw significant improvement with revenue increasing by 69% from HK\$40.8 million in 1H 2018 to HK\$68.8 million in 1H 2019.
- On 23 April 2019, we were informed by First Steamship Company Limited, a former substantial shareholder of the Company and Mr. Kuo Jen Hao, then Chairman of the Company, that they had disposed of all the shares they held in the Company in an off-market transaction, at the price of HK\$1.94 per share, to a wholly-owned subsidiary of Suncity Group Holdings Limited, which at that time became the single-largest and a substantial shareholder of the Company.
- Among other changes at the board level in 1H 2019, Mr. Chau Cheok Wa has been appointed as Non-executive Director and Chairman of the Company with effect from 1 June 2019.

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

*For the six-month period ended 30 June 2019*

	NOTES	Six-month period ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from gaming and hotel operations	4	257,291	207,792
Other income	5	3,301	1,798
Other gains and losses	7	10,456	2,322
Gaming tax		(7,125)	(6,614)
Inventories consumed		(6,573)	(6,507)
Marketing and promotion expenses		(7,705)	(8,172)
Employee benefits expenses		(74,095)	(72,751)
Depreciation and amortisation		(46,187)	(58,716)
Other expenses	8	(57,434)	(50,455)
Finance costs	9	(16,484)	(18,838)
Share of losses of a joint venture		—	(119)
Profit (loss) before taxation		55,445	(10,260)
Income tax expense	10	(81)	(48)
Profit (loss) and total comprehensive income (expense) for the period	11	<u>55,364</u>	<u>(10,308)</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		42,814	2,554
Non-controlling interests		<u>12,550</u>	<u>(12,862)</u>
		<u>55,364</u>	<u>(10,308)</u>
		<i>HK cents</i> (Unaudited)	<i>HK cent</i> (Unaudited)
Earnings per share	13		
Basic		<u>2.86</u>	<u>0.17</u>
Diluted		<u>2.85</u>	<u>0.17</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		As at <b>30 June</b> <b>2019</b>	As at 31 December 2018
	<i>NOTES</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, operating right and equipment		<b>1,429,321</b>	1,460,566
Right-of-use assets		<b>7,961</b>	–
Long-term prepayments and deposits		<b>16,499</b>	16,687
Intangible assets		<b>475</b>	115
		<u><b>1,454,256</b></u>	<u>1,477,368</u>
<b>Current assets</b>			
Inventories		<b>2,531</b>	2,802
Trade and other receivables	<i>14</i>	<b>42,674</b>	45,287
Bank balances and cash		<b>507,218</b>	479,822
		<u><b>552,423</b></u>	<u>527,911</u>
<b>Current liabilities</b>			
Contract liabilities, trade and other payables	<i>15</i>	<b>58,114</b>	76,266
Lease liabilities		<b>2,281</b>	–
		<u><b>60,395</b></u>	<u>76,266</u>
Net current assets		<u><b>492,028</b></u>	<u>451,645</u>
Total assets less current liabilities		<u><b>1,946,284</b></u>	<u>1,929,013</u>

	As at <b>30 June</b> <b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2018 <i>HK\$'000</i> <b>(Audited)</b>
Non-current liabilities		
Loans from non-controlling shareholders of a subsidiary	<b>210,932</b>	257,892
Provision for value-added tax (“VAT”) arrangements	<b>41,221</b>	44,537
Lease liabilities	<b>5,838</b>	–
	<u><b>257,991</b></u>	<u>302,429</u>
Net assets	<u><b>1,688,293</b></u>	<u>1,626,584</u>
Capital and reserves		
Share capital	<b>37,594</b>	37,209
Reserves	<b>1,270,977</b>	1,213,456
Equity attributable to owners of the Company	<b>1,308,571</b>	1,250,665
Non-controlling interests	<b>379,722</b>	375,919
Total equity	<u><b>1,688,293</b></u>	<u>1,626,584</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six-month period ended 30 June 2019*

## 1. GENERAL

Summit Ascent Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the “**Group**”) are the operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company. The functional currency of G1 Entertainment Limited Liability Company (“**G1 Entertainment**”), a principal subsidiary of the Group, and engaged in the gaming and hotel operations in the Russia Federation is HK\$. This is based on the fact that the currency that mainly influences its gaming revenue is HK\$.

## 2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

In May 2019, Oriental Regent Limited (“**Oriental Regent**”), a non-wholly owned subsidiary of the Company and the immediate holding company of G1 Entertainment, resolved by board resolution to make a voluntary early repayment of US\$23,000,000 (equivalent to HK\$178,940,000) to settle partially the loans from its shareholders for an original amount of US\$137,691,000 (equivalent to HK\$1,071,236,000).

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2019 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

### **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

***Impacts and changes in accounting policies on application of HKFRS 16 Lease***

The Group recognised lease liabilities of HK\$8,507,000 and the related right-of-use assets of HK\$8,507,000 at 1 January 2019 by applying HKFRS 16.C8(b)(ii) transition. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 9.10%. The Group recognised lease liabilities of HK\$8,507,000 at 1 January 2019 which is wholly related to leases previously classified as operating leases at 31 December 2018.

**4. REVENUE FROM GAMING AND HOTEL OPERATIONS**

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from gaming and hotel operations:		
– Gaming operations	<b>236,864</b>	190,653
– Hotel operations	<b>20,427</b>	17,139
	<b><u>257,291</u></b>	<u>207,792</u>

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.

**5. OTHER INCOME**

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank interest income	<b>2,890</b>	1,047
Rental income	<b>264</b>	441
Imputed interest income from loan to a joint venture	<b>–</b>	101
Others	<b>147</b>	209
	<b><u>3,301</u></b>	<u>1,798</u>

## 6. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the 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 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 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 Group does not present separate segment information other than entity-wide disclosures.

During the current period, all revenue is derived from customers patronising in the Group's property located in the Russian Federation. In addition, almost all non-current assets of the Group are located in the Russian Federation.

## 7. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gains, net	9,756	2,207
Gain on disposal of interest in subsidiaries	180	–
Impairment losses reversed on other receivables, deposits and prepayments	742	250
Loss on disposal/written-off of property, operating right and equipment	(222)	(126)
Loss on written-off of intangible assets	–	(9)
	<u>10,456</u>	<u>2,322</u>

## 8. OTHER EXPENSES

	Six-month period ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Travel agency expenses	10,344	7,332
Security expenses	7,820	7,776
Repair and maintenance expenses	5,266	4,023
Utilities and fuel	3,879	3,796
Oversea travel expenses	2,543	1,764
Insurance expenses	2,081	2,429
Minimum lease payments under operating leases	–	1,280
Others	25,501	22,055
	<u>57,434</u>	<u>50,455</u>

## 9. FINANCE COSTS

	Six-month period ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary	14,053	16,104
Imputed interest on VAT arrangements	2,028	2,644
Interest on lease liabilities/obligations under finance leases	403	90
	<u>16,484</u>	<u>18,838</u>

## 10. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for taxation in Hong Kong has been made as the Group has no estimated assessable profit for both periods.

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 Group's gaming activities in the Russian Federation in accordance with Russian legislation.

Russian tax, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input 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.

## 11. PROFIT (LOSS) FOR THE PERIOD

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit (loss) for the period has been arrived at after charging:		
Directors' remunerations	<b>1,904</b>	1,431
Salaries, wages, bonus and other benefits, excluding Directors	<b>57,859</b>	57,223
Contributions to retirement benefits schemes, excluding Directors	<b>14,332</b>	14,097
Total employee benefits expenses (including Directors' emoluments)	<b>74,095</b>	72,751
Amortisation of intangible assets	<b>31</b>	32
Depreciation of property, operating right and equipment	<b>44,977</b>	58,684
Depreciation of right-of-use assets	<b>1,179</b>	–
Total depreciation and amortisation	<b>46,187</b>	58,716

## 12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2019, nor has any dividend been proposed since 30 June 2019 (six-month period ended 30 June 2018: HK\$Nil).

### 13. EARNINGS PER SHARE

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

	Six-month period ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the purposes of basic and diluted earnings per share	<u>42,814</u>	<u>2,554</u>
	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,494,903	1,488,378
Effect of dilutive potential shares: Share options issued by the Company	<u>7,482</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,502,385</u>	<u>1,488,378</u>

The computation of diluted earnings per share for the six-month period ended 30 June 2018 did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares for the period.

### 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
	Trade receivables	<u>15,253</u>
Prepayments	26,479	14,465
Other receivables and deposits	1,451	2,221
Less: Allowance	<u>(509)</u>	<u>(1,251)</u>
	<u>27,421</u>	<u>15,435</u>
	<u>42,674</u>	<u>45,287</u>

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 13 days (31 December 2018: 10 days) after each trip to the Group's gaming property. The Group provides short-term temporary credit to approved customers following background checks and credit risk assessments of these customers. The amount has been fully settled subsequent to 30 June 2019.

All trade receivables were aged within 30 days based on the revenue recognition date, at the end of the reporting period.

All of the Group's trade receivables as at 30 June 2019 and 31 December 2018 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from VIP customers as at 30 June 2019 and 31 December 2018 were assessed individually. There were no additional impairment allowance for both reporting periods. For other trade receivables, the Group assessed the expected credit losses collectively based on the provision matrix as at 30 June 2019 and 31 December 2018. 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 Group's property located in the Russian Federation.

Allowance of HK\$509,000 and HK\$1,251,000 as at 30 June 2019 and 31 December 2018 respectively represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

#### 15. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at <b>30 June 2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Trade payables	<b>84</b>	233
Payable in respect of transfer of connection right to local electricity supply network	<b>12,656</b>	11,403
Provision for VAT arrangements	<b>10,314</b>	9,283
Outstanding gaming chips	<b>4,123</b>	23,980
Gaming taxes payables	<b>1,210</b>	1,113
Accruals and other payables	<b>29,727</b>	30,254
	<b>58,114</b>	76,266

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

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Within 30 days	<b>84</b>	185
31–90 days	–	7
Over 90 days	–	41
	<b><u>84</u></b>	<b><u>233</u></b>

The Group mainly has two types of liabilities related to contracts with customers which are included in the above: (1) outstanding gaming chips liabilities for gaming chips in the customers' possession amounting to HK\$4,123,000 (31 December 2018: HK\$23,980,000); and (2) loyalty programs liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK\$1,510,000 (31 December 2018: HK\$1,006,000). Loyalty programs liabilities are included in 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The gaming and hotel operations of Summit Ascent Holdings Limited are conducted through its 60% equity interest in Oriental Regent. The Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by 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 Primorye Integrated Entertainment Zone (“**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 the only casino, hotel and entertainment destination operating in the IEZ Primorye. We continuously strive to enhance our property and the key 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 4 bars;
- Karaoke rooms, a virtual golf zone and a soon to be opened private club;
- A convenience store, a health food store and a Tigre de Cristal branded shop;
- A jewelry boutique and a Montblanc outlet; and
- A high-end diamond and luxury watch boutique “DOMINO”.

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 organized by World Travel Awards.

## Change of Substantial Shareholder

On 23 April 2019, we were informed by First Steamship Company Limited, a former substantial shareholder of the Company and Mr. Kuo Jen Hao (“**Mr. Kuo**”), then Chairman of the Company, that they had disposed of all the shares they held in the Company in an off-market transaction, at the price of HK\$1.94 per share, to a wholly-owned subsidiary of Suncity Group Holdings Limited (“**Suncity**”), which at that time became the single-largest and a substantial shareholder of the Company.

## Changes of Directors

During the first half of 2019, we have the following changes to the Directors:

- Mr. Chau Cheuk Wa (“**Mr. Chau**”), currently the chairman, executive director and controlling shareholder of Suncity and also the founder and chairman of the Suncity Group (the “**Suncity Group**”) which is one of Asia’s leading VIP services and entertainment conglomerates, has been appointed as Non-executive Director and Chairman of the Board with effect from 1 June 2019;
- Mr. Lo Kai Bong (“**Mr. Lo**”), currently an executive director of Suncity and the chief investment officer of the Suncity Group, was re-designated from Non-executive Director to Executive Director and appointed as Deputy Chairman of the Board on 26 April 2019;
- Mr. Chiu King Yan, currently the chief financial officer of Suncity, was appointed as Executive Director on 26 April 2019;
- Mr. Wong Pak Ling Philip, currently the chief financial officer of the Suncity Group, has been appointed as Non-executive Director with effect from 1 June 2019;
- Mr. Lam Kwan Sing has been appointed as Independent Non-executive Director with effect from 14 June 2019; and
- Mr. Wang, John Peter Ben (“**Mr. Wang**”), Mr. Kuo and Mr. Gerard Joseph McMahon stepped down as Executive Director and Deputy Chairman, Non-executive Director and Chairman, and Independent Non-executive Director on 12 April 2019, 26 April 2019, and 14 June 2019 respectively.

## **FINANCIAL REVIEW**

### **Segment Information**

The Group operates currently only in the gaming and hotel businesses in the IEZ Primorye of the Russian Far East. Accordingly, the 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 the Company 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 the Company, company corporate expenses, unrealised exchange differences, interest, taxes, depreciation and amortisation, and notional share-based compensation benefits, was HK\$108.5 million in the first half of 2019, up 62% compared to HK\$66.8 million in the same period of 2018.

Adjusted Property EBITDA margin (represented the ratio of Adjusted Property EBITDA to total revenue) also jumped to 42.2% in the first half of 2019, versus 32.1% in the first half of 2018 – demonstrating that the operating expenses of the Company have remained relatively constant despite ongoing growth in revenues.

The following table sets forth a reconciliation of Adjusted Property EBITDA to the reported profit for the period attributable to owners of the Company as per the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June 2019.

***Reconciliation of Adjusted Property EBITDA to the profit for the six-month period ended 30 June 2019 attributable to owners of the Company***

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Gross revenue from rolling chip business	<b>255,563</b>	189,230
Less: Rebates	<b>(186,725)</b>	(148,422)
Revenue from rolling chip business	<b>68,838</b>	40,808
Revenue from mass table business	<b>77,400</b>	83,497
Revenue from slot business	<b>90,626</b>	66,348
<b>Net revenue from gaming operations</b>	<b>236,864</b>	190,653
Revenue from hotel operations	<b>20,427</b>	17,139
<b>Total revenue from gaming and hotel operations</b>	<b>257,291</b>	207,792
Add: Other income	<b>411</b>	650
Less: Other gains and losses	<b>696</b>	115
Gaming tax	<b>(7,125)</b>	(6,614)
Inventories consumed	<b>(6,573)</b>	(6,507)
Marketing and promotion expenses	<b>(7,705)</b>	(8,172)
Employee benefits expenses	<b>(69,124)</b>	(68,569)
Other expenses	<b>(59,328)</b>	(51,940)
<b>Adjusted Property EBITDA of Tigre de Cristal</b>	<b>108,543</b>	66,755
Add: Management fee payable to the Company	<b>7,230</b>	5,802
Less: Company corporate expenses	<b>(10,483)</b>	(8,499)
	<b>105,290</b>	64,058
Add: Bank interest income	<b>2,890</b>	1,047
Less: Interest on lease liabilities/obligations under finance leases	<b>(403)</b>	(90)
Income tax expense	<b>(81)</b>	(48)
	<b>107,696</b>	64,967

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Notional non-cash items:</i>		
Add: Net exchange gains	<b>9,756</b>	2,207
Gain on disposal of interest in subsidiaries	<b>180</b>	–
Imputed interest income from loan to a joint venture	–	101
Less: Depreciation and amortisation	<b>(46,187)</b>	(58,716)
Imputed interest expenses	<b>(16,081)</b>	(18,748)
Share of losses of a joint venture	–	(119)
	<hr/>	<hr/>
<b>Profit (loss) and total comprehensive income (expense) for the period of the Group</b>	<b><u>55,364</u></b>	<b><u>(10,308)</u></b>
<b>Profit (loss) and total comprehensive income (expense) for the period attributable to:</b>		
Owners of the Company	<b>42,814</b>	2,554
Non-controlling interests	<b>12,550</b>	(12,862)
	<hr/>	<hr/>
	<b><u>55,364</u></b>	<b><u>(10,308)</u></b>

### **Operating Revenues of the Group**

Total revenue of the Group in the first half of 2019 was HK\$257.3 million, representing an increase of 24% compared to the corresponding period in 2018.

### **Gaming Revenues**

Gaming revenue of Tigre de Cristal, which comprises three main sources, namely the rolling chip business, mass table business and slot business, increased to HK\$236.9 million, compared to HK\$190.7 million in the first half of 2018, and such improvement is primarily benefited from the rebound in rolling chip business and growth in slot business versus the same period last year.

### *Rolling chip business*

Our rolling chip business primarily targets foreign players. The table below sets forth the key performance indicators of our rolling chip business in the first half of 2019.

<i>(HK\$'million)</i>	Q1 2019	Q2 2019	<b>1H 2019</b>	1H 2018
Rolling chip turnover	4,471	3,889	<b>8,360</b>	6,507
Gross win	155	101	<b>256</b>	189
Less: Rebate	(115)	(72)	<b>(187)</b>	(148)
Net win after rebate	40	29	<b>69</b>	41
Gross win %	3.47%	2.60%	<b>3.06%</b>	2.90%
Daily average number of tables opened	21	22	<b>21</b>	12

Rolling chip turnover (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal in the first half of 2019 was HK\$8.4 billion, representing an increase of 28% compared with the corresponding period in 2018. Net win after all commissions rebated directly or indirectly to customers from rolling chip business increased by 68% to HK\$69 million in the first half of 2019. Gross win percentage (represented the ratio of gross win to rolling chip turnover) increased from 2.90% in the first half of 2018 to 3.06% in the first half of 2019.

Since 23 April 2019, Suncity has become the substantial shareholder of the Company and, together with the subsequent changes at the Board level of the Company, we believe our cooperation with the Suncity Group will continue to grow in scope. In addition, Tigre de Cristal fits into the strategic roadmap of the 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 our majority-owned subsidiary to pay attractive rebates while maintaining solid margins, and Suncity, as the single-largest shareholder of the Company, captures the additional economics by using the equity method of accounting to share in the results of the Group. We will continue to enhance the non-gaming offerings at Tigre de Cristal in order to further attract player volumes and drive higher value rolling chip business to the property.

### *Mass table business*

Our 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 in the first half of 2019.

<i>(HK\$'million)</i>	Q1 2019	Q2 2019	<b>1H 2019</b>	1H 2018
Total table drop	171	179	<b>350</b>	348
Table net win	41	36	<b>77</b>	84
Hold %	24.0%	20.1%	<b>22.0%</b>	24.1%
Daily average number of tables opened	26	27	<b>26</b>	20

Total table drop (measured as the sum of gaming chips purchased or exchanged at the cage) increased by 1% to HK\$350 million in the first half of 2019. Table net win from mass table business decreased by 8% to HK\$77 million in the first half of 2019. Hold percentage (represented table net win as a percent of table drop) decreased from 24.1% in the first half of 2018 to 22.0% in the first half of 2019.

Since the revenue from mass table business are denominated in the Russian rubles, a weak ruble in the first half of 2019 had a negative impact on the Group's revenue reported in Hong Kong dollars. If the Group had presented the table net win of mass table business for the first half of 2018 and 2019 using the Russian rubles, the revenue would have increased by 2% from RUB633 million to RUB647 million.

### *Slot business*

Our slot business primarily targets the local Russian market. The table below sets forth the key performance indicators in the first half of 2019.

<i>(HK\$'million)</i>	Q1 2019	Q2 2019	<b>1H 2019</b>	1H 2018
Total slot handle	826	819	<b>1,645</b>	1,348
Slot net win	42	49	<b>91</b>	66
Hold %	5.1%	6.0%	<b>5.5%</b>	4.9%
Average number of slots deployed	325	357	<b>343</b>	291

Revenue from the slot business increased by 38% to HK\$91 million in the first half of 2019, from HK\$66 million in the first half of 2018. The increase was principally due to the continuous growth in slot handle by 22% to HK\$1.6 billion in the first half of 2019, compared to HK\$1.3 billion in the corresponding period in 2018. The average hold percentage also increased to 5.5% in the first half of 2019 from 4.9% in the corresponding period of 2018.

### **Non-gaming Revenues**

Revenue from hotel operations, which is largely dependent on foreign guests, increased to HK\$20.4 million or by 19% compared to the corresponding period in 2018. Average hotel occupancy rates were maintained at 87% during weekends and 59% during weekdays in the first half of 2019.

### **Operating Expenses of the Group**

The 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 amortization, were HK\$142.7 million in the first half of 2019, a decrease of HK\$7.5 million or 6% compared with the corresponding period in 2018.

### ***Depreciation and Amortisation***

Depreciation and amortisation of the Group decreased by 21% to HK\$46.2 million in the first half of 2019 as compared to HK\$58.7 million for the same period in 2018. 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 the Group were HK\$16.5 million in the first half of 2019, a decrease of 12% compared to HK\$18.7 million for the corresponding period in 2018. 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:

*Since 2004 up to 31 December 2017:*

	<b>Minimum (RUB)</b>	<b>Maximum (RUB)</b>
Each gaming table	25,000	125,000
Each gaming machine	1,500	7,500

*Effective from 1 January 2018:*

	<b>Minimum (RUB)</b>	<b>Maximum (RUB)</b>
Each gaming table	50,000	250,000
Each gaming machine	3,000	15,000

On 28 February 2018, the local parliament of Primorsky Krai voted overwhelmingly to maintain the gaming tax rates at existing levels as they are within the ranges stipulated by the new federal law enacted on 27 November 2017. Accordingly, no changes in gaming tax rates have been applied to Tigre de Cristal since its opening in 2015.

For the six-month period ended 30 June 2019, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively, which corresponded to approximately 3% of the Group's net gaming revenue for the first half of 2019.

## ***Income Tax Expense***

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for the period.

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

## Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK\$42.8 million in the first half of 2019, compared to HK\$2.6 million in the same period of 2018.

## Liquidity, Financial Resources and Capital Structure

The 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 30 June 2019, total equity attributable to the owners of the Company was HK\$1,308.6 million (31 December 2018: HK\$1,250.7 million).

The Group had no outstanding external borrowings throughout the six-month period ended 30 June 2019 (31 December 2018: Nil). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 30 June 2019 (31 December 2018: 0%).

The Group remains conservative in its working capital management. As at 30 June 2019, net current assets of the Group were HK\$492 million (31 December 2018: HK\$451.6 million) and bank balances and cash were HK\$507.2 million (31 December 2018: HK\$479.8 million), of which 52.5% was denominated in United States dollar, 35.3% in Hong Kong dollar, and 12.2% in Russian ruble. The majority of our cash equivalents were in fixed deposits with a maturity of three months or less.

The following table sets forth a summary of our cash flows for the first half of 2019:

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from operating activities	<b>100,240</b>	74,592
Net cash used in investing activities	<b>(21,011)</b>	(20,459)
Net cash used in financing activities	<b>(58,364)</b>	(69,569)
Net increase (decrease) in cash and cash equivalents	<b>20,865</b>	(15,436)
Cash and cash equivalents at the beginning of the period	<b>479,822</b>	400,208
Effect of foreign exchange rate changes	<b>6,531</b>	(5,577)
Cash and cash equivalents at the end of the period	<b>507,218</b>	379,195

Net cash generated from operating activities of HK\$100.2 million and HK\$74.6 million for the six-month periods ended 30 June 2019 and 2018 respectively, represented the positive operating cash flows generated by the gaming and hotel operations of Tigre de Cristal.

Net cash used in investing activities of HK\$21.0 million for the six-month period ended 30 June 2019 was mainly due to additions for equipment of HK\$11.3 million and the return of HK\$9.9 million of VAT refunded under VAT arrangements to the tax authority of the Russian Federation.

Net cash used in financing activities of HK\$58.4 million and HK\$69.6 million for the six-month periods ended 30 June 2019 and 2018 respectively represented primarily the partial repayment of the interest-free loans from non-controlling shareholders of Oriental Regent.

### **Anti-money Laundering Policy**

Tigre de Cristal is governed by the Russian Federal Law No. 115-FZ of 7 August 2001 “On Anti-Money Laundering and Combating Financing of Terrorism” (the “**Russian AML/CFT Law**”), which is aimed at protecting the rights and lawful interests of citizens, society and the state by means of building up legal mechanism to counter the legalisation of illegal earnings (money laundering) and the financing of terrorism. According to the Financial Action Task Force’s (FATF) 6th Follow-up Report of Mutual Evaluation of the Russian Federation dated October 2013 (the “**Follow-up Report**”), since the adoption of the 2008 FATF Mutual Evaluation Report (the “**MER**”), the Russian Federation has focused its attention on updates of the Russian AML/CFT Law, which has been regarded as the main legal instrument for the implementation of the FATF Recommendations in the Russian Federation. The Follow-up Report also mentioned that the Russian Federation had focused its attention to the correction of the most important deficiencies identified in the MER.

In accordance with the provisions of the Russian AML/CFT Law, Tigre de Cristal has adopted its own anti-money laundering and combating financing of terrorism policies and the key components include: internal control systems; a special officer to oversee daily compliance; client identification and screening; and reporting unusual transactions subject to mandatory requirements.

### **Charge on Assets**

None of the Group’s assets were pledged or otherwise encumbered as at 30 June 2019 and 31 December 2018.

## **Exposure to Fluctuations in Exchange Rates**

The functional currency of the Company and its subsidiaries is the Hong Kong dollar and the condensed consolidated financial statements of the Group are presented in Hong Kong dollars.

For financial reporting purposes, the condensed consolidated financial statements of the 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. The 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 the Group. As these fluctuations do not necessarily affect future cash flows, the Group does not hedge against exchange rate translation risk.

Notwithstanding, the majority of our costs incurred by subsidiaries operating in the Russian Federation are denominated in Russian rubles. The risk of Russian ruble fluctuation impacting the results of the Group is substantially mitigated by a natural hedge in matching our costs with revenue denominated in the same currency that is generated from the mass table and slot businesses.

## **Capital Commitment**

The Group's capital commitment as at 30 June 2019 amounted to approximately HK\$1,158,000 (31 December 2018: HK\$1,776,000).

## **Contingent Liabilities**

There were no contingent liabilities as at 30 June 2019 and 31 December 2018.

## **Employees**

As at 30 June 2019, total number of employees employed by the Group was 1,133 (31 December 2018: 1,050). Currently, more than 97% of our full time employees are local Russian citizens (31 December 2018: 97%). The 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, the Company has a share option program in place and occasionally may grant shares options to directors, employees and consultants of the Group as incentives.

## **Interim Dividend**

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2019 (six-month period ended 30 June 2018: Nil).

## Outlook

As the Company evolves under the strategic direction of the new board of directors, both our slot and mass table gaming segments continued their growth trajectory in the first half of 2019, and we saw a strong rebound on our VIP business versus the same period last year.

The Company remains optimistic about our prospects in the foreseeable future as the following factors should assist us in further developing our business:

- Expansion and refinement of the customer offerings in our existing integrated resort. In order to attract and retain the higher end VIP customers, we are in the process of adding the following non-gaming amenities to our existing property: a Korean BBQ restaurant near the front entrance to the property, a Chinese hot pot section in the rear of our existing Asian restaurant, a noodle bar, a private club, and other amenities. We are targeting completion of these enhancements by the first quarter of 2020.
- Phase II. Due to expected redesigns with the input of Suncity, we are now targeting an opening of the first stage of our Phase II development by early 2022. The first stage of Phase II is expected to have more than double of the existing capacity in guest rooms and gaming facilities. It will also include four restaurants and bars, an indoor beach club, a duty-free shopping mall, and multipurpose MICE facilities. On 19 August 2019, we added to the Company's strong cash position with a placing of 300,000,000 shares under general mandate, generating the net proceeds of approximately HK\$297 million. The Company intends to apply the net proceeds to our Phase II development.
- The "Cluster Effect". Three other operators continue moving forward with their development plans and are at various stages of the construction process. Based on their current progress we may see a cluster effect as early as 2021 or 2022.
- Growth in awareness of the Russian Far East as a tourist and business destination. The Primorye Tourism Department has done an outstanding job of raising the profile of the area as a tourism destination as evidenced by continued growth in flight connectivity and tourism, while the annual Eastern Economic Forum attracts world leaders, entrepreneurs, and investors; both of the above adding fuel to the continued economic development of the region.

We believe the winning combination of Suncity's unparalleled leadership and experience in the gaming industry and Summit Ascent's proven success in the Russian Far East will enable continued growth in all facets of our business and we are sanguine about The Company's prospects going forward.

## CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the six-month period ended 30 June 2019 with the exception of code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly stated and set out in writing. However, due to the change of chairman and deputy chairman of the Company as mentioned below, there was no separation of the roles of chairman and chief executive as well as no written guideline setting out the responsibilities between the chairman and chief executive during the corresponding transitional period from 12 April 2019 to 30 May 2019.

Mr. Kuo resigned as Chairman on 26 April 2019 and Mr. Chau was appointed as Chairman with effect from 1 June 2019. Mr. Wang, then Deputy Chairman, who was performing the role of Chief Executive Officer resigned on 12 April 2019, and Mr. Lo was appointed as Deputy Chairman to perform the role of Chief Executive Officer with effect from 26 April 2019. Subsequent to the appointments of Mr. Lo and Mr. Chau as the Deputy Chairman and Chairman, the above-mentioned deviation was rectified.

The Company sets up the following board committees to ensure maintenance of a high corporate governance standard:

- a. Audit Committee;
- b. Remuneration Committee;
- c. Nomination Committee; and
- d. Corporate Governance Committee.

Terms of reference of the aforesaid committees have been posted on the Company’s website at [www.saholdings.com.hk](http://www.saholdings.com.hk) under the “Corporate Governance” section.

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

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "**Code of Securities Dealings**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "**Model Code**"). We have received confirmation from all Directors that they have complied with the required standards set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2019.

## **AUDIT COMMITTEE**

The Company's Audit Committee is currently composed of three Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the Group's annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems.

The Group's interim results for the six-month period ended 30 June 2019 have been reviewed by the Audit Committee which was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **APPROVAL OF INTERIM REPORT**

The unaudited condensed consolidated financial statements in the interim report have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and the interim report was approved and authorised for issue by the Board on 26 August 2019.

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

During the six-month period ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Company's Executive Directors are Mr. Lo Kai Bong (Deputy Chairman), Mr. Eric Daniel Landheer and Mr. Chiu King Yan, the Non-executive Directors are Mr. Chau Cheok Wa (Chairman), Mr. Wong Pak Ling Philip and Dr. U Chio Jeong, and the Independent Non-executive Directors are Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung.

By Order of the Board of  
**Summit Ascent Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 26 August 2019