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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 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Summit Ascent Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six-month period ended 30 June 2020, together with comparative figures for the corresponding period in 2019 as follows:

HIGHLIGHTS

- The Group’s total revenue in 1H 2020 was HK\$96.0 million, down 63% compared to 1H 2019, primarily due to the COVID-19 pandemic and our integrated resort in the Russian Federation, Tigre de Cristal, had been suspended for business since 28 March 2020 until its reopening on 16 July 2020.
- Loss attributable to owners of the Company was HK\$47.0 million in 1H 2020 versus a profit of HK\$42.8 million in 1H 2019.
- The Group recorded a negative Adjusted Property EBITDA of HK\$22.1 million in 1H 2020 versus a positive Adjusted Property EBITDA of HK\$108.5 million in 1H 2019.
- The Group continues to maintain a strong financial position, having HK\$816.7 million of cash on hand without any bank borrowings as at 30 June 2020.
- A special general meeting of the Company has been scheduled on 7 September 2020 for the purpose of, among others, considering and passing with or without amendments the resolutions of the Company in relation to the Rights Issue, the Underwriting Agreement, the Subscription and the Whitewash Waiver, details of which are stated in the circular of the Company dated 14 August 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

		Six-month period ended 30 June	
	<i>NOTES</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue from gaming and hotel operations	5	95,967	257,291
Other income	6	6,388	3,301
Other gains and losses	7	(15,101)	10,456
Gaming tax		(3,693)	(7,125)
Inventories consumed		(2,815)	(6,573)
Marketing and promotion expenses		(3,752)	(7,705)
Employee benefits expenses		(70,389)	(74,095)
Depreciation and amortisation		(43,008)	(46,187)
Other expenses	8	(37,794)	(57,434)
Finance costs	9	(14,847)	(16,484)
		<hr/>	<hr/>
(Loss) profit before taxation		(89,044)	55,445
Income tax expense	10	(113)	(81)
		<hr/>	<hr/>
(Loss) profit and total comprehensive (expense) income for the period	11	<u>(89,157)</u>	<u>55,364</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(46,975)	42,814
Non-controlling interests		(42,182)	12,550
		<hr/>	<hr/>
		<u>(89,157)</u>	<u>55,364</u>
		<hr/>	<hr/>
		<i>HK cents</i>	<i>HK cents</i>
		(Unaudited)	(Unaudited)
(Loss) earnings per share	13		
Basic		<u>(2.60)</u>	<u>2.86</u>
		<hr/>	<hr/>
Diluted		<u>(2.60)</u>	<u>2.85</u>
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>NOTES</i>	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, operating right and equipment		1,392,081	1,408,519
Right-of-use assets		5,603	6,782
Long-term prepayments and deposits		18,153	31,849
Intangible assets		412	420
		<u>1,416,249</u>	<u>1,447,570</u>
Current assets			
Inventories		2,117	3,003
Trade and other receivables	<i>14</i>	31,702	61,657
Bank balances and cash		816,671	860,698
		<u>850,490</u>	<u>925,358</u>
Current liabilities			
Contract liabilities, trade and other payables	<i>15</i>	44,393	61,557
Lease liabilities		856	1,966
Loans from non-controlling shareholders of a subsidiary	<i>16</i>	236,066	223,214
		<u>281,315</u>	<u>286,737</u>
Net current assets		<u>569,175</u>	<u>638,621</u>
Total assets less current liabilities		<u>1,985,424</u>	<u>2,086,191</u>

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current liabilities		
Liabilities for value-added tax (“VAT”) arrangements	33,708	44,641
Lease liabilities	<u>4,460</u>	<u>5,137</u>
	<u>38,168</u>	<u>49,778</u>
Net assets	<u>1,947,256</u>	<u>2,036,413</u>
Capital and reserves		
Share capital	45,094	45,094
Reserves	<u>1,552,319</u>	<u>1,599,294</u>
Equity attributable to owners of the Company	1,597,413	1,644,388
Non-controlling interests	<u>349,843</u>	<u>392,025</u>
Total equity	<u>1,947,256</u>	<u>2,036,413</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

1. BASIS OF PREPARATION

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

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 engaged in the gaming and hotel operations in the Russian Federation, is HK\$. This is based on the fact that the currency which mainly influences its gaming revenue is HK\$.

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

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 Group’s visitation in early 2020, particularly in the rolling chip business. On 27 March 2020, the Company announced, as the 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 G1 Entertainment has followed the suggestions of the Russian government by temporarily suspending its gaming operations from 28 March 2020 (Saturday) until it reopening on 16 July 2020 (Thursday). The hotel operations of G1 Entertainment continued to serve in a limited capacity during the period of suspension.

The Directors believe that the COVID-19 will continue to present challenges to the Group, and it is impossible to quantify the impact to the overall business due to many uncertainties, including impact of the COVID-19 on the economy and consumer behaviour in the short and long term.

Nevertheless, the Group has a strong liquidity position with current ratio of 3.0 and a debt to equity of zero as at 30 June 2020 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.

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 2020 are the same as those presented in the Group’s Annual Report 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. 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 revenues were derived from customers patronising in the Group’s property located in the Russian Federation. At 30 June 2020 and 31 December 2019, almost all non-current assets of the Group are located in the Russian Federation.

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from gaming and hotel operations:		
– Gaming operations	92,265	236,864
– Hotel operations	<u>3,702</u>	<u>20,427</u>
	<u>95,967</u>	<u>257,291</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, 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.

6. OTHER INCOME

	Six-month period ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	5,824	2,890
Rental income	109	264
Others	<u>455</u>	<u>147</u>
	<u>6,388</u>	<u>3,301</u>

7. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Exchange (losses) gains, net	(8,095)	9,756
Impairment losses on deposits (<i>Note</i>)	(7,267)	–
Gain (loss) on disposal/written-off of property, operating right and equipment	261	(222)
Impairment losses reversed on other receivables, deposits and prepayments	–	742
Gain on disposal of interest in subsidiaries	–	180
	<u>(15,101)</u>	<u>10,456</u>

Note: For the six-month period ended 30 June 2020, the 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 Group and such deposit is fully impaired.

8. OTHER EXPENSES

	Six-month period ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Security expenses	5,867	7,820
Non-recoverable value-added tax	3,632	2,671
Repair and maintenance expenses	3,168	5,266
Utilities and fuel	2,996	3,879
Costs for employee relations	2,854	3,546
Bank charges	2,247	3,196
Legal and professional fees	1,833	977
Travel agency expenses	1,490	10,344
Gaming supplies	1,322	3,064
Insurance expenses	1,163	2,081
Communication and networking costs	818	888
Hotel supplies	368	890
Oversea travel expenses	365	2,543
Sundry	9,671	10,269
	<u>37,794</u>	<u>57,434</u>

9. FINANCE COSTS

	Six-month period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary	12,853	14,053
Imputed interest on VAT arrangements	1,677	2,028
Interest on lease liabilities	<u>317</u>	<u>403</u>
	<u>14,847</u>	<u>16,484</u>

10. 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 Director considered the amount involved in the two-tiered tax rates regime is insignificant to the condensed consolidated financial statements of the 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 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. (LOSS) PROFIT FOR THE PERIOD

	Six-month period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Directors' remunerations	2,625	1,904
Salaries, wages, bonus and other benefits, excluding Directors	53,648	57,859
Contributions to retirement benefits schemes, excluding Directors	<u>14,116</u>	<u>14,332</u>
Total employee benefits expenses (including Directors' emoluments)	<u>70,389</u>	<u>74,095</u>
Amortisation of intangible assets	8	31
Depreciation of property, operating right and equipment	41,821	44,977
Depreciation of right-of-use assets	<u>1,179</u>	<u>1,179</u>
Total depreciation and amortisation	<u><u>43,008</u></u>	<u><u>46,187</u></u>

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2020, nor has any dividend been proposed since 30 June 2020 (six-month period ended 30 June 2019: Nil).

13. (LOSS) EARNINGS PER SHARE

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

	Six-month period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	<u>(46,975)</u>	<u>42,814</u>
	Number of shares <i>(in thousands)</i>	
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	1,803,778	1,494,903
Effect of dilutive potential shares:		
Share options issued by the Company	<u>—</u>	<u>7,482</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,803,778</u>	<u>1,502,385</u>

The computation of diluted loss per share for the six-month period ended 30 June 2020 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	—	8,032
Prepayments	23,716	30,768
Other receivables and deposits (Note)	8,585	23,456
Less: Allowance	(599)	(599)
	<u>31,702</u>	<u>53,625</u>
	<u>31,702</u>	<u>61,657</u>

Note: This included an amount due from an employee of a substantial shareholder of the Company amounting to HK\$5,178,000 (31 December 2019: HK\$21,003,000) and represented the sum collected from patrons on behalf of the Group. The amount was unsecured, interest bearing and repayable on demand and has been fully settled subsequent to 30 June 2020.

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 57 days (31 December 2019: 16 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.

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

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

Trade receivables from patrons at 31 December 2019 were assessed individually and there was no impairment allowance. For other trade receivables, the Group assessed the expected credit losses collectively based on the provision matrix as at 30 June 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 Group's property located in the Russian Federation.

Allowance of HK\$599,000 as at 30 June 2020 and 31 December 2019 represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

15. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	53	453
Payable in respect of transfer of connection right to local electricity supply network	11,412	12,895
Liabilities for VAT arrangements	7,461	10,603
Outstanding gaming chips	1,213	2,078
Gaming taxes payables	–	1,108
Accruals and other payables	<u>24,254</u>	<u>34,420</u>
	<u>44,393</u>	<u>61,557</u>

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	53	408
31–90 days	–	–
Over 90 days	<u>–</u>	<u>45</u>
	<u>53</u>	<u>453</u>

The Group mainly has two types of liabilities related to contracts with customers which are included in the above: (1) outstanding gaming chip liabilities for gaming chips in the customers' possession amounting to HK\$1,213,000 (31 December 2019: HK\$2,078,000); and (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK\$1,255,000 (31 December 2019: HK\$1,403,000). Loyalty program liabilities are included in other payables above.

16. 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 Group which the 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 contributions proportionally 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.

17. EVENTS AFTER REPORTING PERIOD

Proposed rights issue and subscription for convertible bonds

On 1 June 2020, the Group announced the proposal to raise approximately HK\$1,623.40 million before expenses (assuming no share options being exercised) and approximately HK\$1,618.42 million after expenses (assuming no share options being exercised) 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 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 Suncity Group Holdings Limited, a shareholder of the Company, entered into a subscription agreement, 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 circular issued by the Company dated 14 August 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 16 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 agreements remain unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The gaming and hotel operations of the Company 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 three adjacent parcels of land, namely Lot 8, Lot 9 and Lot 10 with site area of approximately 73,000 square meters, 90,000 square meters and 154,000 square meters respectively, in the Integrated Entertainment Zone of the Primorye Region (the “**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. Lot 8 are erected with dormitories, gas-powered station and storage area, called the utility zone, and the remaining portion of Lot 8 and Lot 10 are vacant land currently, held for phased development of Tigre de Cristal in the future.

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 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 Suncity 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.

THE COVID-19 OUTBREAK

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 effect on the visitation of Tigre de Cristal to start 2020 and a negative impact on its rolling chip business in particular. The Group fully supports the Russian government’s measures to combat the COVID-19, as the health and safety of our guests and staff members are of paramount importance. Tigre de Cristal has followed the suggestions of the Russian government by suspending its gaming operations from 28 March 2020 until its reopening from 16 July 2020 onwards. The hotel operations of Tigre de Cristal continued to serve in a limited capacity during the period of suspension.

Upon the resumption of operations, Tigre de Cristal has put in place a set of standard operating procedures to prevent the spread of the COVID-19. All precautionary measures taken have been reported to the local authorities according to the requirements of the Russian government. These precautionary measures include body temperature checking, mandatory mask-wearing, improved sanitation measures, social distancing measures on the gaming floor, social distancing measures in food and beverages outlets and others.

DETAILS OF FUTURE PLANS AND THEIR EXPECTED SOURCES OF FUNDING

Proposed Rights Issue

As announced on 1 June 2020, the Board proposed to raise approximately HK\$1,623.40 million before expenses by the rights issue (the “**Rights Issue**”) on the basis of three rights shares for every two ordinary shares of the Company (the “**Shares**”) at the subscription price of HK\$0.6 per rights share (the “**Rights Share**”).

Pursuant to an underwriting agreement (the “**Underwriting Agreement**”) entered into between the Company and Victor Sky Holdings Limited (the “**Underwriter**”) on 1 June 2020, the Rights Issue will be fully underwritten by the Underwriter without charging any underwriting commission, which is a wholly owned subsidiary of Suncity which in turn is a substantial shareholder of the Company.

Subscription for Convertible Bonds

On 1 June 2020, the Group and SunTrust, a company incorporated in the Philippines and the shares of which are listed on The Philippine Stock Exchange, Inc., entered into a subscription agreement, pursuant to which SunTrust has conditionally agreed to issue and the Group has conditionally agreed to subscribe (the “**Subscription**”) for the convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of PHP5.6 billion (equivalent to approximately HK\$847 million) with a 6% coupon rate (or 8% per annum if the Convertible Bonds are held until their maturity) for an initial term of 5 years, which may be converted into the shares of SunTrust pursuant to the terms and conditions of the Convertible Bonds.

SunTrust is the sole and exclusive operator and manager of an integrated resort (the “**Main Hotel Casino**”) expected to commence operations before 2023, which will encompass a (i) 5-Star hotel with at least 400 rooms; (ii) casino establishment with approximately 400 gaming tables and 1,200 slot machines for both mass and VIP markets; and (iii) 960 car parking slots, located at the Entertainment City, Manila, the Philippines with a total site area of approximately 45,000 square meters (the “**Project Site**”). SunTrust also entered into a lease agreement to lease the Project Site for the construction and development of the Main Hotel Casino. Subject to the finalisation of the development plan, the total capital cost required for the Main Hotel Casino project is estimated to be approximately US\$800 million (equivalent to approximately HK\$6.2 billion).

Reasons for and Benefits of the Proposed Rights Issue and the Subscription

Compared to other means of fundraising such as commercial debt financings (including bank borrowings) and placing of new shares, the Rights Issue is non-interest bearing and pre-emptive in nature, allowing the shareholders of the Company to maintain their respective pro-rata shareholdings through their participation in the Rights Issue and enjoy the anticipated benefits from the Subscription or further development of Tigre de Cristal.

Due to the recent redesigns with the input of Suncity, the Group has been reviewing and finalizing the conceptual designs of the Tigre de Cristal Phase II development on Lot 10, and planning to commence the construction works in the fourth quarter of 2020, targeting an opening in 2022. The expected total development cost of the Phase II project is approximately US\$200 million. As the Company is interested in 60% equity interest in Oriental Regent only, the estimated capital requirement attributable to the Group is approximately US\$120 million (equivalent to approximately HK\$930 million). This new integrated resort is expected to double the Group’s VIP and mass gaming tables, slots, and have at least twice the lodging capacity of the existing property, and will include four restaurants and bars, additional retail offerings, and an indoor beach club and spa. The Phase II development of Tigre de Cristal will place the Group in a better position to attract and retain customers, especially when other casino operators in the IEZ Primorye open for business in the near future.

Whilst the Directors remain cautiously optimistic about the long-term prospects of Tigre de Cristal in the Russian Federation, they are of the view that it is in the best interests of the Company to diversify its assets and revenue streams in order to reduce the Group's reliance on a single revenue source and location. From geographic diversity point of view, the Company has been exploring other business opportunities in order to expand the existing business of the Group and to explore new markets with significant growth potential. The investment in SunTrust marked the first step towards establishing the Group's footprint in the casino and entertainment market of the Philippines and allowing the Group to tap into this growing market, as well as providing synergies to the overall tourism related business in partnering with SunTrust and Suncity. The Directors believe that investing part of the net proceeds from the Rights Issue for the Subscription to achieve the diversification is more compelling than expanding the current scale of the Phase II development of Tigre de Cristal.

Use of Proceeds

The expenses in relation to the Rights Issue (including printing, registration, legal, accounting and documentation charges, etc.) are estimated to be approximately HK\$4.98 million and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.598.

The estimated net proceeds of the Rights Issue will be approximately HK\$1,618.42 million and the Company intends to apply in the following manner 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.

The remaining capital requirement of the Phase II development of Tigre de Cristal of approximately HK\$329 million will be funded as to HK\$297 million by the net proceeds raised from the placing of new Shares completed on 19 August 2019 and HK\$32 million by general working capital of the Group.

Special General Meeting

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to the Listing Rules, among other things, the Rights Issue must be made conditional upon the approval by the shareholders of the Company. Since Suncity is a substantial shareholder of the Company directly and indirectly interested in an aggregate of approximately 24.74% of the Company's issued share capital, the transaction contemplated under the Underwriting Agreement also constitutes a connected transaction for the Company under the Listing Rules.

Pursuant to the Underwriting Agreement and the maximum number of Rights Shares for which the Underwriter has agreed to subscribe, Suncity will be interested in an aggregate of 3,182,476,218 Shares, representing approximately 69.78% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under the Hong Kong Codes on Takeovers and Mergers for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, unless a waiver (the “**Whitewash Waiver**”) is granted by the Securities and Futures Commission of Hong Kong.

As one or more of the applicable percentage ratios (as defined in of the Listing Rules) in relation to the Subscription exceed 25% but are all less than 100%, the Subscription constitutes a major transaction for the Company under the Listing Rules. In addition, SunTrust is an indirect 51% owned subsidiary of Suncity, the Subscription also constitutes a connected transaction for the Company under the Listing Rules.

A special general meeting of the Company has been scheduled on 7 September 2020 for the purpose of, among others, considering and passing with or without amendments the resolutions of the Company in relation to the Rights Issue, the Underwriting Agreement, the Subscription and the Whitewash Waiver.

Details of the above transactions are disclosed in the Company’s announcement dated 1 June 2020, and the Company’s circular and notice of special general meeting dated 14 August 2020.

OUTLOOK

The COVID-19 continues to affect everyone across the globe, by putting many businesses under considerable pressure which is leading to the closure of some businesses and loss of employment. The hospitality and gaming sector have not been immune from the effects of the 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, trains and buses) and quarantine requirements for customers traveling to or from Vladivostok, the Russian Federation, already are and will continue to, make it extremely difficult for customers to visit our property as easily as they once could.

Unlike many businesses impacted by this global crisis, the 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 3.0 and gearing ratio of zero as at 30 June 2020. The Group has ample liquidity to survive this unprecedented period of ‘near-zero revenue’ for over years. Tigre de Cristal has been able to deliver strong local businesses in the past few years, especially in the mass tables and slots. As borders are still not yet fully opened, the Group will continue to focus on its strength previously – the local market.

The reopening of Tigre de Cristal from 16 July 2020 has not only allowed employees to go back to work, it has also enabled the upgrade works of Tigre de Cristal to continue, which include a brand new Suncity VIP room, authentic Korean and Chinese restaurants and an addition of 34 hotel rooms. The upgrade is expected to be ready once the pandemic is settled. 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.

With regard to the proposed Rights Issue, it would have a positive effect on the Group's financial position immediately upon completion as the working capital of the Group would be enhanced. The net proceeds from the Rights Issue will be used for the Subscription and the Phase II development of Tigre de Cristal to strengthen its competitiveness. Having considered the future prospect of SunTrust and that the Convertible Bonds would not only enable the Group to enjoy a fixed return of 6% per annum (or 8% per annum if the Convertible Bonds are held until their maturity) but also enable the Group to share the possible benefits brought about by the Main Hotel Casino which will become operational before 2023 as well as the possible upside of the SunTrust share price in the future, we consider that fund raising through the Rights Issue and investing part of the net proceeds for the Subscription are in the interests of the Company and its shareholders as a whole.

FINANCIAL REVIEW

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, 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 (other than gaming taxes), and depreciation and amortisation.

The Group recorded a negative Adjusted Property EBITDA of HK\$22.1 million in the first half of 2020 ("**1H 2020**"), versus a positive Adjusted Property EBITDA of HK\$108.5 million in the first half of 2019 ("**1H 2019**").

The following table sets forth a reconciliation of Adjusted Property EBITDA to the reported loss for the period attributable to owners of the Company as per the Condensed Consolidated Statement of Profit of Loss and Other Comprehensive Income for the six-month period ended 30 June 2020.

Reconciliation of Adjusted Property EBITDA to the loss for the six-month period ended 30 June 2020 attributable to owners of the Company

	1H 2020	1H 2019
	HK\$'000	HK\$'000
Gross revenue from rolling chip business	50,008	255,563
Less: Rebates	<u>(32,484)</u>	<u>(186,725)</u>
Revenue from rolling chip business	17,524	68,838
Revenue from mass table business	33,504	77,400
Revenue from slot business	<u>41,237</u>	<u>90,626</u>
Net revenue from gaming operations	92,265	236,864
Revenue from hotel operations	<u>3,702</u>	<u>20,427</u>
Total revenue from gaming and hotel operations	95,967	257,291
Add: Other income	565	411
Less: Other gains and losses	(7,006)	696
Less: Gaming tax	(3,693)	(7,125)
Inventories consumed	(2,815)	(6,573)
Marketing and promotion expenses	(3,752)	(7,705)
Employee benefits expenses	(64,289)	(69,124)
Other expenses	<u>(37,126)</u>	<u>(59,328)</u>
Total operating expenses	<u>(111,675)</u>	<u>(149,855)</u>
Adjusted Property EBITDA of Tigre de Cristal	(22,149)	108,543
Add: Management fee payable to the Company	2,781	7,230
Less: Company corporate expenses	<u>(9,550)</u>	<u>(10,483)</u>
	(28,918)	105,290
Add: Bank interest income	5,824	2,890
Less: Interest on lease liabilities	(317)	(403)
Income tax expense	<u>(113)</u>	<u>(81)</u>
	(23,524)	107,696

	1H 2020	1H 2019
	HK\$'000	HK\$'000
<i>Non-cash items:</i>		
Less: Net exchange (losses) gains	(8,095)	9,756
Depreciation and amortisation	(43,008)	(46,187)
Imputed interest expenses	(14,530)	(16,081)
Add: Gain on disposal of interest in subsidiaries	<u> –</u>	<u> 180</u>
(Loss) profit and total comprehensive (expense) income for the period of the Group	(89,157)	55,364
Less: Loss (profit) and total comprehensive expense (income) for the period attributable to non-controlling interests	<u> 42,182</u>	<u> (12,550)</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	<u> (46,975)</u>	<u> 42,814</u>

Segment Information

The 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. Almost all non-current assets of the Group are located in the Russian Federation. Accordingly, the Group does not present separate segment information other than entity-wide disclosures.

Revenue of the Group

Revenue of the Group, comprising revenue from gaming operations and hotel operations, was HK\$96.0 million in 1H 2020, down 63% compared to 1H 2019. Such decline was primarily due to the temporary suspension of the gaming operations of Tigre de Cristal from 28 March 2020 until its reopening from 16 July 2020 and the number of foreigners visiting our property plummeted after governments of various countries have issued entry restrictions, visa suspensions and quarantine measures for travellers due to the COVID-19 pandemic.

Gaming Operations

Gaming revenue of Tigre de Cristal, consisting of three main sources, namely the rolling chip business, mass table business and slot business, was HK\$92.3 million, compared to HK\$236.9 million in 1H 2019.

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 1H 2020, as well as the first quarter (“**Q1 2020**”) and the second quarter (“**Q2 2020**”) of 2020.

<i>(HK\$'million)</i>	Q1 2020	Q2 2020	1H 2020	1H 2019
Rolling chip turnover	1,167	25	1,192	8,360
Gross win	47	3	50	256
Less: Rebate	<u>(31)</u>	<u>(1)</u>	<u>(32)</u>	<u>(187)</u>
Net win after rebate	16	2	18	69
Gross win %	4.03%	12.00%	4.19%	3.06%
Daily average number of tables opened (<i>Note</i>)	15	5	14	21

Note: Excluding the period of suspension from 28 March to 13 April and 22 April to 30 June 2020.

Rolling chip turnover (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was HK\$1,192 million in 1H 2020, representing a decrease of 86% compared to 1H 2019. Net win after all commissions rebated directly or indirectly to customers from rolling chip business decreased by 74% to HK\$18 million in 1H 2020 compared to HK\$69 million in 1H 2019. Gross win percentage (represented the ratio of gross win to rolling chip turnover) increased slightly from 3.06% in 1H 2019 to 4.19% in 1H 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 in 1H 2020, as well as Q1 2020 and Q2 2020.

<i>(HK\$'million)</i>	Q1 2020	Q2 2020	1H 2020	1H 2019
Total table drop	136	5	141	350
Table net win	33	1	34	77
Hold %	24.3%	20.0%	24.1%	22.0%
Daily average number of tables opened (<i>Note</i>)	24	17	24	26

Note: Excluding the period of suspension from 28 March to 13 April and 22 April to 30 June 2020.

Total table drop (measured as the sum of gaming chips purchased or exchanged at the cage) decreased by 60% to HK\$141 million in 1H 2020. Table net win from mass table business decreased by 56% to HK\$34 million 1H 2020. Hold percentage (represented table net win as a percent of table drop) increased slightly from 22.0% in 1H 2019 to 24.1% in 1H 2020.

Slot business

Our slot business primarily targets the local Russian market. The table below sets forth the key performance indicators in 1H 2020, as well as Q1 2020 and Q2 2020.

<i>(HK\$' million)</i>	Q1 2020	Q2 2020	1H 2020	1H 2019
Total table drop	782	28	810	1,645
Slot net win	39	2	41	91
Hold %	5.0%	7.1%	5.1%	5.5%
Average number of slots deployed <i>(Note)</i>	317	157	304	343

Note: Excluding the period of suspension from 28 March to 13 April and 22 April to 30 June 2020.

The slot business recorded revenue of HK\$41 million, down 55% compared to HK\$91 million in 1H 2019. The average hold percentage decreased slightly to 5.1% in 1H 2020 from 5.5% in 1H 2019. The average number of slots deployed decreased by 11% to 304 in 1H 2020.

Hotel Operations

Revenue from hotel operations, being largely dependent on foreign guests, decreased to HK\$3.7 million in 1H 2020 or by 82% compared to 1H 2019. Average hotel occupancy rates dropped substantially to 15% (1H 2019: 87%) during weekends and 20% (1H 2019: 59%) during weekdays in 1H 2020.

Operating Expenses of Tigre de Cristal

Operating expenses of Tigre de Cristal (excluding other gains and losses, depreciation and amortisation, and finance costs) were HK\$111.7 million in 1H 2020, decreased by 25% compared to HK\$149.9 million in 1H 2019. Since the COVID-19 outbreak, the Group has rolled out stringent cost controls measures, such as reducing inventories consumed by 57%, cutting marketing and promotion expenses by 51%, as well as minimizing travel related expenses, and renegotiating contracts with subcontractors in 1H 2020. We also offset unused annual leave entitlements and arranged unpaid time off for certain staff by mutual agreement, resulting in a decrease of 7% in employee benefits expenses in 1H 2020, compared to 1H 2019. During this difficult period, the Group has been a responsible corporate citizen and has been trying its best to support the governments' call to maintain local employment.

Other Gains and Losses

The Group incurred net exchange losses of HK\$8.1 million in 1H 2020, versus net exchange gains of HK\$9.8 million in 1H 2019. The Group also recognised an impairment loss of HK\$7.3 million in 1H 2020 (1H 2019: Nil) on the deposit for a renovation contract due to a dispute with a contractor. The Group had terminated the contract and the related deposit was fully impaired.

Depreciation and Amortisation

Depreciation and amortisation of the Group decreased by 7% to HK\$43.0 million in 1H 2020 as compared to HK\$46.2 million in 1H 2019. The decrease was primarily due to some assets, which were depreciated over a three-year time period, having become fully depreciated.

Finance Costs

Finance costs of the Group were HK\$14.8 million in 1H 2020, a decrease of 10% compared to HK\$16.5 million for 1H 2019. These costs primarily comprised non-cash imputed interest by applying the effective notional interest rate, calculated at 11.28% per annum at inception, 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 (in Russian rouble (“**RUB**”)):

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

In 1H 2020, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively. In response to the COVID-19 crisis, however, no gaming tax was charged by the Russian tax authority when Tigre de Cristal suspended its operations in May and June 2020, resulting in a decrease of 48% for gaming tax paid by the Group amounted to HK\$3.7 million in 1H 2020 (1H 2019: HK\$7.1 million), which corresponded to 4% of the Group’s net gaming revenue in 1H 2020 (1H 2019: 3%).

On 16 July 2020, the local government of the Primorye Region unanimously approved a bill to grant gaming tax exemption to lower the gaming tax rates to RUB50,000 per gaming table and RUB3,000 per slot machine officially for four more months from July to October 2020 due to restrictions applied for the operations of Tigre de Cristal.

Income Tax Expense

No provision for taxation in Hong Kong has been made as the Group has no assessable profit in 1H 2020 and 1H 2019. As at 30 June 2020, the Group had unused tax losses of HK\$31.5 million (31 December 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, the Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%.

As at 30 June 2020, the Group had unused tax losses of approximately HK\$560.0 million (31 December 2019: approximately HK\$522.3 million), available under Russian corporate tax and all tax losses may be carried forward indefinitely. We believe that these unrecognized 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 the Company

Loss attributable to owners of the Company was HK\$47.0 million in 1H 2020, versus a profit of HK\$42.8 million in 1H 2019.

Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position. As at 30 June 2020, total equity attributable to the owners of the Company was HK\$1,597.4 million (31 December 2019: HK\$1,644.4 million). The Group had no outstanding external borrowings throughout the period ended 30 June 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 30 June 2020 (31 December 2019: 0%).

The Group remains conservative in its working capital management. As at 30 June 2020, net current assets of the Group were HK\$569.2 million (31 December 2019: HK\$638.6 million) and the current ratio (represented a comparison of current assets to current liabilities) was 3.0 (31 December 2019: 3.2). Bank balances and cash were HK\$816.7 million at 30 June 2020 (31 December 2019: HK\$860.7 million), of which 37% was denominated in United States dollar, 60% in HK\$, and 3% in RUB. The majority of our cash equivalents at 30 June 2020 was in fixed deposits with a maturity of three months or less generally.

The following table sets forth a summary of the Group's cash flows in 1H 2020 and 1H 2019:

	1H 2020	1H 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) from operating activities	(8,419)	100,240
Net cash used in investing activities	(23,244)	(21,011)
Net cash used in financing activities	(2,104)	(58,364)
Net (decrease) increase in cash and cash equivalents	(33,767)	20,865
Cash and cash equivalents at the beginning of the period	860,698	479,822
Effect of foreign exchange rate changes	(10,260)	6,531
Cash and cash equivalents at the end of the period	<u>816,671</u>	<u>507,218</u>

Net cash used in operating activities of HK\$8.4 million in 1H 2020 represented the operating cash outflows of Tigre de Cristal during the period. Net cash from operating activities of HK\$100.2 million for 1H 2019 represented the positive operating cash flows generated by Tigre de Cristal.

Net cash used in investing activities of HK\$23.2 million and HK\$21.0 million in 1H 2020 and 1H 2019, respectively, were mainly due to the payments for property, operating right and equipment and the return of VAT refunded under VAT arrangements to the Russian tax authority.

Net cash used in financing activities of HK\$2.1 million in 1H 2020 represented the repayment of leases liabilities. Net cash used in financing activities of HK\$58.4 million in 1H 2019 represented primarily the repayment of loans from non-controlling shareholders of a subsidiary of HK\$71.6 million, partially offset by cash generated from proceeds of HK\$15.0 million from exercise of share options.

The significant increase in cash and cash equivalents at 30 June 2020 compared to 30 June 2019 was primarily due to the net proceeds of HK\$297 million raised by way of placing of new Shares which was completed on 19 August 2019 and the proceeds have been placed on short-term interest bearing deposits with banks before they are used to develop the Phase II of Tigre de Cristal.

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 30 June 2020 and 31 December 2019.

Exposure to Fluctuations in Exchange Rates

The functional currency of the Company is HK\$ and the condensed consolidated financial statements of the Group are presented in HK\$.

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 HK\$. 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.

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

Capital Commitment

The Group's capital commitment as at 30 June 2020 amounted to approximately HK\$4,106,000 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 30 June 2020 and 31 December 2019.

Employees

As at 30 June 2020, total number of employees employed by the Group was 1,164 (31 December 2019: 1,139). Currently, more than 97% of our full-time employees are local Russian citizens (31 December 2019: 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 2020 (six-month period ended 30 June 2019: Nil).

ANTI-MONEY LAUNDERING POLICY

Tigre de Cristal is governed by the Russian Federal Law No. 115-FZ of 7 August 2001 “On Combating Money Laundering And Terrorist Financing” (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 money laundering and terrorist financing. According to the Financial Action Task Force’s Fourth Round of AML/CFT Mutual Evaluations Report of the Russian Federation published in December 2019, Russian authorities have an in-depth understanding of the country’s money laundering and terrorist financing risks and a robust legal framework for combating terrorist financing, which is largely in line with international standards. Also, the Russian Federation has improved its legal framework and operational approach to enhance transparency of legal persons, which makes it more difficult to misuse a legal person established in the Russian Federation.

Along with banks, insurance companies and others, Tigre de Cristal is considered as one of the “organisations carrying out operations in monetary funds or other assets” and is regulated under the Russian AML/CFT Law. The Federal Tax Service of Russia is responsible for the AML/CFT supervision of casinos. Tigre de Cristal must undertake certain anti-money laundering procedures, including mandatory review of pay-outs of more than RUB600,000 (equivalent to approximately HK\$68,000) in value and the filing of reports with the Federal Financial Monitoring Services of the Russian Federation, also known as Rosfinmonitoring, which is directly under the authority of the President of the Russian Federation and aimed to collect and analyze information about financial transactions in order to combat domestic and international money laundering, terrorist financing, and other financial crimes. Furthermore, Tigre de Cristal has adopted its own anti-money laundering and combating financing of terrorism policies in accordance with the provisions of the Russian AML/CFT Law and the key components include: internal control systems; a special officer to oversee the daily compliance; client identification and screening; and reporting unusual transactions subject to mandatory requirements.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules with the exception of code provision E.1.2 during the six-month period ended 30 June 2020.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chau Cheok Wa, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 29 May 2020 due to his other business commitment. The Board has arranged for Mr. Lo Kai Bong, the Deputy Chairman of the Board, who was well versed in all business activities and operations of the Group, to attend and chair the annual general meeting on behalf of Mr. Chau Cheok Wa and to respond to questions from the shareholders of the Company. The Company will continue to optimize the planning and procedures of annual general meetings by, for example exploring the use of technology, to minimize the impact of any future unpredictable episode and facilitate the Chairman of the Board to attend future annual general meetings of the Company.

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 2020.

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

During the six-month period ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six-month period ended 30 June 2020 have been reviewed by the Audit Committee of the Company and 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 HKICPA. The report on review of the condensed consolidated financial statements by the auditor will be included in the Interim Report 2020 to be dispatched to the shareholders of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Company's Executive Directors are Mr. Lo Kai Bong (Deputy Chairman) 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, 24 August 2020