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SUMMIT ASCENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 102)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Summit Ascent Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 as follows:

HIGHLIGHTS

- The Group’s total revenue was HK\$211.2 million in 2020, down 60% compared to HK\$532.8 million in 2019, primarily due to the adverse impact of the COVID-19 pandemic especially when our integrated resort in the Russian Federation, Tigre de Cristal, had been suspended for business from 28 March 2020 to 15 July 2020.
- Profit attributable to owners of the Company was HK\$10.0 million in 2020, down 88% compared to HK\$82.0 million in 2019.
- The Group recorded a negative Adjusted EBITDA of HK\$14.7 million for 2020, compared to a positive Adjusted EBITDA of HK\$214.8 million in 2019.
- In October 2020, the Company successfully raised net proceeds of approximately HK\$1,618.4 million from a rights issue to (i) develop the Phase II of Tigre de Cristal and (ii) subscribe for the convertible bonds of PHP5.6 billion (approximately HK\$904.6 million) issued by SunTrust, a 51% owned subsidiary of Suncity, in relation to a new integrated resort development project in Manila, the Philippines. As the unsubscribed rights shares were fully underwritten by a subsidiary of Suncity, the Company has become a 69.66% owned subsidiary of Suncity after the rights issue.
- In November 2020, the Group acquired additional equity interest and increased its stake in Tigre de Cristal from 60% to 77.5%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue from gaming and hotel operations	4	211,238	532,816
Other income	5	11,446	9,640
Other gains and losses	7	70,439	13,558
Gaming tax		(5,230)	(13,602)
Inventories consumed		(7,141)	(13,299)
Marketing and promotion expenses		(7,794)	(17,665)
Employee benefits expenses		(131,023)	(158,257)
Depreciation and amortisation		(82,194)	(99,278)
Other expenses	8	(81,404)	(115,249)
Finance costs	9	(25,963)	(31,701)
(Loss)/profit before taxation		(47,626)	106,963
Income tax expense	10	(164)	(112)
(Loss)/profit and total other comprehensive (expense)/income for the year	11	(47,790)	106,851
(Loss)/profit and total other comprehensive (expense)/income for the year attributable to:			
Owners of the Company		10,018	81,998
Non-controlling interests		(57,808)	24,853
		(47,790)	106,851
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings per share	13		
Basic		0.39	4.55
Diluted		0.36	4.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Property, operating right and equipment		1,372,204	1,408,519
Right-of-use assets		6,921	6,782
Long-term prepayments and other non-current assets		14,961	31,849
Derivative financial instrument	14	989,690	–
Intangible assets		344	420
		<u>2,384,120</u>	<u>1,447,570</u>
Current assets			
Inventories		2,309	3,003
Trade and other receivables	15	22,783	61,657
Amount due from a fellow subsidiary		6,409	–
Bank balances and cash		1,562,263	860,698
		<u>1,593,764</u>	<u>925,358</u>
Current liabilities			
Contract liabilities, trade and other payables	16	43,140	61,557
Derivative financial instrument	17	836	–
Lease liabilities		1,335	1,966
Loans from non-controlling shareholders of a subsidiary		–	223,214
		<u>45,311</u>	<u>286,737</u>
Net current assets		<u>1,548,453</u>	<u>638,621</u>
Total assets less current liabilities		<u>3,932,573</u>	<u>2,086,191</u>

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Convertible bonds	<i>17</i>	16,449	–
Loans from non-controlling shareholders of a subsidiary		138,516	–
Liabilities for value-added tax (“VAT”) arrangements		35,590	44,641
Lease liabilities		5,104	5,137
		<u>195,659</u>	<u>49,778</u>
Net assets		<u>3,736,914</u>	<u>2,036,413</u>
Capital and reserves			
Share capital		112,736	45,094
Reserves		3,285,539	1,599,294
Equity attributable to owners of the Company		3,398,275	1,644,388
Non-controlling interests		338,639	392,025
Total equity		<u>3,736,914</u>	<u>2,036,413</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Significant event during the year

The Coronavirus Disease 2019 (the “**COVID-19**”) pandemic since early 2020 has brought about additional uncertainties in the Group’s operating environment and has impacted the Group’s operations and financial position.

Effective from 20 February 2020, as part of the efforts to contain the COVID-19 outbreak, the Russian government implemented temporary travel restrictions and border closures for tourists, which understandably had an adverse effect on the visitation of the Group and a negative impact on its rolling chip business in particular. The Group has followed the suggestions of the Russian government by suspending its gaming operations from 28 March to 13 April 2020 and 22 April to 15 July 2020. The hotel operations of the Group continued to serve in a limited capacity during the period of suspension. In response to the closure, the Group made operational adjustments to reduce its human resources and property, marketing and administration expenses in an effort to reduce its cash outflows during the suspension period.

Given that flights and visa application to enter the Russian Federation have not resumed yet, the Group continued to focus on the local market in the mass table and electronic gaming segments. Management has closely monitor the potential implications of the pandemic on the business and assessed the Group’s working capital requirements as well as its capital projects under development. At 31 December 2020, the Group had HK\$1,562.3 million in bank balances and cash, compared to HK\$860.7 million at 31 December 2019, and the significant increase was primarily due to the proceeds from a rights issue completed on 15 October 2020. The Group is currently all equity financed without any bank borrowing. Based on the information currently available, the Directors believe that there was no material adverse change in the financial position of the Group up-to-the-date of the announcement.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The application of the amendments to HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

4. REVENUE FROM GAMING AND HOTEL OPERATIONS

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Revenue from gaming and hotel operations		
– Gaming operations	202,924	482,233
– Hotel operations	<u>8,314</u>	<u>50,583</u>
	<u><u>211,238</u></u>	<u><u>532,816</u></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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	9,863	8,415
Rental income	247	511
Others	<u>1,336</u>	<u>714</u>
	<u><u>11,446</u></u>	<u><u>9,640</u></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 years ended 31 December 2020 and 2019, all revenues were derived from customers patronising in the Group's property located in the Russian Federation.

7. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fair value gains on derivative financial instruments	85,993	–
Gain/(loss) on disposal/written-off of property, operating right and equipment	1,121	(6,235)
Gain on disposal of interest in subsidiaries	–	180
Exchange (losses)/gains, net	(9,348)	19,043
Impairment loss (recognised)/reversed on other receivables, deposits and prepayments	(7,267)	594
Impairment loss recognised on intangible assets	(60)	–
Loss on written-off of intangible assets	<u>–</u>	<u>(24)</u>
	<u><u>70,439</u></u>	<u><u>13,558</u></u>

8. OTHER EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Security expenses	11,436	15,806
Repair and maintenance expenses	7,981	12,815
Costs for employee relations	6,881	7,133
Non-recoverable VAT	6,657	5,755
Utilities and fuel	5,824	7,656
Bank charges	5,612	7,366
Legal and professional fees	5,291	2,912
Travel agency expenses	3,997	18,728
Motor vehicle expenses	3,581	4,559
Auditor's remuneration		
– Audit services	3,257	4,677
– Non-audit services	1,570	1,660
Insurance expenses	2,710	3,377
Gaming supplies	2,339	6,905
Communication and networking costs	1,531	1,671
Hotel supplies	1,434	2,042
Overseas travel expenses	499	3,285
Share-based compensation benefits to a consultant	123	–
Consultancy fees	–	1,118
Sundry	10,681	7,784
	<u>81,404</u>	<u>115,249</u>

9. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Imputed interest on loans from non-controlling shareholders of a subsidiary	18,431	26,335
Imputed interest on VAT arrangements	6,785	4,598
Interest on lease liabilities	599	768
Imputed interest on convertible bonds	148	–
	<u>25,963</u>	<u>31,701</u>

10. INCOME TAX EXPENSE

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Russian corporate tax		
– Provision for the year	<u>164</u>	<u>112</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

For the years ended 31 December 2020 and 2019, no provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group did not have assessable profits arising in Hong Kong.

Pursuant to the rules and regulations of the British Virgin Islands and Bermuda, the Group is not subject to any income tax in the respective jurisdictions.

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

11. (LOSS)/PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit for the year has been arrived at after charging:		
Directors' remunerations	3,216	4,537
Salaries, wages, bonus and other benefits, excluding directors	101,981	124,103
Contributions to retirement benefits schemes, excluding directors	<u>25,826</u>	<u>29,617</u>
Total employee benefits expenses, including directors' emoluments	<u>131,023</u>	<u>158,257</u>
Amortisation of intangible assets	16	62
Depreciation of property, operating right and equipment	79,947	96,858
Depreciation of right-of-use assets	<u>2,231</u>	<u>2,358</u>
Total depreciation and amortisation	<u>82,194</u>	<u>99,278</u>

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of HK\$10,018,000 (2019: HK\$81,998,000) and the weighted average number of ordinary shares in issue during the year as follows:

Weighted average number of ordinary shares

	Number of shares	
	<i>(in thousands)</i>	
	2020	2019 (Restated)
Issued ordinary shares at 1 January	1,803,778	1,488,378
Effect of shares issued	<u>746,419</u>	<u>314,605</u>
Weighted average number of ordinary shares at 31 December	<u><u>2,550,197</u></u>	<u><u>1,802,983</u></u>

b) Diluted earnings per share

The calculation of diluted earnings per share is based on:

i) Profit attributable to owners of the Company (diluted)

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	10,018	81,998
Effect of change in fair value of derivative component in convertible bonds	(872)	–
Effect of effective interest expense of convertible bonds	<u>148</u>	<u>–</u>
Profit attributable to owners of the Company (diluted)	<u><u>9,294</u></u>	<u><u>81,998</u></u>

ii) **Weighted average number of ordinary shares (diluted)**

	Number of shares	
	<i>(in thousands)</i>	
	2020	2019
		(Restated)
Weighted average number of ordinary shares at 31 December	2,550,197	1,802,983
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	8,199
Effect of deemed issue of shares under the Company's convertible bonds	<u>817</u>	<u>–</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>2,551,014</u>	<u>1,811,182</u>

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share have been retrospectively adjusted to reflect the rights issue completed on 15 October 2020.

14. DERIVATIVE FINANCIAL INSTRUMENT

	2020	2019
	HK\$'000	HK\$'000
Derivative financial instrument – designated at fair value through profit or loss	<u>989,690</u>	<u>–</u>

Derivative financial instrument acquired is designated at fair value through profit or loss because the relevant financial assets constitute a group that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

Derivative financial instrument represented the fair value of an investment in convertible bonds issued by Suntrust Home Developer, Inc. ("**SunTrust**"), a company incorporated in the Philippines, the shares of which are listed on The Philippine Stock Exchange, Inc. and is a fellow subsidiary of the Company. The principal amount of the convertible bonds is PHP5.6 billion (equivalent to approximately HK\$904.6 million), which can be converted into 3,111,111,111 ordinary shares of SunTrust at a conversion price of PHP1.8 per share from the inception date until the maturity date. The maturity date falling on the fifth anniversary of the issue date (i.e. year 2025) of the convertible bonds which may, subject to agreement by the holder of the convertible bonds upon request by SunTrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the convertible bonds.

The convertible bonds carried interest at 6.0% per annum on the aggregate principal amount of the convertible bonds from time to time outstanding, payable yearly in arrears accruing from the issue date of the convertible bonds on the basis of a 365-day year, with the last payment of interest to be made on the maturity date.

The convertible bonds may not be redeemed by SunTrust at any time prior to the maturity date or if extended, prior to the maturity date as extended. The holder of the convertible bonds may request for early redemption of the convertible bonds at any time during the period commencing from the day immediately after the first anniversary of the issue date of the convertible bonds and expiring on the maturity date or if extended, the maturity date as extended at their outstanding principal amount together with interest thereon up to the date of redemption.

For the year ended 31 December 2020, the fair value gain of the derivative financial instrument amounting to approximately HK\$85,121,000 (2019: nil) was recognised and disclosed under “Other gains and losses” in note 7.

The fair value of the derivative financial instrument have been determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the equity allocation method.

15. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u>11</u>	<u>8,032</u>
Prepayments	19,176	30,768
Other receivables and deposits (<i>Note</i>)	4,195	23,456
Less: Allowance	<u>(599)</u>	<u>(599)</u>
	<u>22,772</u>	<u>53,625</u>
	<u><u>22,783</u></u>	<u><u>61,657</u></u>

Note: This includes an amount due from an employee of the controlling shareholder of the Company amounting to HK\$541,000 (2019: HK\$21,003,000) and represents the sum collected from patrons on behalf of the Group. They are unsecured, interest bearing and repayable on demand.

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 45 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 period.

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

Trade receivables from patrons as at 31 December 2020 and 31 December 2019 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 31 December 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.

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

16. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	391	453
Payable in respect of transfer of connection right to local electricity supply network	10,686	12,895
Liabilities for VAT arrangements	9,208	10,603
Outstanding gaming chips	1,322	2,078
Gaming tax payables	276	1,108
Accruals and other payables	<u>21,257</u>	<u>34,420</u>
	<u>43,140</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 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Within 30 days	391	408
31 – 90 days	–	–
Over 90 days	<u>–</u>	<u>45</u>
	<u>391</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\$1,322,000 (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\$1,446,000 (31 December 2019: HK\$1,403,000). Loyalty program liabilities and customer deposits on hotel rooms are included in other payables above.

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

17. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

During the year ended 31 December 2020, the Company issued convertible bonds denominated in US dollars for acquisition of additional interests in a subsidiary from a non-controlling shareholder in an aggregate principal amount of US\$3,000,000 with an initial conversion price of HK\$3.50 (to be translated to US\$ at a fixed rate of HK\$7.75 to US\$1.00) per share with adjustments clauses, which will mature on the fifth anniversary of the respective issue dates. The convertible bonds carry no interest.

The convertible bonds contained two components, a liability component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the holder the right at any time to convert the convertible bonds into ordinary shares of the Company. However, since the conversion option would be settled other than by the exchange of a fixed amount of the Company's own equity instruments, the conversion option was accounted for as derivative financial instrument.

At initial recognition, the derivative financial instrument in the convertible bonds is measured at fair value and is separately presented. Any excess of the fair values of the convertible bonds over the amounts initially recognised as derivative financial instrument is recognised as liability component in the convertible bonds.

At the end of the reporting period, the fair value of the derivative financial instrument in the convertible bonds is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss.

The liability component in convertible bonds is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rate of the liability component in the convertible bonds is 7.37% per annum.

When the convertible bonds are converted, the shares to be issued are measured at fair value and any difference between the fair value of shares to be issued and the carrying amounts of the derivative financial instrument and liability component in the convertible bonds is recognised in profit or loss.

The fair value of the convertible bonds as at each issue date and the derivative financial instrument in the convertible bonds as at each issue date and conversion date has been determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the binomial option pricing model.

The movements of the liability component of the convertible bonds and derivative financial instrument are as follows:

	Liability component <i>HK\$'000</i>	Derivative financial instrument <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	–	–	–
Initial recognition on issuance of convertible bonds	16,295	1,708	18,003
Imputed interest on convertible bonds	148	–	148
Exchange difference	6	–	6
Fair value change on derivative financial instrument	–	(872)	(872)
	<u>–</u>	<u>(872)</u>	<u>(872)</u>
At 31 December 2020	<u>16,449</u>	<u>836</u>	<u>17,285</u>

18. EVENTS AFTER REPORTING PERIOD

On 23 February 2021, the Group, as a lender, entered into a loan agreement with SunTrust, a connected person of the Group under the Listing Rules, as a borrower, which the Group shall provide a loan in the principal amount of US\$120,000,000 (equivalent to HK\$930,000,000) to SunTrust. The loan is interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the loan to SunTrust, which is extendable not more than three months and subject to approval by the independent shareholders of the Company at a special general meeting under the Listing Rules.

CHAIRMAN'S STATEMENT

Dear fellow Summit Ascent shareholders,

COVID-19 has undoubtedly been the biggest disruptor to our business when a number of governments have issued entry restrictions, visa suspensions and quarantine measures for travellers and Tigre de Cristal was required to suspend its operation temporarily for almost 4 months last year. 2020 was far from perfect, yet, I am grateful to the Russian government's swift and decisive actions taken to protect the citizens during the pandemic. I could not have expressed my gratitude enough for the joint efforts of the Russian government, the local Primorsky Krai government, the medical and research staff as well as the citizens of Vladivostok, who cooperated to comply with the hygiene and anti-epidemic measures. Without them, Tigre de Cristal would not have been allowed to resume operation in July 2020. Safety is of paramount importance to us, and we will deliver all necessary precautionary measures recommended by the authorities to ensure a worry-free entertainment experience for our guests.

Amidst the doom and gloom, we remain focused on executing operationally while vigorously managing our costs. Since the implementation of the Group-wide cost-cutting initiative, we have realised savings without significantly impacting our service quality or making large scale redundancies. While Tigre de Cristal delivered a full-year negative Adjusted EBITDA of HK\$14.7 million in 2020, I am glad to report a silver lining – Since the reopening in mid-July, not only did Tigre de Cristal manage to breakeven on a month-on-month basis, it also delivered a slightly-positive Adjusted EBITDA in the second half of 2020, thanks to strong local demand for high-quality entertainment and hospitality services. Electronic gaming and mass table volumes have almost returned to the pre-pandemic levels, a testament that confirms my belief that Summit Ascent is worth investing for the long-term because Tigre de Cristal is an integrated resort well-loved by both local Russians and tourists. In addition, I am also pleased to report a net profit attributable to owners of the Company of HK\$10.0 million, though primarily non-cash in nature, it sets a good start for Summit Ascent's future development.

Since October 2020, Summit Ascent became a subsidiary of Suncity Group Holdings Limited ("**Suncity**", stock code: 1383), which holds approximately 69.66% of Summit Ascent. Now being the parent company, Suncity has every reason to back up Summit Ascent to ensure that it can leverage on the resources under the Suncity umbrella. I am also pleased to announce that a new Direct VIP business will be set up, tapping into the nearby Korean, Japanese and Southeast Asian markets. On one hand, this new business could help Summit Ascent achieve vertical integration, a move to boost returns in the high-roller market. On the other hand, Summit Ascent is backed by a team of sophisticated professionals from Suncity with years of experiences in the gaming sector that lends a helping hand on credit risk management.

Though the Tigre de Cristal Phase II development progress has been inevitably affected by the COVID-19 outbreak, our team is busy working together to reimagine the brand-new, awe-inspiring Phase II. Not only will Phase II triple the number of the existing hotel rooms and double the number of its existing gaming facilities, it will also encompass novel non-gaming entertainment ideas such as a state-of-the-art heated swimming pool allowing indoor pool-side parties with virtual reality and e-sports concepts to happen all-year-round. Guests will also be treated with the finest wine and European cuisine, fusing with Asian favourites that our Asian guests love best. Together, we will make Tigre de Cristal the shiniest gem in North Asia yet to be uncovered.

Geopolitically, I am pleased to see that the Russian and the Chinese governments continue to maintain sublime business relationships – the Belt and Road Initiative, the Siberia Gas Pipeline Project, the Eurasian High-Speed Railway as well as the Russian government’s direction to set up Vladivostok as the Northeast Asian hub, all of these have created unprecedented favourable business environment for Summit Ascent. Through unfaltering commitment to develop future phases of Tigre de Cristal, we fully endorse the Russian government’s ambition to create an iconic tourist destination in the Far East whilst creating thousands of new jobs in the region.

I am also thrilled to introduce the opportunity for Summit Ascent to diversify and participate in the development of another fast-growing gaming jurisdiction in Asia, through the investment of convertible bonds in a 51%-owned subsidiary of Suncity, Suntrust Home Developers, Inc. (“**SunTrust**”), where Summit Ascent may have the option to become a direct shareholder of SunTrust when the Westside City Project in the Philippines comes to fruition. Westside City Project will be the unequalled integrated resort in Manila in terms of its design, scale and connectivity throughout the entire Entertainment City. Tigre de Cristal in North Asia, together with Suncity’s other strategic investments in integrated resorts in South and Southeast Asia, form a portfolio of integrated resorts in alliance. All eyes await when the international borders may reopen, as I am confident that with Suncity chipping in, Tigre de Cristal will leap like a tiger and dazzle a crystal in the near future.

Finally, I would like to extend my gratitude to our Russian team, our Hong Kong team, our directors, our staff, our shareholders, our suppliers, our investment partners and our customers for going through a tough 2020. We are prepared to ride the tide together, forging ahead for many more years to come.

Chau Cheok Wa
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The gaming and hotel operations of Summit Ascent Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are conducted through its 77.5% equity interest in Oriental Regent Limited (“**Oriental Regent**”). The Group also receives a management fee income calculated at 3% of the total net gaming revenue generated by G1 Entertainment Limited Liability Company (“**G1 Entertainment**”), a wholly-owned subsidiary of Oriental Regent.

G1 Entertainment holds a gaming license granted by the Russian government for an indefinite period and the development rights on three adjacent parcels of land, namely Lot 8, Lot 9 and Lot 10 with site areas of approximately 73,000 square metres, 90,000 square metres and 154,000 square metres respectively, in the Integrated Entertainment Zone of the Primorye Region (the “**IEZ Primorye**”) of the Russian Far East, which is 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 partly erected with dormitories, gas-powered station and storage area, called the utility zone. The remaining portion of Lot 8 and the entire Lot 10 are vacant land currently, held for the phased development of Tigre de Cristal in the future.

The features of Tigre de Cristal are as follows:

- Approximately 36,000 square metres 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 5-Star hotel in the Russian Far East with 121 rooms and suites, which was named “Russia’s Leading Resort” at the Europe Gala Ceremony 2018 and one of the nominees in both 2019 and 2020 organised by World Travel Awards;
- Fine dining in 2 restaurants, Western and Pan-Asian cuisines with a new hot pot section, and 3 casual bars;
- Virtual golf zone, and a private club with karaoke rooms;
- A convenience store and a Tigre de Cristal branded shop;
- A high-end diamond and luxury watch boutique “DOMINO” and a Montblanc outlet; and
- A brand-new Suncity VIP Salon.

IMPACT OF THE CORONAVIRUS DISEASE 2019 (THE “COVID-19”) PANDEMIC

Effective from 20 February 2020, as part of the efforts to contain the COVID-19 outbreak, the Russian government implemented temporary travel restrictions and border closures for tourists, which understandably had an adverse effect on the visitation of Tigre de Cristal 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 in order to protect the health of our team members and guests. Tigre de Cristal has followed the suggestions of the Russian government by suspending its gaming operations from 28 March to 13 April 2020 and 22 April to 15 July 2020. The hotel operations of Tigre de Cristal continued to serve in a limited capacity during the period of suspension. In response to the closure, Tigre de Cristal made operational adjustments to reduce its human resources and property, marketing and administration expenses in an effort to reduce its cash outflows during the suspension period.

Upon the resumption of operations on 16 July 2020, Tigre de Cristal has undertaken several measures in response to the pandemic, which 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. We are currently unable to determine when certain of these measures will be lifted though the development of vaccines against the COVID-19 is definitely making progress. The Russian government is swinging into action to launch mass vaccination programme against the COVID-19 by using its own vaccine Sputnik V to help chart a way out of the crisis. The staff in Tigre de Cristal has started to receive the free vaccination since the beginning of February 2021.

Given that flights and visa application to enter the Russian Federation have not resumed yet, Tigre de Cristal continued to focus on the local market in the mass table and electronic gaming segments. Management has worked diligently to monitor the potential implications of the pandemic on the business and assessed the Group’s working capital requirements as well as its capital projects under development. At 31 December 2020, the Group had HK\$1,562.3 million in bank balances and cash, compared to HK\$860.7 million at 31 December 2019, and the significant increase was primarily due to the proceeds from a rights issue completed on 15 October 2020. The Group is currently all equity financed without any bank borrowing.

DETAILS OF FUTURE PLANS AND THEIR EXPECTED SOURCES OF FUNDING

Rights Issue

On 1 June 2020, the Company announced its intention to raise approximately HK\$1,623.4 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 dated 1 June 2020 (the “**Underwriting Agreement**”) entered into between the Company and Victor Sky Holdings Limited (the “**Underwriter**”), a wholly owned subsidiary of Suncity, which is a substantial shareholder of the Company, the Rights Issue was fully underwritten by the Underwriter without charging any underwriting commission.

As at 1 June 2020, the Underwriter and Suncity were beneficially interested in 397,006,464 Shares and 49,302,000 Shares respectively. Pursuant to an irrevocable undertaking (the “**Irrevocable Undertaking**”), each of the Underwriter and Suncity had provided irrevocable and unconditional undertakings to the Company that each of them would accept and pay for 595,509,696 Rights Shares and 73,953,000 Rights Shares respectively allotted to each of them provisionally under the Rights Issue.

A whitewash waiver was granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong on 31 August 2020 pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers to waive the obligation of the Underwriter to make a mandatory general offer to the shareholders of the Company (the “**Shareholders**”) in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the taking up of the unsubscribed Rights Shares by the Underwriter pursuant to the Underwriting Agreement.

The Rights Issue was approved by the Shareholders at a special general meeting held on 7 September 2020 (the “**SGM**”). Since the Rights Issue was approximately 25.13% subscribed, the Underwriter had performed its underwriting obligations pursuant to the terms and conditions of the Underwriting Agreement to subscribe for a total of 2,025,790,651 Rights Shares. Taking into account the Irrevocable Undertaking, Suncity and the Underwriter paid totally HK\$1,617.2 million to the Company upon the completion of the Rights Issue on 15 October 2020. Accordingly, Suncity’s interest in the Company increased from approximately 24.74% to 69.66% immediately after the completion of the Rights Issue and the Company has become a subsidiary of Suncity.

Subscription for Convertible Bonds

On 1 June 2020, the Group and SunTrust, a 51% owned subsidiary of Suncity and incorporated in the Philippines, the shares of which are listed on The Philippine Stock Exchange, Inc., entered into a subscription agreement, pursuant to which SunTrust had conditionally agreed to issue and the Group had conditionally agreed to subscribe (the “**Subscription**”) for the convertible bonds (the “**SunTrust CB**”) in the aggregate principal amount of PHP5.6 billion with a 6% coupon rate (or 8% per annum if the SunTrust CB are held until their maturity) for an initial term of 5 years and may be converted into the shares of SunTrust pursuant to the terms and conditions of the SunTrust CB. The Group fully paid PHP5.6 billion (approximately HK\$904.6 million) in cash and the Subscription was completed on 30 December 2020.

SunTrust is the sole and exclusive operator and manager of an integrated resort (the “**Main Hotel Casino**”) expected to commence operations in 2023 located at the Entertainment City, Manila of the Philippines (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\$1 billion (equivalent to approximately HK\$7.75 billion).

Reasons for and Benefits of the Rights Issue and the Subscription

Due to the redesigns with the input of Suncity, the Group has been reviewing and finalizing the conceptual drawings of the Tigre de Cristal Phase II development on Lot 10 (the “**TdC Phase II**”). The estimated total development cost of the TdC Phase II is approximately US\$200 million, which is expected to provide approximately 60,500 square metres of gross floor area having 50 VIP gaming tables, 25 mass gaming tables and 300 electronic gaming machines, and at least double the lodging capacity of the existing property with four restaurants and bars, additional retail offerings, and an indoor beach club and spa. The TdC Phase II 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 the SunTrust CB 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 partnership 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, which paves the way for sustained growth and profitability, is more compelling than expanding the current scale of the TdC Phase II.

Use of proceeds

The Company successfully raised net proceeds of approximately HK\$1,618.4 million from the Rights Issue and the expenses in relation to the Rights Issue (including printing, registration, legal, accounting and documentation charges, etc.) borne by the Company were HK\$4.98 million. The Company had applied (i) approximately 55.9% or PHP5.6 billion (approximately HK\$904.6 million) to the Subscription in December 2020; and intended to apply as to (ii) approximately 37.2% or HK\$601.4 million to the TdC Phase II and (iii) approximately 6.9% or HK\$112.4 million for general working capital.

As announced on 23 February 2021, the continual impact of the COVID-19 has affected the progress of the pre-construction stage of the TdC Phase II, including design, procurement of construction materials, tendering and associated payments. Part of the net proceeds from the Rights Issue to the extent of US\$60 million (approximately HK\$465 million) originally intended for use in the TdC Phase II (“**Original Portion for Tigre de Cristal**”) is not required for immediate use by the Group for the moment. The Group proposes to change the use of proceeds and deploy the Original Portion for Tigre de Cristal as part of the loan of US\$120 million (approximately HK\$930 million) granting to SunTrust (the “**Loan**”), which can generate interest income of 6% per annum to the Group for a period of three months and extendable not more than three months unless the Group otherwise agrees to a longer period. The Loan is subject to Shareholders’ approval requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company also raised net proceeds of approximately HK\$297 million from the placing of Shares on 19 August 2019 intended for the TdC Phase II, currently unutilized and placed on short-term interest bearing deposits with licensed commercial banks.

Change in Board Lot Size and Increase in Authorised Share Capital

As announced on 1 June 2020, the Company proposed that, after the completion of the Rights Issue, the board lot size of the Shares for trading on the Stock Exchange be changed from 2,000 Shares to 4,000 Shares. The change of board lot size was effected on 16 October 2020. Concurrently, in order to facilitate the Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Company proposed that the authorised share capital of the Company be increased to HK\$150,000,000 divided into 6,000,000,000 Shares. These proposed changes were approved by the Shareholders at the SGM.

Details of the Rights Issue and the Subscription are disclosed in the Company’s announcements dated 1 June 2020, 7 September 2020 and 14 October 2020, the Company’s circular dated 14 August 2020, and the Company’s prospectus dated 18 September 2020.

ACQUISITION OF FURTHER INTEREST IN ORIENTAL REGENT

Following the Rights Issue, the Group planned to invest additional capital to the extent of US\$65,000,000 (approximately HK\$503.8 million) for the TdC Phase II, which should be contributed by the shareholders of Oriental Regent in proportion to their respective shareholdings in Oriental Regent. However, Joyful Happiness Limited (“**Joyful**”) and Sharp Way Group Limited (“**Sharp Way**”), the then shareholders of Oriental Regent holding 5% and 2.5% respectively, did not intend to provide their respective portions of equity funding to Oriental Regent and agreed to sell their entire interests in Oriental Regent together with their respective shareholder’s loans to the Group.

On 30 October 2020, the Group entered into two conditional sale and purchase agreements to acquire an aggregate of 7.5% interest in Oriental Regent from Joyful and Sharp Way, thereby increasing the Group’s stake in Oriental Regent from 60% to 67.5% (the “**ORL Acquisition**”). The consideration of US\$5,382,758 payable by the Group to Joyful for 5% interest in Oriental Regent together with the US\$3,784,550 shareholder’s loan from Joyful was settled in cash. The consideration payable by the Group to Sharp Way for 2.5% interest in Oriental Regent together with the US\$1,892,275 shareholder’s loan from Sharp Way was settled by the US\$3,000,000, 5-year zero-coupon convertible bonds issued by the Company (the “**Summit Ascent CB**”), which are convertible to Shares at the initial conversion price of HK\$3.5 per Share (subject to adjustment in the event of consolidation, reclassification or subdivision of the Shares).

On 16 November 2020, apart from providing its share of funding in proportion to its shareholding in Oriental Regent by subscribing (the “**ORL Subscription**”) for new shares in Oriental Regent (“**ORL Shares**”), the Group provided the shortfall by subscribing the ORL Shares for any of the other shareholders of Oriental Regent did not provide the funding required of them, which further increasing the Group’s interest in Oriental Regent from 67.5% to 77.5%, as follows:

Shareholder of Oriental Regent	% interest in Oriental Regent immediately prior to the ORL Subscription %	No. of ORL Shares immediately prior to the ORL Subscription	% interest in Oriental Regent immediately after the ORL Subscription %	No. of ORL Shares immediately after the ORL Subscription	Additional capital provided in 2020 US\$
The Group	67.5%	94,500	77.5%	329,255	53,598,293
Firich Investment Limited	25.0%	35,000	20.0%	84,938	11,401,707
City Wealth Group Limited	5.0%	7,000	1.7%	7,000	–
Jewrim Limited (<i>Note</i>)	2.5%	3,500	0.8%	3,500	–
	<u>100%</u>	<u>140,000</u>	<u>100%</u>	<u>424,693</u>	<u>65,000,000</u>

Note: On 19 November 2020, Jewrim Limited transferred its entire 3,500 shares in Oriental Regent together with its respective shareholder’s loan to City Wealth Group Limited as a gift.

Details of the ORL Acquisition and the ORL Subscription are disclosed in the Company's announcements dated 30 October 2020 and 16 November 2020.

CHANGE OF AUDITOR

Deloitte Touche Tohmatsu, who had acted as auditor of the Company in the preceding years, resigned as auditor of the Company with effect from 17 November 2020 and Crowe (HK) CPA Limited, following the resignation of Deloitte Touche Tohmatsu, was appointed as new auditor of the Company with effect from 15 December 2020. The appointment of new auditor of the Company was approved by the Shareholders at a special general meeting held on 15 December 2020.

OUTLOOK

We believe that the COVID-19 outbreak to a certain extent will continue to impact all parts of the Group's operations in the near future. On the bright side, we are pleased to witness the start of the vaccination programme for our staff members in Tigre de Cristal in the Russian Federation. We are also confident that the vaccination will be rolled out worldwide before long and people around the globe will no longer be restricted by quarantine, flight or visa constraints.

We remain positive to our business environment on the long-term. After becoming the Group's largest shareholder in 2019, Suncity has assisted Tigre de Cristal in upgrading its hardware and facilities as well as its software and service standards. Going forward, in addition to the existing rolling chip business, Tigre de Cristal will strive to introduce a brand-new Direct VIP segment using Suncity's network and expertise. The success of this segment will ride on Tigre de Cristal's proximity to the Japanese and Korean markets, as these two markets are relatively untapped in Northern Asia, and the up-and-running of TdC Phase II in full scale, which will triple the current number of guest rooms, and double the number of gaming tables and electronic gaming machines.

Through the investment in the SunTrust CB, the Group is diversifying into the Philippines gaming market, one of the fastest-growing Asian gaming jurisdictions. When the Main Hotel Casino is completed, the integrated resort will be running at a similar scale as the other operators currently in Entertainment City Manila. Based on Suncity's successful experience in the gaming industry, we are confident that the Main Hotel Casino will be one of the best integrated resorts in the Philippines in terms of design, scale and amenities.

In the meantime during the COVID-19 pandemic, the Group has implemented a stringent cost control program across the board. For instance, split shifts and flexible working hours were implemented in Tigre de Cristal, still without significantly affecting customer experience. The Group continues to proceed at full speed on the development of TdC Phase II but the continual impact of the COVID-19 has affected the progress of the pre-construction phase, including design, procurement of construction materials, and tendering. We are currently targeting an opening of the first stage of TdC Phase II in 2023. When the pandemic is over, the Group will be well-positioned to capture the long-awaited recovery in the high-quality entertainment demand in Asia and can benefit from revenge spending by virtue of the strengthened synergy developed among the Suncity group of companies and the Group's access to Suncity's proprietary customer database.

The Group continues to remain optimistic in the sector in the very long term.

FINANCIAL REVIEW

Adjusted EBITDA of Tigre de Cristal

Adjusted EBITDA generated by Oriental Regent, a 77.5% 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 by the Company as Earnings Before Interest, Income Tax, Depreciation and Amortization, and excluding Company corporate expenses and the non-cash items such as unrealised exchange differences and fair value gains or losses on financial instruments.

In the first half of 2020, the Group recorded a negative Adjusted EBITDA of HK\$22.1 million, mainly due to the temporary suspension of operations of Tigre de Cristal from 28 March 2020. In the second half of 2020, Tigre de Cristal reported a turnaround after its resumption of operations on 16 July 2020 and generated a positive Adjusted EBITDA of HK\$7.4 million, which offsetting partially the negative figure in the first half year and resulting in a negative Adjusted EBITDA of HK\$14.7 million for the full year 2020.

The following table sets forth a reconciliation of Adjusted EBITDA to the reported profit for the year attributable to owners of the Company as per the Consolidated Statement of Profit of Loss and Other Comprehensive Income for the year ended 31 December 2020.

Reconciliation of Adjusted EBITDA to the profit for the year ended 31 December 2020 attributable to owners of the Company

	2020	2019
	HK\$'000	HK\$'000
Gross revenue from rolling chip business	52,171	441,260
Less: Rebates	<u>(33,815)</u>	<u>(318,800)</u>
Revenue from rolling chip business	18,356	122,460
Revenue from mass table business	81,799	174,140
Revenue from electronic gaming business	<u>102,769</u>	<u>185,633</u>
Net revenue from gaming operations	202,924	482,233
Revenue from hotel operations	<u>8,314</u>	<u>50,583</u>
Total revenue from gaming and hotel operations	211,238	532,816
Add: Other income	1,097	1,225
Less: Other gains and losses	(6,146)	(5,489)
Gaming tax	(5,230)	(13,602)
Inventories consumed	(7,141)	(13,299)
Marketing and promotion expenses	(7,794)	(17,665)
Employee benefits expenses	(120,079)	(147,777)
Other expenses	<u>(80,624)</u>	<u>(121,365)</u>
Adjusted EBITDA of Tigre de Cristal	(14,679)	214,844
Add: Management fee payable to the Company	6,118	14,962
Less: Company corporate expenses	<u>(17,233)</u>	<u>(19,502)</u>
	(25,794)	210,304
Add: Bank interest income	9,863	8,415
Less: Interest on lease liabilities	(599)	(768)
Income tax expense	<u>(164)</u>	<u>(112)</u>
	(16,694)	217,839

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Non-cash items:</i>		
Add: Fair value gains on derivative financial instruments	85,993	–
Gain on disposal of interest in subsidiaries	–	180
Less: Depreciation and amortisation	(82,194)	(99,278)
Imputed interest expenses	(25,364)	(30,933)
Net exchange (losses) gains	(9,348)	19,043
Share-based compensation benefits	(123)	–
Impairment loss recognised on intangible assets	(60)	–
	<hr/>	<hr/>
(Loss) profit for the year of the Group	(47,790)	106,851
Less: Loss (profit) for the year attributable to non-controlling interests	57,808	(24,853)
	<hr/>	<hr/>
Profit for the year attributable to owners of the Company	10,018	81,998
	<hr/> <hr/>	<hr/> <hr/>

Revenue and Segment Reporting

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, comprising revenue from gaming operations and hotel operations, was HK\$211.2 million in 2020, down 60% compared to HK\$532.8 million in 2019. Such decline was primarily due to the temporary suspension of the gaming operations of Tigre de Cristal in the second quarter of 2020 and the number of foreigners visiting our property plummeted after governments of various countries have issued travel restrictions, visa suspensions and quarantine measures for travellers due to the COVID-19 pandemic.

Gaming Operations

Our Gross Gaming Revenue (“GGR”), represented the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs, consisted of the following:

	2020 <i>HK\$’000</i>	Share of GGR %	2019 <i>HK\$’000</i>	Share of GGR %
Rolling chip business	52,171	20.9%	441,260	54.2%
Mass table business	92,679	37.1%	185,145	22.7%
Electronic gaming business	<u>104,886</u>	<u>42.0%</u>	<u>188,290</u>	<u>23.1%</u>
Total GGR	<u><u>249,736</u></u>	<u><u>100.0%</u></u>	<u><u>814,695</u></u>	<u><u>100.0%</u></u>

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 2020 on a quarterly basis.

<i>(HK\$’million)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY2020	FY2019
Rolling chip volume	1,167	25	100	63	1,355	15,215
Gross win	47	3	2	–	52	441
Less: Rebate	(31)	(1)	(2)	–	(34)	(319)
Net win after rebate	16	2	–	–	18	122
Gross win rate %	4.03%	12.00%	2.00%	0.00%	3.84%	2.90%
Daily average number of tables opened <i>(Note)</i>	15	5	5	4	8	22

Note: Excluding the period of suspension from 28 March to 13 April and 22 April to 15 July 2020.

Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was HK\$1.4 billion in 2020, representing a decrease of 91% compared to 2019. Net win after all commissions rebated directly or indirectly to customers from rolling chip business decreased by 85% to HK\$18 million in 2020, compared to HK\$122 million in 2019. Gross win rate percentage (represented the ratio of gross win to rolling chip volume) increased from 2.90% in 2019 to 3.84% in 2020.

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 2020 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY2020	FY2019
Mass table drop	136	5	105	116	362	751
Net win	33	1	21	27	82	174
Net win rate %	24.3%	20.0%	20.0%	23.3%	22.7%	23.2%
Daily average number of tables opened (Note)	24	17	23	23	23	27

Note: Excluding the period of suspension from 28 March to 13 April and 22 April to 15 July 2020.

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) decreased by 52% to HK\$362 million in 2020, compared to HK\$751 million in 2019. Net win from mass table business decreased by 53% to HK\$82 million in 2020, compared to HK\$174 million in 2019. Net win rate percentage (represented net win as a percent of mass table drop) decreased slightly from 23.2% in 2019 to 22.7% in 2020.

Electronic gaming business

Our electronic gaming business primarily targets the local Russian market. The table below sets forth the key performance indicators in 2020 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY2020	FY2019
Electronic gaming volume	782	28	664	743	2,217	3,404
Net win	39	2	32	30	103	186
Net win rate %	5.0%	7.1%	4.8%	4.0%	4.6%	5.5%
Daily average number of electronic gaming machines deployed (Note)	317	157	234	285	277	336

Note: Excluding the period of suspension from 28 March to 13 April and 22 April to 15 July 2020.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was HK\$2.2 billion in 2020, decreased by 35% compared to HK\$3.4 billion in 2019. The electronic gaming business recorded net win of HK\$103 million, down 45% compared to HK\$186 million in 2019. The net win rate percentage decreased to 4.6% in 2020 from 5.5% in 2019. The average number of electronic gaming machines deployed decreased by 18% to 277 in 2020, compared to 336 in 2019.

Hotel Operations

Revenue from hotel operations, being largely dependent on foreign guests, decreased to HK\$8.3 million in 2020 or by 84% compared to 2019. Average hotel occupancy rates dropped substantially to 12% (2019: 88%) during weekends and 19% (2019: 63%) during weekdays in 2020.

Other Gains and Losses

The Group recognised fair value gains on derivative financial instruments of HK\$86.0 million in 2020 (2019: Nil) in relation to the SunTrust CB and the Summit Ascent CB.

The Group incurred net exchange losses of HK\$9.3 million in 2020 primarily attributable to the depreciation of Russian Ruble (“**RUB**”) against Hong Kong dollar, compared to net exchange gains of HK\$19.0 million in 2019.

The Group also recognised an impairment loss of HK\$7.3 million in 2020 on the deposit for a renovation contract resulted from a dispute with a contractor. The Group had terminated the contract and the related deposit was fully impaired.

Operating Expenses

To mitigate the impacts of the COVID-19 on our business, we have proactively implemented various cost reduction efforts to adjust our costs based on our revenue level. The Group has rolled out stringent cost controls measures in 2020, such as reducing inventories consumed by 46% to HK\$7.1 million, cutting marketing and promotion expenses by 56% to HK\$7.8 million, as well as minimizing travel expenses, and renegotiating agreements with subcontractors. We also offset unused annual leave entitlements and arranged unpaid time off for certain staff by mutual agreement, resulting in a decrease in employee benefits expenses by 17% to HK\$131.0 million in 2020, compared to HK\$158.3 million in 2019. Other expenses also reduced by 29% to HK\$81.4 million in 2020, compared to HK\$115.2 million in 2019.

Depreciation and amortisation of the Group decreased by 17% to HK\$82.2 million in 2020, compared to HK\$99.3 million in 2019. The decrease was primarily due to some assets having become fully depreciated.

Finance costs of the Group were HK\$26.0 million in 2020, representing a decrease of 18% compared to HK\$31.7 million in 2019. These costs primarily comprised non-cash imputed interest on the loans from non-controlling shareholders of Oriental Regent by applying the effective interest method at recognition, although the loans are non-interest bearing. The decrease in imputed interest is in line with the decrease in the loan outstanding balances, partly because of the repayments to the shareholders of Oriental Regent in May 2019 and partly because of the ORL Acquisition.

Gaming Tax

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

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

In 2019 and 2020, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively. However, in response to the COVID-19 outbreak, the Russian tax authority introduced relief measures and granted full exemption of gaming tax to Tigre de Cristal for May and June 2020. 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 electronic gaming machine for four months from July to October 2020, which was subsequently extended to December 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 2020 and 2019. As at 31 December 2020, the Group had unused tax losses of HK\$31.9 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 31 December 2020, the Group had unused tax losses of approximately HK\$559.6 million (31 December 2019: approximately HK\$522.3 million) available under Russian corporate tax and all losses may be carried forward indefinitely. The Group believes 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.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK\$10.0 million in 2020, down 88% compared to HK\$82.0 million in 2019.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

Liquidity, Financial Resources and Capital Structure

Our business is capital intensive, and we rely heavily on the ability of our property to generate operating cash flows to maintain operations. When necessary and available, we supplement the cash flows generated by our operations with funds provided by equity financing activities. The Group continued to maintain a strong financial position and the equity attributable to owners of the Company was HK\$3,398.3 million at 31 December 2020 (2019: HK\$1,644.4 million). The increase was mainly due the net proceeds from the Rights Issue completed on 15 October 2020.

The Group had no outstanding bank borrowing throughout the year ended 31 December 2020 (2019: Nil). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 31 December 2020 (2019: 0%).

The Group had unsecured, unguaranteed and non-interest bearing loans from non-controlling shareholders of Oriental Regent with a principal amount of US\$24.6 million (approximately HK\$190.6 million) as at 31 December 2020, compared to US\$30.3 million (approximately HK\$237.4 million) as at 31 December 2019. No repayment has been made in 2020 as the loans will be repaid by Oriental Regent only if there are sufficient free cash flows generated from the operations to make the repayment. The decrease in loans from non-controlling shareholders of Oriental Regent was due to the ORL Acquisition.

On 16 November 2020, the Company issued the US\$3,000,000, 5-year zero-coupon convertible bonds to settle the acquisition of 2.5% interest in Oriental Regent together with the US\$1,892,275 shareholder's loan due and owing by Oriental Regent from Sharp Way, which is convertible to Shares at the initial conversion price of HK\$3.5 per Share (subject to adjustment in the event of consolidation, reclassification or subdivision of the Shares).

The Group remains conservative in its working capital management. As at 31 December 2020, net current assets of the Group were HK\$1,548.5 million (2019: HK\$638.6 million) and the current ratio (represented a comparison of current assets to current liabilities) was 35.2, a tenfold increase compared to 3.2 as at 31 December 2019. Bank balances and cash were HK\$1,562.3 million at 31 December 2020 (2019: HK\$860.7 million), comprised 87.8% in Hong Kong dollars, 9.8% in United States dollars, and 2.4% in Russian Rubles. The majority of our cash equivalents at 31 December 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 2020 and 2019:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(35,075)	215,526
Net cash used in investing activities	(928,684)	(67,271)
Net cash generated from financing activities	<u>1,662,428</u>	<u>237,344</u>
Net increase in cash and cash equivalents	698,669	385,599
Cash and cash equivalents at 1 January	860,698	479,822
Effect of foreign exchange rate changes	<u>2,896</u>	<u>(4,723)</u>
Cash and cash equivalents at 31 December	<u><u>1,562,263</u></u>	<u><u>860,698</u></u>

Net cash used in operating activities of HK\$35.1 million for the year 2020 represented the cash outflows primarily due to the negative impact of the COVID-19 pandemic on the business of Tigre de Cristal. Net cash generated from operating activities of HK\$215.5 million in 2019 represented the positive cash flows generated from the operations.

Net cash used in investing activities of HK\$928.7 million in 2020 was mainly attributable to investment in the SunTrust CB of HK\$904.6 million (2019: Nil) and capital expenditures of HK\$26.9 million (2019: HK\$66.7 million) for improvements in Tigre de Cristal.

Net cash generated from financing activities of HK\$1,662.4 million in 2020 was primarily attributable to the gross proceeds of HK\$1,623.4 million from the Rights Issue and capital contribution of HK\$88.4 million from a non-controlling shareholder of Oriental Regent partially offset by the consideration of HK\$41.7 million paid for ORL Acquisition to Joyful. In 2019, net cash generated from financing activities was mainly due to the gross proceeds of HK\$303.0 million from the share placement, partially offset by the repayment of HK\$71.6 million for loans from non-controlling shareholders of Oriental Regent. Proceeds of HK\$15.1 million from exercise of share options of the Company were also received in 2019.

Charge on Assets

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

Exposure to Fluctuations in Exchange Rates

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

For financial reporting purposes, the 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 electronic gaming 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 operating in the Russian Federation, denominated in the same currency.

Capital Commitment

The Group's capital commitment as at 31 December 2020 amounted to approximately HK\$2,884,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (2019: HK\$23,729,000).

Contingent Liabilities

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

Employees

As at 31 December 2020, total number of employees employed by the Group was 1,081 (2019: 1,139). Currently, more than 97% of our full-time employees are local Russian citizens (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.

ANTI-MONEY LAUNDERING POLICY

By the nature of its business, the Group has to deal with large amounts of money. 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 governed by the Russian Federal Law No. 115-FZ of 7 August 2001 "On Combating Money Laundering And Terrorist Financing" (the "AML/CFT"), 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.

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\$63,000) 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 laws 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.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 28 May 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 May 2021.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, apart from the deviations mentioned below.

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. 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.

Pursuant to code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 December 2020, the Company had held six Board meetings. No separate meeting was held between the Chairman and the Independent Non-executive Directors due to the tight schedule of the Chairman.

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 year ended 31 December 2020.

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors, met four times during the financial year 2020. 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 annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee and audited by the independent auditor of the Group, Crowe (HK) CPA Limited.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the Company's website (<http://www.saholdings.com.hk>) and the Stock Exchange's website (<http://www.hkexnews.hk>). The 2020 annual report will be despatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

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, 23 March 2021