

SUMMIT ASCENT
凱升控股有限公司 Holdings Limited

Summit Ascent Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 102



2022
INTERIM REPORT

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HIGHLIGHTS

- The Group's total revenue was HK\$177.9 million in the 1H 2022, up 37% compared to HK\$129.5 million in the 1H 2021, predominantly attributable to a strong domestic market in the Russian Federation.
- The Group recorded an Adjusted EBITDA of HK\$60.0 million in the 1H 2022, compared to HK\$17.2 million in the 1H 2021.
- The Group recorded a profit of HK\$123.8 million for the 1H 2022, compared to a loss of HK\$8.1 million for the 1H 2021. Profit attributable to owners of the Company was HK\$85.2 million in the 1H 2022, turned around from a loss of HK\$131,000 in the 1H 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The gaming and hotel operations of Summit Ascent Holdings Limited (the “Company”) and its subsidiaries (collectively referred 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 and governed by, among others, the Russian Federal Law No. 244-FZ of 29 December 2006 “On The State Regulation Of Activities Associated With The Organisation Of And Carrying On Gambling And On Amending Individual Legislative Acts Of The Russian Federation” 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 Best Casino Hotel 2021” by World Casino Awards and “Russia’s Leading Resort 2018” by World Travel Awards;
- Fine dining in 2 restaurants, the international cuisine “CASCADE” and the Pan-Asian cuisine “88” including hot pot, and 3 casual bars;
- Virtual golf zone, and a private club with karaoke rooms;
- A Tigre de Cristal branded shop;
- A high-end diamond and luxury watch boutique “DOMINO” and a Montblanc outlet; and
- A brand-new VIP Salon.

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLEMENTAL INFORMATION IN RELATION TO THE 2021 ANNUAL REPORT

In addition to the information provided in the annual report of the Company for the year ended 31 December 2021 (the "2021 Annual Report"), we would like to provide the following additional information in relation to (1) impairment loss recognised on property, operating right and equipment in 2021 and (2) postponement of Tigre de Cristal Phase II ("TdC Phase II"), which does not affect other information contained in the 2021 Annual Report.

(1) Impairment Loss Recognised on Property, Operating Right and Equipment

For the year ended 31 December 2021, the carrying amount of the property, operating right and equipment of the Group was written down to the recoverable amount of Hong Kong dollars ("HK\$") 1,135 million and an impairment loss of approximately HK\$136.9 million had been recognised due to the following reasons:

(a) *COVID-19 impact on the global economy*

After 2 years since the World Health Organisation (the "WHO") declared that COVID-19 was a pandemic, the global economy is poised to stage its recovery. However, the outlook is subject to considerable uncertainty: a more persistent pandemic, a wave of corporate bankruptcies, financial stress, or even social unrest could derail the recovery. Global inflation, which has increased along with the economic recovery, is anticipated to continue to rise. Recovery is now expected to start later and be slower than previously foreseen. Since the Omicron variant of COVID-19 was named by the WHO on 26 November 2021, it has moved at lightning speed and caused record peaks in cases around the world. COVID-19 vaccines had not given as much protection against the disease as had been hoped and a rise in vaccinated people becoming infected with COVID-19 has cast doubt over the lasting efficacy of the vaccines.

(b) *COVID-19 impact on the tourism industry*

Tourism-dependent businesses, like the rolling chip business of Tigre de Cristal, will likely suffer the negative impacts of the COVID-19 pandemic for much longer than other industries. Labour and contact-intensive services being key to the tourism and travel sectors are disproportionately affected by the pandemic and will continue to struggle until people feel safe to travel again. Tourism activities are likely to be among the last to restart, and on a phased basis. Even when these businesses do open, they will be under new operating procedures and extensive hygiene and health measures. The impact of COVID-19 could bring long-term and structural changes to the tourism industry.

(c) *COVID-19 impact on the gaming industry*

The pandemic has severely affected the business environment of the gaming industry, particularly the land-based casinos like Tigre de Cristal. The atmosphere becomes weird when everyone wears a mask in the integrated resort, which may reduce customers' purchasing behavior and satisfaction. Concerns were also raised about gamblers moving online to riskier forms of gambling during lockdown, which could be temporary or permanent in nature. When the COVID-19 hit, we have been remodeling Tigre de Cristal to concentrate on mass table business and electronic gaming business, primarily targeting the local Russian market, and have upgraded the marketing campaigns accordingly to attract locals rather than the usual foreign tourists.

MANAGEMENT DISCUSSION AND ANALYSIS

(d) *Travel restrictions and quarantine measures as a result of COVID-19*

Whilst various quarantine and lockdown measures within the Russian Federation have been relaxed in 2021, Tigre de Cristal is still being adversely impacted due to the imposition of significant restricted travel and quarantine measures in many other Asian countries which is reducing foreign visitors to Tigre de Cristal. Resumption of regular international flights among the Asian countries has yet to be taken. China, one of the target feeder markets of the casinos in Asia including Tigre de Cristal, continues its zero-COVID policy after 2 years since the onset of the pandemic, which has been among the strictest approaches anywhere in the world. Travel to and from China is highly restricted with weeks-long hotel quarantines on return and flight options severely limited, which created a black hole for global tourism. The dramatic drop in Chinese outbound tourism numbers in terms of both departures and expenditure will have a lasting impact on Tigre de Cristal's rolling chip business.

(e) *Uncertainties in the Asian gaming industry*

In September 2021, the Macau government kicked off the procedure for the revision of the gaming law aiming at tightening its control on the licensed casinos and gaming promoters. In December 2021, certain casinos in Macau decided to close the VIP gaming rooms run by gaming promoters while certain gaming promoters suspended operations because partnerships with casinos were halted. Without the bespoke marketing efforts and services of the gaming promoters including, but not limited to, arrangement of the travel visa, transportation, accommodation, complimentary items/services and rebate, the total number of high rollers in Asia may decrease.

Our rolling chip business primarily targets non-Russian foreign visitors and is the key growth engine in the cash flow projections regarding the fair value assessment of the Group's property, operating right and equipment in relation to Tigre de Cristal, which contributed 54.2% of the Group's total gross gaming revenue in 2019 but dropped to 20.9% and 0% in 2020 and 2021 respectively since the COVID-19 outbreak. Due to the ongoing COVID-19 pandemic, the unfavourable factors have probably changed from short-term to long-term impact on the Group. The management would continue to revisit the assumptions used in the fair value assessment of the Group's assets to determine whether, on the basis of the evidence available, the carrying values properly represent their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Postponement of Tigre de Cristal Phase II

Tigre de Cristal offers only 121 hotel rooms currently, and the average hotel occupancy rate was maintained at 88% during weekends and 63% during weekdays in 2019 (12% and 19% during weekends and weekdays respectively in 2020; 55% and 25% during weekends and weekdays respectively in 2021), which considerably limited the growth in the number of foreign visitors. Thus, TdC Phase II is principally developed to improve its accommodation capacity and non-gaming amenities to serve the potential high rollers who want to stay overnight inside the IEZ Primorye.

The COVID-19 outbreak continues to hinder the progress of the pre-construction phase, including design, procurement of construction materials tendering and associated payments, of the development of TdC Phase II. Taking into account the ongoing adverse effects of COVID-19 and the economic uncertainties, we consider that the number of foreign visitors, especially the high rollers, and the forecasted revenues will not significantly rebound in 2022 or 2023 as previously predicted. While proceeding with the development of TdC Phase II is not an immediate priority of the Group, we are targeting an opening no earlier than 2025 as disclosed in the 2021 Annual Report.

COVID-19 RESTRICTIONS LIFTED IN THE RUSSIAN FEDERATION AND GOVERNMENT SUPPORT FOR DOMESTIC TOURISM

On 14 June 2022, due to the improved epidemic situation, a decision was made to lift the restrictions on foreign citizens entering the Russian Federation via air and maritime checkpoints yet a number of restrictions on land arrivals continued to be in effect. On 1 July 2022, the Russian government said it was ending all restrictions to combat the spread of COVID-19, including the requirement to wear masks, citing a steady decline in deaths from the virus. On 15 July 2022, the Russian government further lifted restrictions on crossing the country's land border which were introduced over the spread of the coronavirus infection in March 2020. However, it did not rule out re-introducing restrictive measures if the situation deteriorates.

When the Russian tourism industry is merely just emerging from the COVID-19 pandemic, it now faces huge uncertainty from the impact of the Russia-Ukraine conflict since late February 2022. Several governments, including the United States, the European Union, the United Kingdom, Canada, Australia, and New Zealand announced that they have banned Russian aircraft from their airspace, with several other countries following suit, and have issued travel advisories calling on their nationals to avoid travel to the Russian Federation. The Russian government responded with a mutual ban for these countries. Many Russian tourists are adversely affected due to economic sanctions against their country, handicapped by bank withdrawals using international credit card system. Meanwhile the Russian government is looking to develop and promote domestic tourism to include subsidy offers for local destinations and tax incentive provisions.

MANAGEMENT DISCUSSION AND ANALYSIS

SHORT TERM LOAN TO A FELLOW SUBSIDIARY

On 23 February 2021, Suntrust Resort Holdings, Inc. (“Suntrust”, formerly known as Suntrust Home Developers, Inc. and a fellow subsidiary of the Company) as borrower entered into a loan agreement with the Group as lender, pursuant to which the Group has provided a loan in the principal amount of United States dollars (“US\$”) 120 million (the “Loan”) to Suntrust. The Loan is unsecured, interest-bearing at 6% per annum and should be matured after three months from the date of the disbursement of the Loan, which is extendable not more than three months. The Loan was advanced to Suntrust on 18 May 2021.

As the continual impact of 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 completed on 15 October 2020 (the “Rights Issue”) to the extent of US\$60 million originally intended for use in the TdC Phase II (the “Original Portion for TdC”) is not required for immediate use by the Group for the moment. The Group proposed to change the use of proceeds from the Rights Issue and deployed the Original Portion for TdC as part of the Loan, which can generate interest income to the Group. Details of the Loan are disclosed in the Company’s announcements dated 23 February and 20 April 2021, and the Company’s circular dated 26 March 2021.

SUBSCRIPTION OF THE CONVERTIBLE BONDS

On 20 September 2021, the Group entered into a subscription agreement with Suntrust (the “Subscription Agreement”), pursuant to which Suntrust has conditionally agreed to issue and the Group has conditionally agreed to subscribe for the 6% coupon rate convertible bonds in the maximum aggregate principal amount of Philippine pesos (“PHP”) 6.4 billion (the “Maximum Set-Off Amount”) at an initial conversion price of PHP1.65 per share of Suntrust for an initial term of 3 years from the date of their issue extendable for a further term of 3 years. The aggregate subscription amount payable by the Group under the Subscription Agreement shall be satisfied by setting off a pro tanto amount of the Loan together with interest accrued (the “Indebted Amount”) up to and including the completion date of the Subscription Agreement (the “Completion”).

Considering the expected timeline for fulfilling the conditions precedent to the Subscription Agreement, the Group has agreed to extend the maturity date of the Loan to 18 July 2022 (the “Loan Extension”) or such other date as the Group otherwise agrees to in its sole and absolute discretion. Under the Subscription Agreement, the Group and Suntrust will enter into a set-off deed upon the Completion to set-off the Indebted Amount up to the Maximum Set-Off Amount (the “Loan Set-Off”), and Suntrust undertakes, in the event that the Completion is later than 18 July 2022, to compensate any excess of the Indebted Amount over the Maximum Set-Off Amount in cash upon the Completion.

At the Completion which took place on 10 June 2022, (1) the convertible bonds in the aggregate principal amount of PHP6.4 billion were issued by Suntrust to the Group and (2) part of the Indebted Amount of approximately US\$127.7 million as at the Completion to the extent of US\$120.9 million was set-off against the US\$ equivalent of the Maximum Set-Off Amount pursuant to the Subscription Agreement. The balance of the Indebted Amount after the Loan Set-Off of approximately US\$6.8 million was repaid in cash by Suntrust to the Group.

Details of the Subscription Agreement, including the Loan Extension and the Loan Set-Off, are disclosed in the Company’s announcements dated 20 September 2021, 16 November 2021 and 10 June 2022 and the circular dated 26 October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

As a predominately Russian business, the Group faces a lot of challenges given Western sanctions against the Russian Federation since late February 2022. Following the Russia-Ukraine conflict, the key interest rate was raised by the Bank of Russia to 20% per annum in February 2022, and then it was gradually cut to 8% per annum in July 2022, one of the reasons that have contributed to the volatility of the Russian ruble (“RUB”) exchange rate, and exposed the Group to major currency risk. Should the ruble exchange rate continues to shuffle, the foreign exchange gains or losses in the future may considerably impact the Group’s results presented in Hong Kong dollars.

Albeit the Russian Far East integrated resort Tigre de Cristal has been self-sustaining without any bank borrowings, it faces logistical issues in importing food and beverage items, spare parts, software and equipment support from abroad. In the short run we have stocked up the most important items from local suppliers’ leftover inventory; however, a possible geopolitical realignment may cause significant long-term damage to the Russian economy and its tourism industry.

Nevertheless, not all is gloom and doom. Our local Russian business flourished in the first half of 2022, which speaks volume that Tigre de Cristal excels in its home market. The solid mass table and electronic gaming operating results signify a complete recovery of the local demand in leisure and entertainment, a stamped approval of the appeal of our property as a premium integrated resort in the eyes of Russian consumers.

Looking ahead, the long-term fundamentals in the Asian gaming markets have not changed, as observed in the strong gaming results recently recorded in countries with reopened borders and local access such as Singapore, South Korea and the Philippines. It may be too early to indicate what are some of the permanent implications of the COVID-19 pandemic and the Russia-Ukraine crisis could be for the entertainment industry. Our thriving local Russian business has already helped the Group to stay afloat with breathing space so that we can adjust our corporate strategies sustainably to mitigate such impacts to prepare ourselves for the long-awaited recovery.

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 Amortisation, 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 2022 (“1H 2022”), the Group recorded a positive Adjusted EBITDA of HK\$60.0 million, compared to HK\$17.2 million in the first half of 2021 (“1H 2021”). This improvement was mainly attributable to the growth in revenue of HK\$48.4 million during 1H 2022, and the relatively stable general and administrative expenses due to our careful and cautious cost control approach since the outbreak of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 1H 2022.

Reconciliation of Adjusted EBITDA to the profit for the 1H 2022 attributable to owners of the Company:

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue from rolling chip business	–	–
Revenue from mass table business	84,613	54,568
Revenue from electronic gaming business	83,010	68,152
Net revenue from gaming operations	167,623	122,720
Revenue from hotel operations	10,269	6,732
Total revenue from gaming and hotel operations	177,892	129,452
Add: Other income	552	430
Less: Other gains and losses	(306)	228
Gaming tax	(1,549)	(3,520)
Inventories consumed	(6,896)	(5,231)
Marketing and promotion expenses	(4,693)	(5,796)
Employee benefits expenses	(56,137)	(57,884)
Other expenses	(48,898)	(40,508)
Adjusted EBITDA of Tigre de Cristal	59,965	17,171
Add: Management fee payable to the Company	5,053	3,699
Less: Company corporate expenses	(11,761)	(10,796)
	53,257	10,074

MANAGEMENT DISCUSSION AND ANALYSIS

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Add: Interest income from derivative financial instruments	28,229	27,097
Interest income from short term loan to a fellow subsidiary	24,856	6,738
Bank interest income	14,934	3,817
Income tax credit/(expense)	1,267	(6,824)
Less: Interest on lease liabilities	(331)	(294)
	122,212	40,608
<i>Non-cash items:</i>		
Add: Net exchange gains/(losses)	157,138	(2,588)
Less: Fair value (losses)/gains on derivative financial instruments	(74,579)	638
Depreciation and amortisation	(39,136)	(41,040)
Loss on derecognition of financial asset	(35,747)	–
Imputed interest expenses	(6,041)	(5,594)
Share-based compensation benefits	(38)	(88)
Profit/(loss) for the period of the Group	123,809	(8,064)
Less: (Profit)/loss for the period attributable to non-controlling interests	(38,620)	7,933
Profit/(loss) for the period attributable to owners of the Company	85,189	(131)

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 other than derivative financial instruments are located in the Russian Federation. Accordingly, the Group does not present separate segment information other than entity-wide disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	1H 2022 <i>HK\$'000</i>	Share of GGR %	1H 2021 <i>HK\$'000</i>	Share of GGR %
Rolling chip business	–	0.0%	–	0.0%
Mass table business	110,953	56.0%	68,514	49.3%
Electronic gaming business	87,246	44.0%	70,559	50.7%
Total GGR	198,199	100.0%	139,073	100.0%

Rolling chip business

Our rolling chip business primarily targets foreign players. Due to the COVID-19 pandemic and various travel restrictions, no rolling chip business was noted in the 1H 2022 and the 1H 2021.

Mass table business

Our mass table business targets both the foreign tourists and the local market. The table below sets forth the key performance indicators of our mass table business in the 1H 2022 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2022	Q2 2022	1H 2022	1H 2021
Mass table drop	159	195	354	237
Net win	36	49	85	55
Net win rate %	22.6%	25.1%	24.0%	23.2%
Daily average number of tables opened	24	25	24	24

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased by 49% to HK\$354 million in the 1H 2022, compared to HK\$237 million in the 1H 2021. Net win from mass table business increased by 55% to HK\$85 million in the 1H 2022, compared to HK\$55 million in the 1H 2021. Net win rate percentage (represented net win as a percent of mass table drop) increased slightly to 24.0% in the 1H 2022 from 23.2% in the 1H 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Electronic gaming business

Our electronic gaming business primarily targets the local Russian market. The table below sets forth the key performance indicators in the 1H 2022 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2022	Q2 2022	1H 2022	1H 2021
Electronic gaming volume	991	1,190	2,181	1,563
Net win	38	45	83	68
Net win rate %	3.8%	3.8%	3.8%	4.4%
Daily average number of electronic gaming machines deployed	311	308	309	291

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was HK\$2,181 million in the 1H 2022, increased by 40% compared to HK\$1,563 million in the 1H 2021. The electronic gaming business recorded net win of HK\$83 million, up 22% compared to HK\$68 million in the 1H 2021. The net win rate percentage decreased to 3.8% in the 1H 2022 from 4.4% in the 1H 2021. The average number of electronic gaming machines deployed increased by 6% to 309 in the 1H 2022, compared to 291 in the 1H 2021.

Hotel Operations

Revenue from hotel operations, despite largely dependent on foreign guests before the COVID-19 pandemic, increased to HK\$10.3 million in the 1H 2022 or by 53% compared to the 1H 2021, as a result of an improvement in demand which was more severely depressed from the impacts of COVID-19. Average hotel occupancy rates, representing the total number of room nights sold divided by the total number of room nights available at Tigre de Cristal for the same period, increased to 57% (1H 2021: 44%) during weekends and 28% (1H 2021: 21%) during weekdays in the 1H 2022.

Other Income, Other Gains and Losses

The Group recognised interest income of HK\$28.2 million and HK\$24.9 million from the convertible bonds issued by Suntrust and the Loan respectively for the 1H 2022 (1H 2021: HK\$27.1 million and HK\$6.7 million respectively).

Staff Costs and Operating Expenses

To mitigate the impacts of COVID-19 on our business, we have proactively implemented various cost reduction efforts to adjust our costs based on our revenue level. The Group continues to maintain stringent cost controls during the period. Total operating costs, including inventories consumed, marketing and promotion expenses, employee benefits expenses and other expenses but excluding non-cash items like depreciation and amortisation, were HK\$116.6 million in the 1H 2022, slightly increased by 6.6% compared to HK\$109.4 million in the 1H 2021 in spite of an increase in total revenue by 37% and the remarkable appreciation of the Russian rubles in the 1H 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Management fee payable to the Company represented management fee calculated at 3% of the total net gaming revenue generated by Tigre de Cristal and payable to the Company, which will be eliminated in the condensed consolidated financial statements of the Group.

Company corporate expenses mainly consisted of staff costs, audit fee, legal and professional fees and general administrative expenses incurred by the Hong Kong headquarters of the Group. Part of the increase for the 1H 2022 was attributable to the directors' remuneration in relation to the new appointment of an Executive Director of the Company in May 2021.

Depreciation and amortisation expenses consisted of depreciation charges on property, operating right and equipment, and amortisation of intangible assets. Depreciation and amortisation of the Group decreased by 5% to HK\$39.1 million in the 1H 2022, compared to HK\$41.0 million in the 1H 2021, when some assets of the Group became fully depreciated.

Fair Value Losses on Derivative Financial Instruments

According to applicable accounting standards, derivative financial instruments are recognised at fair value, which is a market-based measurement using assumptions that market participants would use, reflecting market conditions at the measurement date. Accordingly, a quoted price in an active market provides the most reliable evidence of fair value and it has to be used to measure fair value whenever available. COVID-19 related fluctuations in the stock market, however, may adversely affect the market price of the derivative financial investments. The uncertainty has also increased volatility in the capital markets and there can be no assurance that the price of the derivative financial investments will remain at current levels. In addition, the securities markets have experienced significant price and volume fluctuations from time to time as a result of COVID-19 that may have been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the fair values of the Company's derivative financial investments.

The fair values of the Company's derivative financial instruments have been determined by independent and professional qualified valuers. As the share price of Suntrust quoted on The Philippine Stock Exchange, Inc. has decreased since 31 December 2021, which is the key input parameter for determining the fair values of the convertible bonds issued by Suntrust, the Company recorded a net fair value loss of HK\$74.6 million for the 1H 2022 (1H 2021: a net gain of HK\$638,000).

Finance Costs

Finance costs of the Group were HK\$6.4 million in the 1H 2022, representing an increase of 8% compared to HK\$5.9 million in the 1H 2021. 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. No repayments to non-controlling shareholders have been made since 2019 and the increase in finance costs was due to the compound interest effect.

MANAGEMENT DISCUSSION AND ANALYSIS

Gaming Tax

Unlike 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 rates based on a range stipulated by the Tax Code of the Russian Federation as follows:

In the 1H 2022 and 1H 2021, 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 outbreak, the local government of the Primorye Region has introduced various relief measures and granted gaming tax reduction to lower the gaming tax rates to RUB50,000 per gaming table and RUB3,000 per electronic gaming machine from June 2021 to September 2022 provisionally.

Income Tax Credit/(Expense)

The Group is subject to the Philippine withholding tax of 20% on the gross interest income generated from the convertible bonds issued by Suntrust, amounted to HK\$5.6 million for the 1H 2022 (1H 2021: HK\$5.4 million).

No provision for taxation in Hong Kong has been made as the Group has no assessable profit in the 1H 2022 and the 1H 2021. As at 30 June 2022, the Group had unused tax losses of HK\$31.4 million (31 December 2021: HK\$31.1 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 2022, the Group had unused tax losses of approximately HK\$603.5 million (31 December 2021: approximately HK\$589.5 million) available under Russian corporate tax and all losses may be carried forward indefinitely. The Group believes that these unrecognised tax losses are adequate to offset any adjustments related to uncertain tax matters that might be proposed by the Russian tax authorities.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK\$85.2 million in the 1H 2022, compared to a loss of HK\$131,000 in the 1H 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$3,253.7 million as at 30 June 2022 (31 December 2021: HK\$3,168.4 million).

The Group had no outstanding bank borrowing throughout the 1H 2022 (1H 2021: Nil). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 30 June 2022 (31 December 2021: 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 30 June 2022 and 31 December 2021. No repayment had been made in the 1H 2022 as the loans will be repaid by Oriental Regent to its shareholders only if there are sufficient free cash flows generated from the operations to make the repayment.

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% equity interest in Oriental Regent together with the US\$1,892,275 shareholder's loan due and owing by Oriental Regent from Sharp Way Group Limited, which is convertible to the shares of the Company ("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 30 June 2022, net current assets of the Group were HK\$952.0 million (31 December 2021: HK\$1,625.7 million) and the current ratio (represented a comparison of current assets to current liabilities) was 15.6, compared to 26.3 as at 31 December 2021. Cash and cash equivalents were HK\$939.3 million at 30 June 2022 (31 December 2021: HK\$606.6 million), comprised 17.7% in HK\$, 23.6% in US\$, and 58.7% in RUB. The majority of our cash equivalents at 30 June 2022 was in fixed deposits with a maturity of three months or less generally.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a summary of the Group's cash flows in the 1H 2022 and the 1H 2021:

	1H 2022 <i>HK\$'000</i>	1H 2021 <i>HK\$'000</i>
Net cash generated from operating activities	27,216	8,896
Net cash generated from/(used in) investing activities	136,950	(934,144)
Net cash used in financing activities	(3,484)	(950)
Net increase/(decrease) in cash and cash equivalents	160,682	(926,198)
Cash and cash equivalents at the beginning of the period	606,575	1,562,263
Effect of foreign exchange rate changes	172,078	(767)
Cash and cash equivalents at the end of the period	939,335	635,298

Net cash generated from operating activities of HK\$27.2 million in the 1H 2022 and HK\$8.9 million in the 1H 2021 represented the positive cash inflows generated from the operations of Tigre de Cristal.

Net cash generated from investing activities of HK\$137.0 million in the 1H 2022 was mainly attributable to the remaining balance of the Indebted Amount after the Loan Set-Off of approximately US\$6.8 million (equivalent to approximately HK\$53.3 million) paid by Suntrust and the interest income received from the convertible bonds issued by Suntrust of approximately HK\$51.2 million, which is payable yearly in arrears. Net cash used in investing activities of HK\$934.1 million in the 1H 2021 was mainly due to the Loan of approximately HK\$924.8 million.

Net cash used in financing activities of HK\$3.5 million in the 1H 2022 and HK\$1.0 million in the 1H 2021 primarily represented the repayment of lease liabilities.

Management believes that the Group has the capital resources and liquidity necessary to meet its commitments, support its operations, finance capital expenditures, and support growth strategies, because the Group has adequate cash and cash equivalents, and ability to generate cash from operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 30 June 2022 and 31 December 2021.

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 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.

Since late February 2022, RUB had plunged after Western nations announced unprecedented moves to block some Russian banks from the Society for Worldwide Interbank Financial Telecommunications (SWIFT) international payment system and to restrict Russia's use of its foreign currency reserves. But then the Russian government pulled out all the stops to save the ruble, including the Bank of Russia more than doubling the key interest rate to 20% per annum and imposing strict capital controls to avoid cash from leaving the country. Also, the Russian government demanded that all "unfriendly" countries, those that imposed sanctions, pay for Russian oil and natural gas in rubles. As the energy prices are at multiyear highs, the Russian Federation had its highest current account surplus in the 1H 2022. The Bank of Russia has been gradually reversing the key interest rate and cut it to 8% per annum on 25 July 2022, citing a slowing in inflation and the recovery of RUB. RUB has bounced back to where it was before the Russia-Ukraine conflict and has jumped more than 30% compared with that at the end of 2021. As a result, the Group recorded net exchange gains of approximately HK\$157.1 million for the six-month period ended 30 June 2022 when the Group's condensed consolidated financial statements are presented in HK\$, which mainly arises from retranslation of the Group's monetary items denominated in RUB.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

The Company raised net proceeds of approximately (1) HK\$297 million from the placing of Shares on 19 August 2019 (the "2019 Placing") and (2) HK\$1,618.4 million from the Rights Issue. The detailed breakdown and description of the proceeds and the expected timeline of the unutilised amounts up to 30 June 2022 are set out as follows:

	Unutilised amount as at 1 January 2021	Actual amount utilised for the year ended 31 December 2021	Unutilised amount as at 31 December 2021 and 1 January 2022	Actual amount utilised for the six months ended 30 June 2022	Unutilised amount as at 30 June 2022	Expected timeline of application of the unutilised amount
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	

The 2019 Placing: For TdC Phase II pre- construction stage

(Note 1)

Design	61.0	(0.5)	60.5	(0.2)	60.3	By 31 December 2023
Site surveying and preparation	86.0	(0.2)	85.8	(0.8)	85.0	By 31 December 2024
Tendering of consultants and subcontractors	150.0	–	150.0	–	150.0	No earlier than 2025
Total	297.0	(0.7)	296.3	(1.0)	295.3	
		(Note 2)		(Note 2)		

The Rights Issue: For TdC Phase II

(Note 1)

Procurement of construction materials	186.4	–	186.4	–	186.4	No earlier than 2025
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MANAGEMENT DISCUSSION AND ANALYSIS

	Unutilised amount as at 1 January 2021 <i>HK\$'million</i>	Actual amount utilised for the year ended 31 December 2021 <i>HK\$'million</i>	Unutilised amount as at 31 December 2021 and 1 January 2022 <i>HK\$'million</i>	Actual amount utilised for the six months ended 30 June 2022 <i>HK\$'million</i>	Unutilised amount as at 30 June 2022 <i>HK\$'million</i>	Expected timeline of application of the unutilised amount
For general working capital						
Capital expenditures	26.0	(17.1)	8.9	(5.1)	3.8	By 30 June 2023
Repairs and maintenance	24.0	(7.8)	16.2	(3.8)	12.4	By 30 June 2023
Return of the refunded value-added tax	18.0	(9.3)	8.7	(8.7)	–	By 30 June 2023
	<u>68.0</u>	<u>(34.2)</u>	<u>33.8</u>	<u>(17.6)</u>	<u>16.2</u>	
Total	<u>254.4</u>	<u>(34.2)</u>	<u>220.2</u>	<u>(17.6)</u>	<u>202.6</u>	
		<i>(Note 3)</i>		<i>(Note 3)</i>		

Notes:

1. Taking into account the continual negative impact of the COVID-19 pandemic, we have postponed the target opening date of the first stage of the TdC Phase II to no earlier than 2025 as disclosed in the Group's 2021 Annual Report. The uncertainties arising from the Russia-Ukraine conflict will add to the difficulties in managing the construction process. It is expected that the remaining balance of the proceeds from the 2019 Placing and the Rights Issue will be fully utilised as intended but follow the amended timeline for the TdC Phase II.
2. The actual amounts utilised in respect of the 2019 Placing had been applied as intended and set out in the paragraph headed "Reasons for the placing and use of proceeds" in the Company's announcement dated 25 July 2019.
3. The actual amounts utilised in respect of the Rights Issue had been applied as intended and set out in the paragraphs headed "Use of proceeds" in the Company's circular dated 14 August 2020, "Reasons for and benefits of the loan" in the Company's circular dated 26 March 2021 and "Further change in use of part of the net proceeds from the rights issue" in the Company's circular dated 26 October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

The Group's capital commitment as at 30 June 2022 amounted to approximately HK\$2,218,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (31 December 2021: HK\$1,455,000).

Contingent Liabilities

There were no contingent liabilities as at 30 June 2022 and 31 December 2021.

Employees

As at 30 June 2022, total number of employees employed by the Group was 1,024 (31 December 2021: 994). Currently, more than 96% of our full-time employees are local Russian citizens (31 December 2021: 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

The Russian gaming industry is one of the most heavily regulated and controlled business sectors in the country, and is governed by the Russian Federal Law No. 115-FZ of 7 August 2001 "On Countering the Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" in relation to the anti-money laundering and counter-terrorist financing measures (the "AML/CFT"). According to the AML/CFT Mutual Evaluations Report on the Russian Federation published by the Financial Action Task Force (FATF), the Eurasian Group and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL) 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\$92,000) 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 the 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



國富浩華（香港）會計師事務所有限公司

Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓

9/F Leighton Centre,

77 Leighton Road,

Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial information of Summit Ascent Holdings Limited (the "Company") and its subsidiaries set out on pages 22 to 41, which comprise the condensed consolidated statements of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 23 August 2022

Alvin Yeung Sik Hung

Practising Certificate Number P05206

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Notes	Six-month period ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from gaming and hotel operations	5	177,892	129,452
Other income	6	68,762	38,082
Other gains and losses	7	121,085	(2,359)
Gaming tax		(1,549)	(3,520)
Inventories consumed		(6,896)	(5,231)
Marketing and promotion expenses		(4,693)	(5,796)
Employee benefits expenses		(63,335)	(64,013)
Depreciation and amortisation		(39,136)	(41,040)
Other expenses	8	(48,637)	(41,565)
Fair value (losses)/gains on derivative financial instruments	16, 21	(74,579)	638
Finance costs	9	(6,372)	(5,888)
Profit/(loss) before taxation		122,542	(1,240)
Income tax credit/(expense)	10	1,267	(6,824)
Profit/(loss) and total other comprehensive income/(expense) for the period	11	123,809	(8,064)
Profit/(loss) and total other comprehensive income/(expense) for the period attributable to:			
Owners of the Company		85,189	(131)
Non-controlling interests		38,620	(7,933)
		123,809	(8,064)
		HK cents	HK cents
		(Unaudited)	(Unaudited)
Earnings/(loss) per share	13		
Basic		1.889	(0.003)
Diluted		1.889	(0.003)

The notes on pages 27 to 41 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

			As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Non-current assets				
Property, operating right and equipment	14		1,139,758	1,172,516
Right-of-use assets	14		5,833	5,394
Long-term prepayments and other non-current assets	15		14,436	14,604
Derivative financial instruments	16		1,678,166	840,005
Intangible assets			261	263
			2,838,454	2,032,782
Current assets				
Inventories			5,845	2,772
Trade and other receivables	17		44,911	28,186
Amounts due from fellow subsidiaries	18		27,011	116,633
Short term loan to a fellow subsidiary	19		–	935,772
Bank balances and cash			939,335	606,575
			1,017,102	1,689,938
Current liabilities				
Contract liabilities, trade and other payables	20		57,813	45,493
Tax payables			5,402	17,269
Derivative financial instrument	21		6	286
Lease liabilities			1,920	1,205
			65,141	64,253
Net current assets			951,961	1,625,685
Total assets less current liabilities			3,790,415	3,658,467

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	21	18,528	17,767
Loans from non-controlling shareholders of a subsidiary	22	152,796	147,563
Liabilities for value-added tax ("VAT") arrangements	23	26,427	25,973
Lease liabilities		<u>5,552</u>	<u>3,899</u>
		<u>203,303</u>	<u>195,202</u>
Net assets		<u>3,587,112</u>	<u>3,463,265</u>
Capital and reserves			
Share capital	25	112,736	112,736
Reserves		<u>3,140,940</u>	<u>3,055,713</u>
Equity attributable to owners of the Company		3,253,676	3,168,449
Non-controlling interests		<u>333,436</u>	<u>294,816</u>
Total equity		<u>3,587,112</u>	<u>3,463,265</u>

The notes on pages 27 to 41 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (Audited)	112,736	3,148,184	23,316	114,039	3,398,275	338,639	3,736,914
Loss and total comprehensive expense for the period	-	-	-	(131)	(131)	(7,933)	(8,064)
Recognition of equity-settled share-based payment	-	-	88	-	88	-	88
At 30 June 2021 (Unaudited)	112,736	3,148,184	23,404	113,908	3,398,232	330,706	3,728,938
At 1 January 2022 (Audited)	112,736	3,148,184	5,572	(98,043)	3,168,449	294,816	3,463,265
Profit and total comprehensive income for the period	-	-	-	85,189	85,189	38,620	123,809
Recognition of equity-settled share-based payment	-	-	38	-	38	-	38
At 30 June 2022 (Unaudited)	112,736	3,148,184	5,610	(12,854)	3,253,676	333,436	3,587,112

The notes on pages 27 to 41 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Note	Six-month period ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES		27,216	8,896
INVESTING ACTIVITIES			
Short term loan repaid by (advanced to) a fellow subsidiary	19	53,319	(924,813)
Interest income received from derivative financial instruments		51,210	–
Decrease in amount due from a fellow subsidiary		30,000	–
Interest received		14,934	3,817
Proceeds from disposal/written-off of property, operating right and equipment		144	393
Return of VAT refunded under VAT arrangements		(9,225)	(9,333)
Payments for property, operating right and equipment		(2,529)	(3,085)
Deposits paid for purchase of property, operating right and equipment		(903)	(1,123)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		136,950	(934,144)
FINANCING ACTIVITIES			
Repayment of lease liabilities		(3,153)	(656)
Interest paid for lease liabilities		(331)	(294)
NET CASH USED IN FINANCING ACTIVITIES		(3,484)	(950)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		160,682	(926,198)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		606,575	1,562,263
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		172,078	(767)
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH		939,335	635,298

The notes on pages 27 to 41 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") 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, which engages in the gaming and hotel operations in the Russian Federation, is HK\$, the currency of the primary economic environment in which the entity operates.

2. SIGNIFICANT EVENTS IN THE CURRENT PERIOD

When the Russian tourism industry has just been emerging from the Coronavirus Disease 2019 ("COVID-19") pandemic, it now faces huge uncertainty from the impact of the Russia-Ukraine conflict since late February 2022. Several governments, including the United States, the European Union, the United Kingdom, Canada, Australia and New Zealand announced that they have banned Russian aircraft from their airspace, with several other countries following suit, and have issued travel advisories calling on their nationals to avoid travelling to the Russian Federation. The Russian government responded with a mutual ban for these countries. Many Russian tourists are adversely affected due to economic sanctions against their country, handicapped by bank withdrawals while using the international credit card system. Meanwhile the Russian government is looking to develop and promote domestic tourism to include subsidy offers for local destinations and tax incentive provisions.

Although the Group's integrated resort Tigre de Cristal is operating in the Russian Far East and has been self-sustaining without any bank borrowings, the Western sanctions resulting from the Russia-Ukraine conflict may cause significant long-term damage to the Russian economy and its tourism industry. The board (the "Board") of the directors (the "Directors") of the Company has been closely monitoring the market conditions, including a possible geopolitical realignment, supply disruptions, and food and energy insecurity, and will continue to assess the impact on the financial position and operations of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are stated at their fair values.

Other than changes in accounting policies resulting from application of 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 2022 are the same as those used in the annual consolidated financial statements for the year ended 31 December 2021.

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 revenue is derived from customers patronising in the Group's property located in the Russian Federation. At 30 June 2022 and 31 December 2021, almost all non-current assets of the Group other than derivative financial instruments are located in the Russian Federation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from gaming and hotel operations:		
– Gaming operations	167,623	122,720
– Hotel operations	10,269	6,732
	<u>177,892</u>	<u>129,452</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 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.

6. OTHER INCOME

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from derivative financial instruments	28,229	27,097
Interest income from short term loan to a fellow subsidiary	24,856	6,738
Bank interest income	14,934	3,817
Rental income	340	181
Others	403	249
	<u>68,762</u>	<u>38,082</u>

7. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gains/(losses), net	157,138	(2,588)
Impairment losses reversed/(recognised) on other receivables, deposits and prepayments	2	(132)
Loss on derecognition of financial asset (Note 19)	(35,747)	–
(Loss)/gain on disposal/written-off of property, operating right and equipment	(308)	361
	<u>121,085</u>	<u>(2,359)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

8. OTHER EXPENSES

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Security expenses	6,292	5,848
Bank charges	4,367	4,032
Travel agency expenses	4,327	1,609
Repairs and maintenance expenses	3,757	3,260
Utilities and fuel	3,655	3,741
Costs for employee relations	3,559	3,235
Non-recoverable VAT	3,045	2,389
Legal and professional fees	2,946	3,702
Motor vehicle expenses	2,121	1,761
Insurance expenses	1,212	1,197
Gaming supplies	1,031	625
Oversea travel expenses	1,023	206
Communication and networking costs	959	752
Hotel supplies	859	700
Share-based compensation benefits to a consultant	38	88
Sundry	9,446	8,420
	48,637	41,565

9. FINANCE COSTS

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary	4,282	4,009
Imputed interest on VAT arrangements	1,113	989
Imputed interest on convertible bonds	646	596
Interest on lease liabilities	331	294
	6,372	5,888

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

10. INCOME TAX CREDIT/(EXPENSE)

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current provision		
– Russian corporate tax	(87)	(57)
– Philippine withholding tax	(5,646)	(6,767)
	(5,733)	(6,824)
Over-provision		
– Philippine withholding tax	7,000	–
	1,267	(6,824)

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 operated.

For the six-month period ended 30 June 2022 and 2021, no provision for Hong Kong Profits Tax had been made in the condensed 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 period; however, no Russian corporate tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation.

The Group is subject to the Philippine withholding tax of 20% on the gross interest income from derivative financial instruments.

11. PROFIT/(LOSS) FOR THE PERIOD

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging:		
Depreciation of property, operating right and equipment	35,906	40,262
Depreciation of right-of-use assets	3,228	764
Amortisation of intangible assets	2	14
Total depreciation and amortisation	39,136	41,040

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2022, nor has any dividend been proposed since 30 June 2022 (six-month period ended 30 June 2021: Nil).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$85,189,000 (six-month period ended 30 June 2021: loss of approximately HK\$131,000) and the weighted average 4,509,444,590 ordinary shares in issue during the period (six-month period ended 30 June 2021: 4,509,444,590).

The computation of the diluted earnings/(loss) per share for the six-month periods ended 30 June 2022 and 2021 did not assume the exercise of the Company's outstanding share options and convertible bonds because the exercise prices of those share options exceed the average market price of the Company's shares of the period and the assumed exercise of those convertible bonds would result in increase in earnings/decrease in (loss) per share.

14. PROPERTY, OPERATING RIGHT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group paid approximately HK\$2,529,000 (six-month period ended 30 June 2021: HK\$3,085,000) during the period mainly on furniture, fixtures and equipment. For the six-month period ended 30 June 2022, the Group also received proceeds of approximately HK\$144,000 (six-month period ended 30 June 2021: HK\$393,000) mainly from disposal of gaming equipment.

Impairment assessment

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Group is experiencing adverse conditions including restrictions on international travel and the economic uncertainties and the decrease in volume of its rolling chip business that indicate that the relevant property, operating right and equipment, right-of-use assets and intangible assets may be impaired. During the current interim period, the Group performed impairment testing and concluded that no impairment loss should be recognised (31 December 2021: HK\$136,859,000).

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Long-term prepayments	13,533	13,533
Deposits for purchase of property, operating right and equipment	9,883	10,051
Less: Allowance	(8,980)	(8,980)
	903	1,071
	14,436	14,604

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Derivative financial instruments – designated at fair value through profit or loss (“FVTPL”)		
– 2020 Convertible Bonds	802,631	840,005
– 2022 Convertible Bonds	875,535	–
	1,678,166	840,005

Derivative financial instruments acquired are designated at FVTPL 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 that group is provided internally on that basis to the Group’s key management personnel.

Derivative financial instruments represented the fair values of the investment in convertible bonds issued by Suntrust Resort Holdings, Inc. (“Suntrust”, formerly known as Suntrust Home Developers, Inc.), 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.

2020 Convertible Bonds

The principal amount of the 2020 Convertible Bonds is Philippine pesos (“PHP”) 5.6 billion 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 2020 Convertible Bonds which may, subject to agreement by the holder of the 2020 Convertible Bonds upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the 2020 Convertible Bonds.

The 2020 Convertible Bonds carried interest at 6.0% per annum on the aggregate principal amount of the 2020 Convertible Bonds from time to time outstanding, payable yearly in arrears accruing from the issue date of the 2020 Convertible Bonds on the basis of a 365-day year, with the last payment of interest to be made on the maturity date.

The 2020 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 2020 Convertible Bonds may request for early redemption of the 2020 Convertible Bonds at any time during the period commencing from the day immediately after the first anniversary of the issue date of the 2020 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

16. DERIVATIVE FINANCIAL INSTRUMENT (continued)

2022 Convertible Bonds

The principal amount of the 2022 Convertible Bonds is PHP6.4 billion, which can be converted into 3,878,787,878 ordinary shares of Suntrust at a conversion price of PHP1.65 per share from the inception date until the maturity date. The maturity date falling on the third anniversary of the issue date (i.e. year 2025) of the 2022 Convertible Bonds which may, subject to agreement by the holder of the 2022 Convertible Bonds upon request by Suntrust, be extended to the date falling on the sixth (6th) anniversary of the issue date of the 2022 Convertible Bonds.

The 2022 Convertible Bonds carried interest at 6.0% per annum on the aggregate principal amount of the 2022 Convertible Bonds from time to time outstanding, payable yearly in arrears accruing from the issue date of the 2022 Convertible Bonds on the basis of a 365-day year, with the last payment of interest to be made on the maturity date.

Suntrust is entitled to cancel and to redeem all the 2022 Convertible Bonds in whole at any time after the first anniversary of the issue date and expiring on the maturity date at 100% of their outstanding principal amount together with accrued interest (including default interest, if any) up to the date of redemption. The holder of the 2022 Convertible Bonds may request for early redemption of the 2022 Convertible Bonds at any time during the period commencing from the day immediately after the first anniversary of the issue date of the 2022 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 six-month period ended 30 June 2022, the interest income generated from the derivative financial instruments amounting to approximately HK\$28,229,000 (six-month period ended 30 June 2021: HK\$27,097,000) was recognised and disclosed under "other income" in note 6.

For the six-month period ended 30 June 2022, the fair value losses of the derivative financial instruments amounting to approximately HK\$74,859,000 (six-month period ended 30 June 2021: gains of HK\$288,000) were recognised, included and disclosed under "fair value (losses)/gains on derivative financial instruments" in the condensed consolidated statement of profit or loss and other comprehensive income.

The fair values of the derivative financial instruments as at 30 June 2022 and initial recognition date of the 2022 Convertible Bonds had been determined by CHFT Advisory and Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on equity allocation method.

The inputs used for the calculation of fair values of the financial instruments at initial recognition date of the 2022 Convertible Bonds and each subsequent measurement date were as follows:

	30 June 2022	At initial recognition date of 2022 Convertible Bonds	31 December 2021
Share price of Suntrust (PHP)	1.00	1.01	1.12
Expected volatility (%) (Note a)	63.27%	62.78%	61.10%
Risk-free rate (%) (Note b)	5.45%	5.30%	3.44%
Expected option life (years)			
– 2020 Convertible Bonds	3.5	3.6	4
– 2022 Convertible Bonds	2.9	3	–

Notes:

- a) The expected volatility was determined by using the historical volatility of Suntrust share price over the period commensurate with the remaining term.
- b) Risk-free rate is estimated based on the yield to maturities of peso-denominated government bonds from Philippine Sovereign Curve with a similar remaining tenure.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade receivables	–	33
Prepayments	33,192	16,589
Other receivables and deposits	12,133	11,978
Less: Allowance	(414)	(414)
	44,911	28,153
	44,911	28,186

As at 31 December 2021, trade receivables mainly represented outstanding amounts pending settlements by customers which were usually repaid within 30 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 2021 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from patrons as at 31 December 2021 were assessed individually. For other receivables, the Group assessed the expected credit losses collectively based on the provision matrix as at 30 June 2022 and 31 December 2021. 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 were still active in the Group's property located in the Russian Federation.

Allowance of HK\$414,000 as at 30 June 2022 (31 December 2021: HK\$414,000) represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts as at 30 June 2022 were unsecured, non-interest bearing and mainly comprised of interest receivable generated from derivative financial instruments as set out in note 16.

The amounts as at 31 December 2021 were unsecured, non-interest bearing and mainly comprised of (i) interest receivable generated from derivative financial instrument as set out in note 16 and (ii) short term loan to a fellow subsidiary of the Company as set out in note 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

19. SHORT TERM LOAN TO A FELLOW SUBSIDIARY

On 23 February 2021, Suntrust as borrower entered into a loan agreement with the Group as lender, pursuant to which the Group shall provide a loan in the principal amount of United States dollars ("US\$") 120 million (equivalent to approximately HK\$931,230,000) (the "Loan") to Suntrust. The loan is unsecured, interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the Loan, which is extendable not more than three months. On 18 May 2021, the Loan was advanced to Suntrust by cash of approximately HK\$924,813,000 and by transferring from amount due from a fellow subsidiary of approximately HK\$6,417,000.

The maturity date of the Loan was extended for three times on 17 August 2021, 17 September 2021 and 17 October 2021 for 1 month each time, to 18 November 2021. On 20 September 2021, the Group entered into a subscription agreement with Suntrust (the "Subscription Agreement") to subscribe for the 6% coupon rate convertible bonds in the maximum aggregate principal amount of PHP6.4 billion at an initial conversion price of PHP1.65 per share of Suntrust for an initial term of 3 years from the date of their issue extendable for a further term of 3 years. The aggregate subscription amount payable by the Group shall be satisfied by setting off a pro tanto amount of the Loan together with interest accrued up to and including the completion date of the Subscription Agreement (the "Completion"). Considering the expected timeline for fulfilling the conditions precedent to the Subscription Agreement, the Group has agreed to extend the maturity date of the Loan to 18 July 2022. At the Completion which took place on 10 June 2022, (1) the 2022 Convertible Bonds in the aggregate principal amount of PHP6.4 billion were issued by Suntrust to the Group and (2) part of the indebted amount of approximately US\$127.7 million as at the Completion to the extent of US\$120.9 million was set-off against the subscription of the 2022 Convertible Bonds pursuant to the Subscription Agreement. The balance of the indebted amount after the Loan set-off of approximately US\$6.8 million was repaid in cash by Suntrust to the Group. Loss on derecognition of financial asset amounting to approximately HK\$35,747,000 was disclosed under "other gains and losses" in note 7.

For the six-month period ended 30 June 2022, interest income from the Loan amounting to approximately HK\$24,856,000 (six-month period ended 30 June 2021: HK\$6,738,000) was recognised and disclosed under "other income" in note 6.

20. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade payables	–	142
Payable in respect of transfer of connection right to local electricity supply network	15,619	10,687
Liabilities for VAT arrangements (Note 23)	13,112	8,972
Outstanding gaming chips	530	2,358
Gaming tax payables	376	–
Accruals and other payables	28,176	23,334
	57,813	45,493

At the end of the reporting periods, all of the trade payables were aged within 30 days based on the invoice date.

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\$530,000 (31 December 2021: HK\$2,358,000); and (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK\$2,427,000 (31 December 2021: HK\$1,965,000). Loyalty program liabilities are included in other payables above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

21. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

On 16 November 2020, the Company issued convertible bonds denominated in US\$ 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 adjustment clauses, which will mature on the fifth anniversary of the respective issue dates. The convertible bonds carry no interest.

The convertible bonds contain two components, a liability component and a derivative financial instrument. The derivative financial instrument represented the conversion option giving 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 the 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 the 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. For the six-month period ended 30 June 2022, the fair value gain amounting to approximately HK\$280,000 (six-month period ended 30 June 2021: HK\$350,000) was recognised, included and disclosed under "fair value (losses)/gains on derivative financial instruments" in the condensed consolidated statement of profit or loss and other comprehensive income.

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 was 7.37% per annum. For the six-month period ended 30 June 2022, imputed interest on convertible bonds amounting to approximately HK\$646,000 (six-month period ended 30 June 2021: HK\$596,000) was recognised and disclosed under "finance costs" in note 9.

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 derivative financial instrument in the convertible bonds as at 30 June 2022 had been determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the binomial option pricing model. The significant inputs used for the calculation of fair value of the convertible bonds and the derivative financial instrument at each subsequent measurement date were as follows:

	30 June 2022	31 December 2021
Share price of the Company (HK\$)	0.05	0.15
Expected volatility (%) (Note a)	88.43%	77.38%
Expected remaining life (years)	3.38	3.88
Expected dividend yield (Note b)	zero	zero
Risk-free rate (%) (Note c)	3.06%	1.14%

Notes:

- a) The expected volatility was determined by using the historical volatility of the Company's share price over a period commensurate with the remaining term.
- b) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the remaining term of the Company.
- c) Risk-free rate is estimated with reference to the United States Treasury Yield Curve of similar remaining tenure.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

21. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS (continued)

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 2021 (Audited)	16,449	836	17,285
Imputed interest on convertible bonds	596	–	596
Exchange difference	23	1	24
Fair value change on derivative financial instrument	–	(350)	(350)
At 30 June 2021 (Unaudited)	17,068	487	17,555
At 1 January 2022 (Audited)	17,767	286	18,053
Imputed interest on convertible bonds	646	–	646
Exchange difference	115	–	115
Fair value change on derivative financial instrument	–	(280)	(280)
At 30 June 2022 (Unaudited)	18,528	6	18,534

22. 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 approximately 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 “Convertible Loan”) as contemplated under the investment and shareholders agreement dated 23 August 2013. A total of US\$55,076,400 (equivalent to approximately HK\$428,494,000) was contributed by the other shareholders of Oriental Regent. The Convertible 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 Convertible 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 Convertible Loan was made by the shareholders to the day immediately prior to the repayment date. The Convertible Loan was discounted at an effective interest rate calculated at 11.28% per annum at inception.

On 15 July 2020, after prepayments previously made, the repayment date of the outstanding loan with a total principal amount of US\$75,691,000 (equivalent to approximately HK\$586,832,000), out of which US\$30,276,400 (equivalent to approximately HK\$234,642,000) was contributed by the other shareholders of Oriental Regent, was extended for three years from 15 July 2020 to 15 July 2023 and shall automatically renew for another term of three years. The Convertible Loan is discounted at an effective interest rate calculated at 5.76% per annum at extension.

On 16 November 2020, the Group repurchased 7.5% of the Convertible Loan with a total principal amount of US\$5,676,825 (equivalent to approximately HK\$43,995,000) from the non-controlling shareholders under the equity transaction.

For the six-month period ended 30 June 2022, imputed interest on loans from non-controlling shareholders of a subsidiary amounting to approximately HK\$4,282,000 (six-month period ended 30 June 2021: HK\$4,009,000) was recognised and disclosed under “finance costs” in note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

23. LIABILITIES FOR VAT ARRANGEMENTS

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

However, according to the Russian regulations, as gaming activities are not subject to Output VAT in the Russian Federation, the Input VAT refunded to the Group cannot be utilised. Instead it is required to be divided into 10 equal parts and each has to be returned to the tax authority in each of the next 10 years from the first year of operations to the extent of the annual proportion of the revenue generated from the gaming activities over the total revenues of the Group’s gaming and hotel operations in the Russian Federation. Such assessment is performed on an annual basis over a period of 10 years from the year when the relevant VAT is refunded to the Group. Against this, as at 30 June 2022, a provision of Russian rubles (“RUB”) 257,751,000 (approximately HK\$39,539,000) (31 December 2021: RUB332,922,000 (approximately HK\$34,945,000)) was recognised for the estimated amount of the relevant Input VAT that has been refunded to the Group but has to be returned to the tax authority under this regulation. The estimated repayable amount to the tax authority was calculated by using an effective interest rate of 8.33% (31 December 2021: 8.33%) per annum. Accordingly, as at 30 June 2022, approximately RUB85,477,000 (approximately HK\$13,112,000) (31 December 2021: RUB85,477,000 (approximately HK\$8,972,000)) of such provision was presented as current and included in other payables (Note 20) as such amount was under the aforesaid assessment within the next twelve months and was expected to be returned to the tax authority upon final assessment, with the remainder of RUB172,274,000 (approximately HK\$26,427,000 (31 December 2021: RUB247,445,000 (approximately HK\$25,973,000))) presented as non-current.

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Notes
	30 June 2022	31 December 2021				
	HK\$'000 (Unaudited)	HK\$'000 (Audited)				
Financial asset						
Derivative financial instruments						(i)
– issued by Suntrust	1,678,166	840,005	Level 3	Equity allocation model	Volatility: 63.27% (31 December 2021: 61.10%)	
Financial liability						
Derivative financial instrument	(6)	(286)	Level 3	Binomial model	Discount rate: 13.78% Volatility: 88.43% (31 December 2021: Discount rate: 6.98%, Volatility: 77.38%)	(ii)
	1,678,160	839,719				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy (continued)

During the six-month periods ended 30 June 2022 and 2021, there were no transfers between Level 1 and 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes:

- (i) If the volatility of the Suntrust's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax profit for the six-month period ended 30 June 2022 would have increased/decreased by approximately HK\$13,844,000 (year ended 31 December 2021: approximately HK\$8,818,000) (as a result of changes in fair value of derivative financial instruments).
- (ii) If the volatility of the Company's share price or discount rate had been 5% higher/lower while all other variables were held constant, the Group's post-tax profit for the six-month period ended 30 June 2022 would have decreased/increased by approximately HK\$1,000 and HK\$307,000 respectively (year ended 31 December 2021: approximately HK\$14,000 and HK\$226,000 respectively) (as a result of changes in fair value of derivative financial instrument).

b) Reconciliation of Level 3 fair value measurement of financial instruments

Investment carried at FVTPL

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At the beginning of the period	839,719	988,854
Addition during the period	913,020	–
Fair value (losses)/gains recognised in profit or loss during the period (Note)	(74,579)	637
At the end of the period	1,678,160	989,491

Note:

Fair value loss during the period in respect of investment carried at FVTPL was recognised, included and disclosed under "fair value (losses)/gains on derivative financial instruments" in the condensed consolidated statement of profit or loss and other comprehensive income.

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25. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2021 (Audited), 31 December 2021 (Audited) and 30 June 2022 (Unaudited)	6,000,000,000	150,000
Issued and fully paid:		
At 1 January 2021 (Audited), 31 December 2021 (Audited) and 30 June 2022 (Unaudited)	4,509,444,590	112,736

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

26. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six-month period ended 30 June 2022:

(a) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period were as follows:

	Six-month period ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term benefits	5,305	3,934
Post-employment benefits	14	9
	5,319	3,943

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

26. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Transaction with non-controlling shareholders of a subsidiary:		
Imputed interest expense on the Convertible Loan	4,282	4,009
Transactions with fellow subsidiaries:		
Interest income from derivative financial instruments	28,229	27,097
Interest income from the Loan	24,856	6,738
Interest income from a fellow subsidiary	69	–
Transaction with a fellow subsidiary of a non-controlling shareholder of a subsidiary:		
Marketing fee income	–	95

27. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period and up to the date of this report, the exchange rate of RUB has depreciated by approximately 20% against HK\$. The Group is mainly exposed to currency risk arising from RUB against HK\$, the functional currency of the Group. The carrying amounts of the Group's RUB denominated monetary assets and liabilities at the reporting date are approximately HK\$555,032,000 and HK\$70,544,000 respectively. Based on the sensitivity analysis including outstanding RUB denominated monetary items and adjusting their translation at the end of the reporting period, a decrease of approximately HK\$80,748,000 in post-tax profit for the period is indicated where RUB weaken 20% against HK\$.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of each director (the "Director") of Summit Ascent Holdings Limited (the "Company", together with its subsidiaries collectively as the "Group") in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange were as follows:

(i) Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of the Company (Note 1)

<u>Name of Directors</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of ordinary shares of the Company held</u>	<u>Approximate % of total issued shares of the Company</u>
Mr. Lo Kai Bong ("Mr. Lo")	Interest of controlled corporations (Note 2)	3,146,533,811	69.77%
Mr. Li Chak Hung ("Mr. Li")	Beneficial owner	400,000	0.00%

(b) Share options granted by the Company (Notes 3 & 4)

<u>Name of Directors</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of underlying shares of the Company held pursuant to share options</u>	<u>Approximate % of total issued shares of the Company</u>
Mr. Lau Yau Cheung ("Mr. Lau")	Beneficial owner	937,500	0.02%
Mr. Li	Beneficial owner	937,500	0.02%

OTHER INFORMATION

Notes:

- As at 30 June 2022, the total number of issued shares of the Company was 4,509,444,590.
- LET Group Holdings Limited ("LET", formerly known as Suncity Group Holdings Limited), the listed holding company of the Company, is the beneficial owner of 123,255,000 shares of the Company and is also interested in 3,018,306,811 shares of the Company through its wholly-owned subsidiary, Victor Sky Holdings Limited ("Victor Sky"). As at 30 June 2022, LET was majority controlled by Major Success Group Limited ("Major Success"), which is wholly-owned by Mr. Lo. In addition, Better Linkage Limited ("Better Linkage"), a company wholly-owned by Mr. Lo, is the beneficial owner of 520,000 shares of the Company and is also interested in 4,452,000 shares of the Company through its wholly-owned subsidiary Ever Smart Capital Limited ("Ever Smart"). By virtue of the SFO, Mr. Lo is deemed to be interested in 3,146,533,811 shares of the Company held by LET, Victor Sky, Better Linkage and Ever Smart collectively.
- The options granted to the Directors are registered under the name of the Directors who are also beneficial owners.
- Details of share options granted to the Directors pursuant to the share option scheme of the Company as set out in the section headed "Share Option Scheme" of this report.

(II) Long positions in the shares and underlying shares of an associated corporation of the Company

(a) Ordinary shares of LET (Note 1)

Name of Directors	Capacity/ Nature of Interest	Number of ordinary shares of LET held	Approximate % of total issued shares of LET
Mr. Lo	Beneficial owner	1,230,000	0.02%
	Interest of controlled corporations (Note 2)	4,997,413,335	74.95%
		<u>4,998,643,335</u>	<u>74.97%</u>
Mr. Chiu King Yan ("Mr. Chiu")	Beneficial owner	80,000	0.00%

(b) Equity derivatives of LET

Name of Director	Capacity/Nature of Interest	Number of underlying shares of LET held pursuant to convertible bonds of LET	Approximate % of total issued shares of LET
Mr. Lo	Interest of controlled corporations (Note 3)	1,876,153,845	28.13%

OTHER INFORMATION

(c) Share options granted by LET

Name of Directors	Capacity/ Nature of Interest	Number of underlying shares of LET held pursuant to share options of LET	Approximate % of total issued shares of LET
Mr. Lo	Beneficial owner (Note 4)	40,000,000	0.59%
Mr. Chiu	Beneficial owner (Note 5)	6,000,000	0.09%

Notes:

- As at 30 June 2022, the total number of issued shares of LET was 6,667,972,746.
- As at 30 June 2022, LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. In addition, Better Linkage, a company wholly-owned by Mr. Lo, is the beneficial owner of 1,250,000 shares of LET and is also interested in 4,520,000 shares of LET through its wholly-owned subsidiary Ever Smart. By virtue of the SFO, Mr. Lo is deemed to be interested in 4,997,413,335 shares of LET owned by Major Success, Better Linkage and Ever Smart collectively.
- This represents the maximum of (i) 1,546,153,846 conversion shares issuable upon the full conversion of the convertible bonds up to 7 December 2022; (ii) 196,666,666 conversion shares issuable upon the full conversion of convertible bonds up to 28 August 2022 and (iii) 133,333,333 conversion shares issuable upon the full conversion of convertible bonds up to 28 August 2022, issued by LET at the initial conversion prices of HK\$0.26, HK\$0.90 and HK\$0.90 respectively (subject to adjustment) and owned by Major Success, which is wholly-owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in 1,876,153,845 underlying shares of LET owned by Major Success.
- These share options of LET granted on 4 September 2017 at an exercise price of HK\$0.455 per share are divided into 3 tranches: 8,000,000 share options are exercisable from 4 September 2017, 12,000,000 share options are exercisable from 4 September 2018 and the remaining 20,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for shares of LET. The closing price of the shares of LET on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK\$0.460.
- These share options of LET granted on 4 September 2017 at an exercise price of HK\$0.455 per share are divided into 3 tranches: 1,200,000 share options are exercisable from 4 September 2017, 1,800,000 share options are exercisable from 4 September 2018 and the remaining 3,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for shares of LET. The closing price of the shares of LET on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK\$0.460.

Save as disclosed above, so far as known to any Directors as at 30 June 2022, none of the Directors and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

OTHER INFORMATION

SHARE OPTION SCHEME (Note 1)

Details of the share options outstanding at 30 June 2022 under the share option scheme of the Company are as follows:

Category of Participants	As at 1 January 2022 and 30 June 2022 (Note 4)	Date of grant	Exercise price (HK\$)	Notes
Directors				
Mr. Li	937,500	13 December 2018	1.05	2
Mr. Lau	<u>937,500</u>	13 December 2018	1.05	2
	1,875,000			
Employees	10,621,875	13 December 2018	1.05	2
Consultant	<u>1,000,000</u>	2 November 2020	0.912	3
	<u>13,496,875</u>			
Exercisable at the end of the period	<u>13,096,875</u>			

Notes:

- Each option gives the holder the right to subscribe for one share of the Company and the vesting period of the share options is from the date of grant until the commencement of the exercise period.
- The share options granted on 13 December 2018 are exercisable from 13 December 2018 until 12 December 2023. The closing price of the Company's shares on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK\$0.98. The exercise price was adjusted from HK\$0.98 to HK\$1.05 as a result of the rights issue completed on 15 October 2020.
- The share options granted on 2 November 2020 are divided into 3 tranches, 30% of which is exercisable from 2 November 2020, 30% of which is exercisable from 2 November 2021 and the remaining 40% is exercisable from 2 November 2022 respectively until 1 November 2025. The closing price of the Company's shares on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK\$0.89.
- During the six-month period ended 30 June 2022, no share options were granted, exercised, cancelled or lapsed under the share option scheme of the Company. The weighted average exercise price of the share options outstanding is HK\$1.04 at 1 January 2022 and 30 June 2022.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2022, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest or a short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Ordinary shares of the Company (Note 1)

Name	Capacity/ Nature of interest	No. of shares of the Company	Approximate % of total issued shares of the Company
LET	Beneficial owner	123,255,000	2.73%
	Interest of controlled corporations (Note 2)	3,018,306,811	66.93%
		<hr/>	<hr/>
		3,141,561,811	69.66%
Victor Sky	Beneficial owner (Note 2)	3,018,306,811	66.93%
Major Success	Interest of controlled corporations (Note 2)	3,141,561,811	69.66%
Mr. Lo	Interest of controlled corporations (Note 2)	3,146,533,811	69.77%

Notes:

1. As at 30 June 2022, the total number of issued shares of the Company was 4,509,444,590.
2. LET is the beneficial owner of 123,255,000 shares of the Company and is also interested in 3,018,306,811 shares of the Company through its wholly-owned subsidiary, Victor Sky. As at 30 June 2022, LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. In addition, Better Linkage, a company wholly-owned by Mr. Lo is the beneficial owner of 520,000 shares of the Company and is also interested in 4,452,000 shares of the Company through its wholly-owned subsidiary Ever Smart. By virtue of the SFO, Mr. Lo is deemed to be interested in 3,146,533,811 shares of the Company held by LET, Victor Sky, Better Linkage and Ever Smart collectively.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person (other than the Directors) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGE IN CONTROLLING SHAREHOLDER

Mr. Lo, Deputy Chairman and Executive Director of the Company (as at the date of this report), has become the controlling shareholder of the Company since 13 May 2022, details of which are disclosed in the Company's announcement dated 6 July 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. Our business culture and practices are founded upon a common set of values governing our relationships with customers, employees, shareholders, suppliers and the communities in which we operate.

The Company has complied with the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") with the exception of code provision F.2.2 during the six-month period ended 30 June 2022.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Lo, Deputy Chairman of the Board at the date of the annual general meeting, was unable to attend the annual general meeting of the Company held on 27 May 2022 due to his other business commitment. The Board has arranged for Mr. Chiu, an Executive Director of the Company, 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. Lo and to respond to questions from the shareholders of the Company. The Company will continue to optimise the planning and procedures of annual general meetings by, for example exploring the use of technology, to minimise the impact of any future unpredictable episode and facilitate the Chairman of the Board to attend future annual general meetings of the Company.

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

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

Terms of reference of the aforesaid committees have been posted on the Company's website at www.saholdings.com.hk under the "Corporate Governance" section.

CHANGES OF COMPANY SECRETARY

With effect from 29 June 2022, Ms. Ho Siu Pik has tendered her resignation as the company secretary of the Company (the "Company Secretary") and Ms. Charlotte Chee ("Ms. Chee") has been appointed as the Company Secretary, details of which are disclosed in the Company's announcement dated 29 June 2022.

With effect from 23 August 2022, Ms. Chee has tendered her resignation as the Company Secretary and Ms. Mok Ming Wai has been appointed as the Company Secretary, details of which are disclosed in the Company's announcement dated 23 August 2022.

OTHER INFORMATION

SECURITIES TRANSACTIONS BY DIRECTORS

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 of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards as set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2022.

UPDATE ON DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the Company's 2021 Annual Report and up to the date of this report are set out below:

Name of Directors	Details of changes
Mr. Lo	<p>Became a substantial shareholder of the Company through LET, which is a corporate substantial shareholder of the Company on 13 May 2022.</p> <p>Entered into a letter of appointment with the Company on 26 April 2022, for a term of three years commencing from 26 April 2022 and expiring on 25 April 2025, which term will be automatically renewed for consecutive term(s) of three years.</p> <p>Entered into a supplemental letter with the Company on 1 August 2022 in respect of benefits in kind borne by the Company of approximately HK\$2,400,000 per annum, representing the estimated money value of the annual market rental of the accommodation provided to Mr. Lo.</p>
Mr. Chua Ming Huat David ("Mr. Chua")	<p>Resigned as the chairman of Travellers International Hotel Group, Inc. ("Travellers", stock code: RWM), the developer and operator of Newport World Resorts (formerly known as Resorts World Manila), which was listed on The Philippine Stock Exchange, Inc. until its voluntary delisting on 21 October 2019, with effect from 29 March 2022, but remains as a director of Travellers.</p> <p>Entered into a letter of employment with the Group commencing from 1 April 2022 which superseded the letter of appointment dated 29 March 2021 entered into between the Company and Mr. Chua, and entitled to a monthly salary of HK\$300,000 since 29 March 2021 and a one-time signing bonus of HK\$300,000.</p>

OTHER INFORMATION

Name of Directors	Details of changes
Mr. Chiu	Entered into a letter of appointment with the Company for a term of three years commencing from 26 April 2022 and expiring on 25 April 2025, which term will be automatically renewed for consecutive term(s) of three years.
Mr. Lam Kwan Sing	<p>Resigned as chief executive officer and an executive director of Sfund International Holdings Limited (stock code: 1367, a company listed on the Hong Kong Stock Exchange) with effect from 2 April 2022 and 30 June 2022 respectively.</p> <p>Entered into a letter of appointment with the Company for a term of three years commencing from 14 June 2022 and expiring on 13 June 2025, which term will be automatically renewed for consecutive term(s) of three years.</p>

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the 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 Audit Committee has reviewed the interim report for the six-month period ended 30 June 2022 which was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

During the six-month period ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE INFORMATION *(Note)*

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Kai Bong (*Deputy Chairman*)
Mr. Chua Ming Huat David
(*Chief Executive Officer*)
Mr. Chiu King Yan

Independent Non-executive Directors

Mr. Lam Kwan Sing
Mr. Lau Yau Cheung
Mr. Li Chak Hung

AUDIT COMMITTEE

Mr. Li Chak Hung (*Chairman*)
Mr. Lam Kwan Sing
Mr. Lau Yau Cheung

REMUNERATION COMMITTEE

Mr. Lam Kwan Sing (*Chairman*)
Mr. Lau Yau Cheung

NOMINATION COMMITTEE

Mr. Lau Yau Cheung (*Chairman*)
Mr. Lam Kwan Sing

CORPORATE GOVERNANCE COMMITTEE

Mr. Lam Kwan Sing (*Chairman*)
Mr. Li Chak Hung

COMPANY SECRETARY

Ms. Mok Ming Wai
(*Appointed on 23 August 2022*)
Ms. Charlotte Chee
(*Appointed on 29 June 2022 and
resigned on 23 August 2022*)
Ms. Ho Siu Pik
(*Resigned on 29 June 2022*)

REGISTERED OFFICE

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Fax: (852) 3167-7980
Email: info@saholdings.com.hk

PRINCIPAL BANKERS

Dah Sing Bank, Limited
Bank of Communications Co., Ltd.,
Hong Kong Branch
PJSC Bank Primorye
PJSC Sberbank
Alfa-Bank

AUDITOR

Crowe (HK) CPA Limited
(*Registered Public Interest Entity
Auditors*)

LEGAL ADVISOR

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Bermuda

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Hong Kong

STOCK CODE

102 (Listed on the Hong Kong
Stock Exchange)

WEBSITE

www.saholdings.com.hk

Note: As of the date of this report.