

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

INTERIM REPORT  
2021



Tigre ★★★★★  
de Cristal  
Hotel & Resort



太陽城集團控股有限公司  
SUNCITY GROUP HOLDINGS LIMITED

A subsidiary of Suncity Group Holdings Limited

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## HIGHLIGHTS

- The Group's total revenue was HK\$129.5 million in the 1H 2021, up 35% compared to HK\$96.0 million in the 1H 2020 when Tigre de Cristal suspended its operations for about 3 months temporarily due to the outbreak of COVID-19 in early 2020.
- The Group continued to focus on the local market in the Russian Federation and recorded a positive Adjusted EBITDA of HK\$17.2 million in the 1H 2021, compared to a negative Adjusted EBITDA of HK\$22.1 million in the 1H 2020.
- Loss attributable to owners of the Company was approximately HK\$131,000 in the 1H 2021, significantly improved when compared to HK\$47.0 million in the 1H 2020.
- The Group continues to maintain a strong financial position with HK\$635.3 million of bank balances and cash as at 30 June 2021 and is currently all equity financed without any bank borrowing.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

G1 Entertainment holds a gaming license granted by the Russian government for an indefinite period and the development rights on three adjacent parcels of land, namely Lot 8, Lot 9 and Lot 10 with site areas of approximately 73,000 square metres, 90,000 square metres and 154,000 square metres respectively, in the Integrated Entertainment Zone of the Primorye Region (the “IEZ Primorye”) of the Russian Far East, which is the largest of five designated zones in the Russian Federation where gaming and casino activities are legally permitted. The first integrated resort of the Group, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. Lot 8 is partly erected with dormitories, gas-powered station and storage area, called the utility zone. The remaining portion of Lot 8 and the entire Lot 10 are vacant land currently, held for the phased development of Tigre de Cristal in the future.

The features of Tigre de Cristal are as follows:

- Approximately 36,000 square metres of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- The finest luxury 5-Star hotel in the Russian Far East with 121 rooms and suites, which was named “Russia’s Leading Resort” at the Europe Gala Ceremony 2018 and one of the nominees in both 2019 and 2020 organised by World Travel Awards;
- Fine dining in 2 restaurants, Western and Pan-Asian cuisines with a new hot pot section, and 3 casual bars;
- Virtual golf zone, and a private club with karaoke rooms;
- A convenience store, a Tigre de Cristal branded shop, a high-end diamond and luxury watch boutique “DOMINO” and a Montblanc outlet; and
- A brand-new Suncity Premium Club.

Since October 2020, the Company has become a subsidiary of Suncity Group Holdings Limited (“Suncity”), a company listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The ongoing impact of COVID-19 pandemic continues to cause a significant deterioration in economic conditions under which the Group has been operating. Tigre de Cristal is domiciled in the Russian Federation. Various travel and entry restrictions in the Russian Federation and the neighboring countries remain in place, which understandably have an adverse effect on the visitation of Tigre de Cristal and a negative impact on its rolling chip business in particular. We are currently unable to determine when certain of these measures will be lifted though the development of vaccines against COVID-19 is making progress. The Russian government is swinging into action to launch mass vaccination programme against COVID-19 by using its own vaccines to help chart a way out of the crisis in the hope that its economy will burst back to life going forward. The staff in Tigre de Cristal has started to receive the free vaccination since the beginning of February 2021.

Management has worked diligently to monitor the potential implications of the pandemic on the business and assessed the Group’s working capital requirements as well as its capital projects under development. In the first half of 2021 (the “1H 2021”), Tigre de Cristal continued to focus on the local market in the mass table and electronic gaming segments and generated a positive Adjusted EBITDA of HK\$17.2 million, compared to a negative Adjusted EBITDA of HK\$22.1 million for the first half of 2020 (the “1H 2020”) when Tigre de Cristal suspending its gaming operations for about 3 months temporarily until 15 July 2020 according to the suggestions of the Russian government. As at 30 June 2021, the Group had HK\$635.3 million in bank balances and cash. The Group is currently all equity financed without any bank borrowing.

### SHORT TERM LOAN TO A FELLOW SUBSIDIARY

On 23 February 2021, Suntrust Home Developers, Inc. (“SunTrust”), a company incorporated in the Philippines with its shares listed on The Philippine Stock Exchange, Inc. and a subsidiary of Suncity, as borrower entered into a loan agreement (the “Loan Agreement”) with the Group as lender, pursuant to which the Group shall provide a loan in the principal amount of US\$120 million (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. 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 Phase II development of Tigre de Cristal (the “TdC Phase II”), including design, procurement of construction materials, tendering and associated payments, part of the net proceeds from the Company’s rights issue completed on 15 October 2020 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.

The entering into of the Loan Agreement constituted a major and connected transaction for the Company under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), which was approved by the independent shareholders of the Company at the special general meeting held on 20 April 2021. 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.

The Loan advanced to SunTrust, which exceeded 8% of the assets ratio of the Company as at 30 June 2021 as defined under Rule 14.07(1) of the Listing Rules, constituted an advance to an entity in accordance with the disclosure requirements of Rule 13.20 of the Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS

### APPOINTMENT OF EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Chua Ming Huat David has been appointed as Executive Director and Chief Executive Officer of the Company with effect from 1 May 2021. Details of the appointment are disclosed in the Company's announcement dated 29 March 2021.

### OUTLOOK

The COVID-19 pandemic continues to be the most prevalent uncertainty in our business operating environment. While we are being pragmatic in controlling costs across the board, we have been able to crystallise some of the temporary savings into permanent ones by improving efficiencies. We continue to remain cautiously optimistic in the long run for the Group as its long-term fundamentals remain solid and has not been affected by the pandemic.

Under the pandemic, even with zero foreign tourists, Tigre de Cristal was already able to generate a positive EBITDA merely based on local Russian mass and slots businesses, which act as downside protection for the Group. The Group has a strong balance sheet, solid cash and no debt. Unlike some gaming operators which may add leverage to their balance sheets during the pandemic, we have never raised any debt to weather this storm. The cash we have on our balance sheet offers us the flexibility to develop for growth while sustaining through the pandemic.

Secondly, the Russian Federation is blessed as it has access to the self-developed vaccines, which means that as vaccination rates in the country continue to be improved, it is less likely that mandatory closure of the integrated resorts will be required again. Therefore, we believe that the worst-case scenario was being affected by the pandemic has already passed, and as long as the COVID-19 situation remains under control in the Russian Federation, mandatory complete closure is relatively unlikely to happen again.

Thirdly, the hardware for our main growth drivers are ready. The brand-new Suncity Premium Club and the hot pot restaurant are now fully operational in Tigre de Cristal, pending border reopening for full utilisation. In the short run, while our operating expenses can be sustained through continued operations supported by the local mass and slots businesses, growth in premium mass and business from Suncity Premium Club will depend heavily on border policies because of the reliance on tourism in these two segments. As the world continues to fight back the virus with improving vaccination rates, it sets the scene to allow talks of border reopening between countries soon.

In addition, we are excited to observe that international flights are resuming to the Vladivostok International Airport from 2021 onwards from places such as Seoul and Tokyo. Although the number of tourists arriving at Vladivostok via these flights is low due to back-and-forth quarantine requirements, we are confident on the overall long-term appeal of the IEZ Primorye. Together with the recent and would-be openings of new integrated resorts in the IEZ Primorye, the cluster effect can draw tourists and turn the area into a leisure destination on its own. The uncertainty in land-based gaming developments in Japan also poses an opportunity for the IEZ Primorye to fill this gap as it is only a short flight away for Japanese tourists.

Finally, plans for expansion are continuing to move forward. When TdC Phase II is ready in 2023, Tigre de Cristal will triple the number of existing rooms and double the number of gaming equipment. Through the investment in the convertible bonds in the principal amount of PHP5.6 billion with a 6% coupon rate issued by SunTrust (the "SunTrust CB"), the Group is diversifying into the Philippines gaming market. SunTrust is the sole and exclusive operator and manager of an integrated resort in the Philippines (the "Main Hotel Casino") expected to commence operations in 2023. Leveraging on Suncity's successful experience in the gaming industry, we are confident that both TdC Phase II and the Main Hotel Casino will become key growth drivers for the Group when they are both up and running.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Adjusted EBITDA of Tigre de Cristal

Adjusted EBITDA generated by Oriental Regent 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.

The Group recorded a positive Adjusted EBITDA of HK\$17.2 million in the 1H 2021, versus a negative Adjusted EBITDA of HK\$22.1 million in the 1H 2020. The following table sets forth a reconciliation of Adjusted EBITDA to the reported loss for the period attributable to owners of the Company as per the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June 2021.

*Reconciliation of Adjusted EBITDA to the loss for the six-month period ended 30 June 2021 attributable to owners of the Company*

	<b>Six-month period ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Gross revenue from rolling chip business	–	50,008
Less: Rebates	–	(32,484)
Revenue from rolling chip business	–	17,524
Revenue from mass table business	<b>54,568</b>	33,504
Revenue from electronic gaming business	<b>68,152</b>	41,237
<b>Net revenue from gaming operations</b>	<b>122,720</b>	92,265
Revenue from hotel operations	<b>6,732</b>	3,702
<b>Total revenue from gaming and hotel operations</b>	<b>129,452</b>	95,967
Add: Other income	<b>430</b>	565
Other gains and losses	<b>228</b>	(7,006)
Less: Gaming tax	<b>(3,520)</b>	(3,693)
Inventories consumed	<b>(5,231)</b>	(2,815)
Marketing and promotion expenses	<b>(5,796)</b>	(3,752)
Employee benefits expenses	<b>(57,884)</b>	(64,289)
Other expenses	<b>(40,508)</b>	(37,126)
<b>Total expenses</b>	<b>(112,939)</b>	(111,675)
<b>Adjusted EBITDA of Tigre de Cristal</b>	<b>17,171</b>	(22,149)

## MANAGEMENT DISCUSSION AND ANALYSIS

	Six-month period ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Add: Management fee payable to the Company	3,699	2,781
Less: Company corporate expenses	<u>(10,796)</u>	<u>(9,550)</u>
	<b>10,074</b>	(28,918)
Add: Interest income from derivative financial instrument	<b>27,097</b>	–
Interest income from short term loan to a fellow subsidiary	<b>6,738</b>	–
Bank interest income	<b>3,817</b>	5,824
Less: Income tax expense	<b>(6,824)</b>	(113)
Interest on lease liabilities	<b>(294)</b>	(317)
	<b>40,608</b>	(23,524)
<i>Non-cash items:</i>		
Add: Fair value gains on derivative financial instruments	<b>638</b>	–
Less: Depreciation and amortisation	<b>(41,040)</b>	(43,008)
Imputed interest expenses	<b>(5,594)</b>	(14,530)
Net exchange losses	<b>(2,588)</b>	(8,095)
Share-based compensation benefits	<b>(88)</b>	–
	<b>(8,064)</b>	(89,157)
<b>Loss for the period of the Group</b>	<b>(8,064)</b>	(89,157)
Add: Loss for the period attributable to non-controlling interests	<b>7,933</b>	42,182
	<b>(131)</b>	(46,975)
<b>Loss for the period attributable to owners of the Company</b>	<b>(131)</b>	(46,975)

### Revenue and Segment Reporting

The Group operates in only one operating and reportable segment, i.e. the gaming and hotel operations in the IEZ Primorye of the Russian Far East. Almost all non-current assets of the Group are located in the Russian Federation. Accordingly, the Group does not present separate segment information other than entity-wide disclosures.

Revenue of the Group, comprising revenue from gaming operations and hotel operations, was HK\$129.5 million in the 1H 2021, increased by 35% compared to HK\$96.0 million in the 1H 2020.



## 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:

	<b>1H 2021</b> <i>HK\$'000</i>	<b>Share of GGR</b> %	1H 2020 <i>HK\$'000</i>	Share of GGR %
Rolling chip business	–	–	50,008	39.3%
Mass table business	<b>68,514</b>	<b>49.3%</b>	35,697	28.1%
Electronic gaming business	<b>70,559</b>	<b>50.7%</b>	41,456	32.6%
<b>Total GGR</b>	<b>139,073</b>	<b>100.0%</b>	127,161	100.0%

### Rolling chip business

Our rolling chip business primarily targets foreign players. The table below sets forth the key performance indicators of our rolling chip business in 2021 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2021	Q2 2021	<b>1H 2021</b>	1H 2020
Rolling chip volume	–	–	–	1,192
Gross win	–	–	–	50
Less: Rebate	–	–	–	(32)
Net win after rebate	–	–	–	18
Gross win rate %	–	–	–	4.19%
Daily average number of tables opened <i>(Note)</i>	–	–	–	14

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

Due to the COVID-19 pandemic, no rolling chip activities has been noted in the 1H 2021. Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was HK\$1.2 billion in the 1H 2020. Net win after all commissions rebated directly or indirectly to customers from rolling chip business was HK\$18 million in the 1H 2020. Gross win rate percentage (represented the ratio of gross win to rolling chip volume) was 4.19% in the 1H 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2021 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2021	Q2 2021	<b>1H 2021</b>	1H 2020
Mass table drop	123	114	<b>237</b>	141
Net win	24	31	<b>55</b>	34
Net win rate %	19.5%	27.2%	<b>23.2%</b>	24.1%
Daily average number of tables opened <i>(Note)</i>	24	23	<b>24</b>	24

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

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased remarkably by 68% to HK\$237 million in the 1H 2021, compared to HK\$141 million in the 1H 2020. Net win from mass table business increased by 62% to HK\$55 million in the 1H 2021, compared to HK\$34 million in the 1H 2020. Net win rate percentage (represented net win as a percent of mass table drop) decreased slightly from 24.1% in the 1H 2020 to 23.2% in the 1H 2021.

### Electronic gaming business

Our electronic gaming business primarily targets the local Russian market. The table below sets forth the key performance indicators in 2021 on a quarterly basis.

<i>(HK\$'million)</i>	Q1 2021	Q2 2021	<b>1H 2021</b>	1H 2020
Electronic gaming volume	782	781	<b>1,563</b>	810
Net win	33	35	<b>68</b>	41
Net win rate %	4.2%	4.5%	<b>4.4%</b>	5.1%
Daily average number of electronic gaming machines deployed <i>(Note)</i>	285	297	<b>291</b>	304

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

## MANAGEMENT DISCUSSION AND ANALYSIS

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was HK\$1,563 million in the 1H 2021, increased significantly by 93% compared to HK\$810 million in the 1H 2020. The electronic gaming business recorded net win of HK\$68 million, increased by 66% compared to HK\$41 million in the 1H 2020. The net win rate percentage decreased to 4.4% in the 1H 2021 from 5.1% in the 1H 2020. The average number of electronic gaming machines deployed slightly decreased by 4% to 291 units in the 1H 2021, compared to 304 units in the 1H 2020.

### Hotel Operations

Revenue from hotel operations, despite largely dependent on foreign tourists, steadily increased to HK\$6.7 million in the 1H 2021 or by 82% compared to the 1H 2020. Average hotel occupancy rates increased to 44% (1H 2020: 15%) during weekends and 21% (1H 2020: 20%) during weekdays in the 1H 2021.

### Other Income, Other Gains and Losses

In the 1H 2021, the Group recognised interest income of HK\$27.1 million and HK\$6.7 million from the SunTrust CB and the Loan respectively (1H 2020: Nil).

The Group also recognised fair value gains on derivative financial instruments of HK\$638,000 in the 1H 2021 (1H 2020: Nil), which was due to the SunTrust CB and the convertible bonds issued by the Company.

### 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 continued to maintain stringent cost controls measures during the period. Total operating costs of the Group, including inventories consumed, marketing and promotion expenses, employee benefits expenses and other expenses but excluding finance costs, depreciation and amortisation, were HK\$116.6 million in the 1H 2021, slightly increased by 2% compared to HK\$114.8 million in the 1H 2020 in spite of an increase in total revenue by 35% for the same period. In particular, the Group's employee benefits expenses decreased to HK\$64.0 million in the 1H 2021, down 9.1% compared to HK\$70.4 million in the 1H 2020.

Depreciation and amortisation of the Group decreased by 5% to HK\$41.0 million in the 1H 2021, compared to HK\$43.0 million in the 1H 2020, when some assets of the Group becoming fully depreciated.

### Finance Costs

Finance costs of the Group, primarily comprised non-cash imputed interest on the interest-free loans from non-controlling shareholders of Oriental Regent by applying the effective interest method at recognition, were HK\$5.9 million in the 1H 2021, representing a decrease of 60% compared to HK\$14.8 million in the 1H 2020. The decrease was in line with the gradual decline in the outstanding balances of the loans from non-controlling shareholders of Oriental Regent in 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gaming Tax

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

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

On 16 July 2020, the local government of the Primorye Region unanimously approved a bill to grant gaming tax exemption to lower the gaming tax rates to RUB50,000 per gaming table and RUB3,000 per electronic gaming machine for four months from July to October 2020, which was subsequently extended to December 2020, due to the COVID-related restrictions applied for the operations of Tigre de Cristal.

In the 1H 2021, the monthly rates per gaming table and per gaming machine applicable to Tigre de Cristal were RUB125,000 and RUB7,500 respectively, resulting in total gaming tax of approximately HK\$3.5 million (1H 2020: HK\$3.7 million), which corresponded to approximately 3% of the Group's net gaming revenue for the period.

### Income Tax Expense

No provision for taxation in Hong Kong has been made as the Group has no assessable profit in the 1H 2021 and the 1H 2020. As at 30 June 2021, the Group had unused tax losses of HK\$33.1 million (31 December 2020: HK\$31.9 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 2021, the Group had unused tax losses of approximately HK\$578.5 million (31 December 2020: approximately HK\$559.6 million) available under Russian corporate tax and all losses may be carried forward indefinitely. The Group believes that these unrecognized tax losses are adequate to offset any adjustments related to uncertain tax matters that might be proposed by the Russian tax authorities.

The Group is subject to the Philippine withholding tax of 20% on the gross interest income from the SunTrust CB and the Loan to the Company.

### Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was approximately HK\$131,000 in the 1H 2021, significantly improved when compared to HK\$47.0 million in the 1H 2020.

## 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\$3,398.2 million at 30 June 2021 (31 December 2020: HK\$3,398.3 million).

There was no outstanding bank borrowing throughout the 1H 2021 (1H 2020: Nil). Thus, the Group's gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 30 June 2021 (31 December 2020: 0%).

As at 30 June 2021 and 31 December 2020, the principal amount of loans from non-controlling shareholders of Oriental Regent were US\$24.6 million (approximately HK\$191.0 million), being unsecured, unguaranteed and non-interest bearing. No repayment has been made in the 1H 2021 as the loans will be repaid by Oriental Regent only if there are sufficient free cash flows generated from the operations to make the repayment.

On 16 November 2020, the Company issued the US\$3,000,000, 5-year zero-coupon convertible bonds to settle the acquisition of 2.5% interest in Oriental Regent together with the US\$1,892,275 shareholder's loan due and owing by Oriental Regent, which is convertible to shares of the Company at the initial conversion price of HK\$3.5 per share.

The Group remains conservative in its working capital management. As at 30 June 2021, net current assets of the Group were HK\$1,573.8 million (31 December 2020: HK\$1,548.5 million) and the current ratio (represented a comparison of current assets to current liabilities) was 33.0, decreased slightly from 35.2 as at 31 December 2020. Bank balances and cash were HK\$635.3 million at 30 June 2021 (31 December 2020: HK\$1,562.3 million), comprised 30.0% in Hong Kong dollars, 24.6% in United States dollars, and 45.4% in Russian Rubles. The significant decrease was primarily due to granting the Loan. The majority of our cash equivalents as at 30 June 2021 was in fixed deposits with a maturity of three months or less generally.

The following table sets forth a summary of the Group's cash flows in the 1H 2021 and the 1H 2020:

	<b>1H 2021</b> <i>HK\$'000</i>	1H 2020 <i>HK\$'000</i>
Net cash generated from/(used in) operating activities	<b>8,896</b>	(8,419)
Net cash used in investing activities	<b>(934,144)</b>	(23,244)
Net cash used in financing activities	<b>(950)</b>	(2,104)
Net decrease in cash and cash equivalents	<b>(926,198)</b>	(33,767)
Cash and cash equivalents at the beginning of the period	<b>1,562,263</b>	860,698
Effect of foreign exchange rate changes	<b>(767)</b>	(10,260)
Cash and cash equivalents at the end of the period	<b>635,298</b>	816,671

## MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from operating activities of HK\$8.9 million in the 1H 2021 represented the cash inflows from the operations of Tigre de Cristal during the period. Net cash used in operating activities of HK\$8.4 million in the 1H 2020 represented the negative cash flows used by Tigre de Cristal.

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 investing activities of HK\$23.2 million in the 1H 2020 was mainly attributable to the payments for property, operating right and equipment of approximately HK\$15.1 million and VAT refunded under VAT arrangements to the Russian tax authority of approximately HK\$9.9 million.

Net cash used in financing activities of HK\$1.0 million in the 1H 2021 and HK\$2.1 million in the 1H 2020 primarily represented the repayment of lease liabilities.

### Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 30 June 2021 and 31 December 2020.

### Exposure to Fluctuations in Exchange Rates

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

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

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

### Capital Commitment

The Group's capital commitment as at 30 June 2021 amounted to approximately HK\$1,661,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (31 December 2020: HK\$2,884,000).

### Contingent Liabilities

There were no contingent liabilities as at 30 June 2021 and 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Employees

As at 30 June 2021, total number of employees employed by the Group was 1,039 (31 December 2020: 1,081). Currently, more than 97% of our full-time employees are Russian citizens (31 December 2020: 97%). The Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs. The Company has a share option program in place and occasionally may grant shares options to Directors, employees and consultants of the Group as incentives.

### ANTI-MONEY LAUNDERING POLICY

By the nature of its business, the Group has to deal with large amounts of money. Along with banks, insurance companies and others, Tigre de Cristal is considered as one of the "organisations carrying out operations in monetary funds or other assets" and is governed by the Russian Federal Law No. 115-FZ of 7 August 2001 "On Combating Money Laundering And Terrorist Financing" (the "AML/CFT"), which is aimed at protecting the rights and lawful interests of citizens, society and the state by means of building up legal mechanism to counter money laundering and terrorist financing. According to the Financial Action Task Force's Fourth Round of AML/CFT Mutual Evaluations Report of the Russian Federation published in December 2019, Russian authorities have an in-depth understanding of the country's money laundering and terrorist financing risks and a robust legal framework for combating terrorist financing, which is largely in line with international standards. Also, the Russian Federation has improved its legal framework and operational approach to enhance transparency of legal persons, which makes it more difficult to misuse a legal person established in the Russian Federation.

The Federal Tax Service of Russia is responsible for the AML/CFT supervision of casinos. Tigre de Cristal must undertake certain AML/CFT procedures, including mandatory review of pay-outs of more than RUB600,000 (equivalent to approximately HK\$63,000) in value and the filing of reports with the Federal Financial Monitoring Services of the Russian Federation, also known as Rosfinmonitoring, which is directly under the authority of the President of the Russian Federation and aimed to collect and analyze information about financial transactions in order to combat domestic and international money laundering, terrorist financing, and other financial crimes. Furthermore, Tigre de Cristal has adopted its own AML/CFT 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 16 to 33, which comprise the condensed consolidated statements of financial position as of 30 June 2021 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, 24 August 2021

#### **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 2021

	Notes	Six-month period ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from gaming and hotel operations	5	129,452	95,967
Other income	6	38,082	6,388
Other gains and losses	7	(1,721)	(15,101)
Gaming tax		(3,520)	(3,693)
Inventories consumed		(5,231)	(2,815)
Marketing and promotion expenses		(5,796)	(3,752)
Employee benefits expenses		(64,013)	(70,389)
Depreciation and amortisation		(41,040)	(43,008)
Other expenses	8	(41,565)	(37,794)
Finance costs	9	(5,888)	(14,847)
Loss before taxation		(1,240)	(89,044)
Income tax expense	10	(6,824)	(113)
Loss and total other comprehensive expense for the period	11	(8,064)	(89,157)
Loss and total other comprehensive expense for the period attributable to:			
Owners of the Company		(131)	(46,975)
Non-controlling interests		(7,933)	(42,182)
		(8,064)	(89,157)
		HK cents (Unaudited)	HK cents (Unaudited) (Restated)
Loss per share	13		
Basic		(0.003)	(2.33)
Diluted		(0.003)	(2.33)

The notes on pages 21 to 33 form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2021

	<i>Notes</i>	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, operating right and equipment	14	<b>1,336,423</b>	1,372,204
Right-of-use assets	14	<b>6,157</b>	6,921
Long-term prepayments and other non-current assets	15	<b>14,524</b>	14,961
Derivative financial instrument	16	<b>989,978</b>	989,690
Intangible assets		<b>330</b>	344
		<b>2,347,412</b>	2,384,120
<b>Current assets</b>			
Inventories		<b>2,563</b>	2,309
Trade and other receivables	17	<b>26,364</b>	22,783
Amount due from a fellow subsidiary		<b>27,068</b>	6,409
Short term loan to a fellow subsidiary	18	<b>931,632</b>	–
Bank balances and cash		<b>635,298</b>	1,562,263
		<b>1,622,925</b>	1,593,764
<b>Current liabilities</b>			
Contract liabilities, trade and other payables	19	<b>47,266</b>	43,140
Derivative financial instrument	20	<b>487</b>	836
Lease liabilities		<b>1,377</b>	1,335
		<b>49,130</b>	45,311
<b>Net current assets</b>		<b>1,573,795</b>	1,548,453
<b>Total assets less current liabilities</b>		<b>3,921,207</b>	3,932,573

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2021

	<i>Notes</i>	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Convertible bonds	20	17,068	16,449
Loans from non-controlling shareholders of a subsidiary	21	142,715	138,516
Liabilities for value-added tax ("VAT") arrangements	22	27,987	35,590
Lease liabilities		<u>4,499</u>	<u>5,104</u>
		<u>192,269</u>	<u>195,659</u>
<b>Net assets</b>		<u>3,728,938</u>	<u>3,736,914</u>
<b>Capital and reserves</b>			
Share capital	24	112,736	112,736
Reserves		<u>3,285,496</u>	<u>3,285,539</u>
<b>Equity attributable to owners of the Company</b>		<b>3,398,232</b>	3,398,275
<b>Non-controlling interests</b>		<u>330,706</u>	<u>338,639</u>
<b>Total equity</b>		<u>3,728,938</u>	<u>3,736,914</u>

The notes on pages 21 to 33 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 2021

	Attributable to owners of the Company				Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000			
At 1 January 2020 (Audited)	45,094	1,597,405	33,100	(31,211)	1,644,388	392,025	2,036,413
Loss and total comprehensive expense for the period	-	-	-	(46,975)	(46,975)	(42,182)	(89,157)
Forfeiture/ cancellation of share options	-	-	(9,161)	9,161	-	-	-
At 30 June 2020 (Unaudited)	45,094	1,597,405	23,939	(69,025)	1,597,413	349,843	1,947,256
<b>At 1 January 2021 (Audited)</b>	<b>112,736</b>	<b>3,148,184</b>	<b>23,316</b>	<b>114,039</b>	<b>3,398,275</b>	<b>338,639</b>	<b>3,736,914</b>
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

The notes on pages 21 to 33 form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

	Note	Six-month period ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>NET CASH GENERATED FROM/(USED IN)</b>			
<b>OPERATING ACTIVITIES</b>		<b>8,896</b>	(8,419)
<b>INVESTING ACTIVITIES</b>			
Short term loan advanced to a fellow subsidiary	18	(924,813)	–
Return of VAT refunded under VAT arrangements		(9,333)	(9,853)
Payment for property, operating right and equipment		(3,085)	(15,103)
Deposits paid for purchase of property, operating right and equipment		(1,123)	(4,438)
Interest received		3,817	5,824
Proceeds from disposal/written-off of property, operating right and equipment		393	326
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(934,144)</b>	(23,244)
<b>FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(656)	(1,787)
Interest paid for lease liabilities		(294)	(317)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(950)</b>	(2,104)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(926,198)</b>	(33,767)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>1,562,263</b>	860,698
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(767)</b>	(10,260)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH</b>		<b>635,298</b>	816,671

The notes on pages 21 to 33 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 2021

### 1. BASIS OF PREPARATION

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

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

### 2. SIGNIFICANT EVENTS IN THE CURRENT PERIOD

The Coronavirus Disease 2019 (“COVID-19”) pandemic since early 2020 has brought about additional uncertainties in the Group’s operating environment and has impacted the Group’s operations and financial position. Effective from 20 February 2020, as part of the efforts to contain the COVID-19 outbreak, the Russian government implemented temporary travel restrictions and border closures for tourists, which understandably had an adverse effect on the visitation of the Group’s integrated resort and a negative impact on its gaming and hotel operations.

Management has closely monitored the potential implications of the pandemic on the business and assessed the Group’s working capital requirements as well as its capital projects under development. In response to these, the Group has made operational adjustments to focus on the local Russian market and reduce its human resources and employee benefits expenses in an effort to reduce its cash outflows during the period. The Group is currently all equity financed without any bank borrowing. Based on the information currently available, the Directors believe that there was no material adverse change in the financial position of the Group up-to-the-date of these condensed consolidated financial statements.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instrument 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 2021 are the same as those used in the annual consolidated financial statements for the year ended 31 December 2020.

#### Application of amendments to HKFRSs

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 2021 and 31 December 2020, almost all non-current assets of the Group are located in the Russian Federation.

### 5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from gaming and hotel operations:		
– Gaming operations	122,720	92,265
– Hotel operations	6,732	3,702
	<b>129,452</b>	<b>95,967</b>

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from derivative financial instrument	27,097	–
Interest income from short term loan to a fellow subsidiary	6,738	–
Bank interest income	3,817	5,824
Rental income	181	109
Others	249	455
	<b>38,082</b>	<b>6,388</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 7. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value gains on derivative financial instruments	638	–
Gain on disposal/written-off of property, operating right and equipment	361	261
Exchange loss, net	(2,588)	(8,095)
Impairment losses recognised on other receivables, deposits and prepayments	(132)	(7,267)
	<b>(1,721)</b>	<b>(15,101)</b>

### 8. OTHER EXPENSES

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Security expenses	5,848	5,867
Bank charges	4,032	2,247
Utilities and fuel	3,741	2,996
Legal and professional fees	3,702	1,833
Repairs and maintenance expenses	3,260	3,168
Costs for employee relations	3,235	2,854
Non-recoverable VAT	2,389	3,632
Travel agency expenses	1,609	1,490
Insurance expenses	1,197	1,163
Communication and networking costs	752	818
Hotel supplies	700	368
Gaming supplies	625	1,322
Oversea travel expenses	206	365
Share based compensation benefits to a consultant	88	–
Sundry	10,181	9,671
	<b>41,565</b>	<b>37,794</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 9. FINANCE COSTS

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary	4,009	12,853
Imputed interest on VAT arrangements	989	1,677
Imputed interest on convertible bonds	596	–
Interest on lease liabilities	294	317
	<b>5,888</b>	<b>14,847</b>

### 10. INCOME TAX EXPENSE

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 2021 and 2020, 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 year; 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 instrument and short term loan to a fellow subsidiary incorporated in the Philippines.

### 11. LOSS FOR THE PERIOD

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of property, operating right and equipment	40,262	41,821
Depreciation of right-of-use assets	764	1,179
Amortisation of intangible assets	14	8
Total depreciation and amortisation	<b>41,040</b>	<b>43,008</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2021, nor has any dividend been proposed since 30 June 2021 (six-month period ended 30 June 2020: Nil).

### 13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$131,000 (six-month period ended 30 June 2020: approximately HK\$46,975,000) and the weighted average 4,509,444,590 ordinary shares (six-month period ended 30 June 2020: 2,019,567,209, restated) in issue during the period.

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

The computation of the diluted loss per share for the six-month period ended 30 June 2021 did not assume the exercise of the Company's outstanding share options and convertible bonds because the exercise price 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 decrease in loss per share.

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

The Group paid approximately HK\$3,085,000 (six-month period ended 30 June 2020: HK\$15,103,000) during the period mainly on gaming equipment. For the six-month period ended 30 June 2021, the Group also received proceeds of approximately HK\$393,000 (six-month period ended 30 June 2020: HK\$326,000) mainly from disposal of fixtures and 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 decreased revenues and temporarily suspending its gaming operations 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 2020: Nil).

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Long-term prepayments	13,533	13,533
Deposits for purchase of property, operating right and equipment	8,390	8,695
Less: Allowance	(7,399)	(7,267)
	991	1,428
	14,524	14,961

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 16. DERIVATIVE FINANCIAL INSTRUMENT

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Derivative financial instrument – designated at FVTPL	<b>989,978</b>	989,690

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

Derivative financial instrument represented the fair value of an investment in convertible bonds issued by SunTrust Home Developer, Inc. ("SunTrust"), a company incorporated in the Philippines, the shares of which are listed on The Philippines Stock Exchange, Inc. and is a fellow subsidiary of the Company. The principal amount of the convertible bonds is PHP5.6 billion (equivalent to approximately HK\$904,569,000), which can be converted into 3,111,111,111 ordinary shares of SunTrust at a conversion price of PHP1.8 per share from the inception date until the maturity date. The maturity date falling on the fifth anniversary of the issue date (i.e. year 2025) of the convertible bonds which may, subject to agreement by the holder of the convertible bonds upon request by SunTrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the convertible bonds.

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

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

For the six-month period ended 30 June 2021, the fair value gain of and interest income from the derivative financial instrument amounting to approximately HK\$288,000 and HK\$27,097,000 respectively (For the six-month period ended 30 June 2020: Nil) were recognised and disclosed under "Other gains and losses" in note 7 and "Other income" in note 6 respectively.

The fair value of the derivative financial instrument as at 30 June 2021 had been determined by Savills Valuation and Professional Services 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 value of the financial instrument at each subsequent measurement date were as follows:

	30 June 2021	31 December 2020
Share price of SunTrust (PHP)	1.72	1.67
Expected volatility (%) (Note a)	55.28%	60.20%
Expected option life (years)	4.5	5
Risk-free rate (%) (Note b)	2.76%	2.60%

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 2021

### 17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables	–	11
Prepayments	17,989	19,176
Other receivables and deposits (Note)	8,974	4,195
Less: Allowance	(599)	(599)
	<b>26,364</b>	<b>22,772</b>
	<b>26,364</b>	<b>22,783</b>

Note: This included an amount due from an employee of a substantial shareholder of the Company amounting to HK\$375,000 (31 December 2020: HK\$541,000) and represented the sum collected from patrons on behalf of the Group. The amount was unsecured, interest bearing and repayable on demand.

Trade receivables mainly represented outstanding amounts pending settlements by customers which were usually repaid within 53 days (31 December 2020: 45 days) after each trip to the Group's gaming property. The Group provides short-term temporary credit to approved customers following background checks and credit risk assessments of these customers.

All trade receivables were aged within 30 days based on the revenue recognition date, at the end of the reporting period. All of the Group's trade receivables as at 31 December 2020 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from patrons as at 31 December 2020 were assessed individually. For other receivables, the Group assessed the expected credit losses collectively based on the provision matrix as at 30 June 2021 and 31 December 2020. 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\$599,000 as at 30 June 2021 and 31 December 2020 respectively represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

### 18. SHORT TERM LOAN TO A FELLOW SUBSIDIARY

On 23 February 2021, SunTrust as borrower entered into a loan agreement (the "Loan Agreement") with the Group as lender, pursuant to which the Group shall provide a loan in the principal amount of 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.

The entering into of the Loan Agreement constituted a major and connected transaction for the Company under the Listing Rules, which was approved by the independent shareholders of the Company at the special general meeting held on 20 April 2021. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables	32	391
Payable in respect of transfer of connection right to local electricity supply network	10,922	10,686
Liabilities for VAT arrangements (Note 22)	9,412	9,208
Outstanding gaming chips	1,622	1,322
Gaming tax payables	595	276
Accruals and other payables	24,683	21,257
	<b>47,266</b>	<b>43,140</b>

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\$1,622,000 (31 December 2020: HK\$1,322,000); and (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK\$1,598,000 (31 December 2020: HK\$1,446,000). Loyalty program liabilities are included in other payables above.

### 20. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

On 16 November 2020, the Company issued convertible bonds denominated in US dollars for acquisition of additional interests in a subsidiary from a non-controlling shareholder in an aggregate principal amount of US\$3,000,000 with an initial conversion price of HK\$3.50 (to be translated to US\$ at a fixed rate of HK\$7.75 to US\$1.00) per share with 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 given to the holder the right at any time to convert the convertible bonds into ordinary shares of the Company. However, since the conversion option would be settled other than by the exchange of a fixed amount of the Company's own equity instruments, the conversion option was accounted for as derivative financial instrument.

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

At the end of the reporting period, the fair value of the derivative financial instrument in the convertible bonds is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss. For the six-month period ended 30 June 2021, the fair value gain amounting to approximately HK\$350,000 (for the six-month period ended 30 June 2020: Nil) was recognised and disclosed under "Other gains and losses" in note 7.

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. As at 30 June 2021, the effective interest rate of the liability component in the convertible bonds was 7.37% per annum (as at 31 December 2020: 7.37%).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 20. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS (CONTINUED)

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 2021 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 2021	31 December 2020
Share price of the Company (HK\$)	0.68	0.75
Expected volatility (%) (Note a)	57.04%	60.45%
Expected remaining life (years)	4.38	4.88
Expected dividend yield (Note b)	zero	zero
Risk-free rate (%) (Note c)	0.76%	0.41%

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 US Treasury Yield Curve of similar remaining tenure.

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

	Liability component HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 21. 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 was 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\$234,733,000) 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 has been discounted at an effective interest rate calculated at 5.76% per annum since 15 July 2020.

On 16 November 2020, the Group acquired 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.

### 22. 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 2021, a provision of RUB348,635,000 (approximately HK\$37,399,000) (31 December 2020: RUB426,867,000 (approximately HK\$44,798,000)) 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 5.64% (31 December 2020: 5.64%) per annum. Accordingly, as at 30 June 2021, approximately RUB87,737,000 (approximately HK\$9,412,000) (31 December 2020: RUB87,737,000 (approximately HK\$9,208,000)) of such provision was presented as current and included in other payables (Note 19) 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 RUB260,898,000 (approximately HK\$27,987,000) (31 December 2020: RUB339,130,000 (approximately HK\$35,590,000)) presented as non-current.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 23. 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 2021	31 December 2020				
	HK\$'000	HK\$'000				
<b>Financial asset</b>						
Derivative financial instrument						
– issued by SunTrust	989,978	989,690	Level 3	Equity allocation model	Volatility: 55.28% (31 December 2020: 60.28%)	(i)
<b>Financial liability</b>						
Derivative financial instrument	(487)	(836)	Level 3	Binomial model	Volatility: 57.04% (31 December 2020: 60.45%)	(ii)
	<b>989,491</b>	<b>988,854</b>				

During the six-month period ended 30 June 2021 and year ended 31 December 2020, 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:

- 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 loss for the six-month period ended 30 June 2021 would have decreased/increased by approximately HK\$5,983,000 (year ended 31 December 2020: approximately HK\$8,555,000) (as a result of changes in fair value of derivative financial instrument).
- If the volatility of the Company's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax loss for the six-month period ended 30 June 2021 would have increased/decreased by approximately HK\$78,000 (year ended 31 December 2020: approximately HK\$100,000) (as a result of changes in fair value of derivative financial instrument).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

#### b) Reconciliation of Level 3 fair value measurement of financial instruments Investment carried at FVTPL

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
At the beginning of the period/year	988,854	–
Addition during the period/year	–	902,861
Fair value gain recognised in profit or loss during the period/year	637	85,993
At the end of the period/year	989,491	988,854
Net gain for the period/year included in profit or loss for investments designated at FVTPL (included in other gains and losses)	637	85,993

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

### 24. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
<b>Authorised:</b>		
At 1 January 2020 (Audited)	3,200,000,000	80,000
Increase in authorised ordinary shares (Note a)	2,800,000,000	70,000
At 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	6,000,000,000	150,000
<b>Issued and fully paid:</b>		
At 1 January 2020 (Audited)	1,803,777,836	45,094
Ordinary shares issued (Note b)	2,705,666,754	67,642
At 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	4,509,444,590	112,736

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

#### Notes:

- Pursuant to the resolution passed by shareholders of the Company on 7 September 2020, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$150,000,000 by the creation of additional 2,800,000,000 ordinary shares of HK\$0.025 each.
- On 15 October 2020, the Company completed a rights issue of 2,705,666,754 rights shares at a subscription price of HK\$0.60 per rights share on the basis of three rights shares for every two existing ordinary shares of the Company held on 18 September 2020. The net proceeds from the rights issue, after deducting directly attributable costs were approximately HK\$1,618,420,000. Details of the rights issue were disclosed in the Company's circular dated 14 August 2020, prospectus dated 18 September 2020 and announcements dated 18 August 2020, 7 September 2020, 9 October 2020 and 14 October 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

### 25. 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 2021:

#### (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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	3,934	4,171
Post-employment benefits	9	14
	<b>3,943</b>	<b>4,185</b>

Certain shares of the Company were issued to key management upon exercise of share options granted to them under the share option scheme of the Company during the six-month periods ended 30 June 2020 and 2021.

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

#### (b) Transactions with related parties

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Transaction with non-controlling shareholders of a subsidiary:		
Imputed interest expense on loans	4,009	12,853
Transactions with fellow subsidiaries:		
Interest income from derivative financial instrument	27,097	–
Interest income from short term loan to a fellow subsidiary	6,738	–
Service fee income	–	(159)
Service fee expenses	–	264
Transaction with a fellow subsidiary of a non-controlling shareholder of a subsidiary:		
Marketing fee income	(95)	(71)

## 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 2021, the interests and short positions of each Director of the Company 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 ("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:

#### Long positions in the shares and underlying shares of the Company

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

<b>Name of Director</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of ordinary shares of the Company held</b>	<b>Approximate % of total issued shares of the Company</b>
Mr. Chau Cheok Wa	Interest of controlled corporations (Note 2)	3,141,561,811	69.66%
Dr. U Chio leong	Beneficial owner	40,906,000	0.90%
Mr. Li Chak Hung	Beneficial owner	400,000	0.00%

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

<b>Name of Director</b>	<b>Number of underlying shares of the Company held pursuant to share options</b>	<b>Approximate % of total issued shares of the Company</b>
Mr. Lau Yau Cheung	937,500	0.02%
Mr. Li Chak Hung	937,500	0.02%

## OTHER INFORMATION

*Notes:*

1. As at 30 June 2021, the total number of issued shares of the Company was 4,509,444,590.
2. Suncity Group Holdings Limited (“Suncity”), a company listed on the Hong Kong Stock Exchange, 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 2021, Suncity was 74.87% owned by Fame Select Limited, which in turn owned as to 50% by Mr. Chau Cheok Wa and 50% by Mr. Cheng Ting Kong. By virtue of the SFO, Mr. Chau Cheok Wa is deemed to be interested in the shares of the Company held by Suncity.
3. The options granted to the Directors are registered under the name of the Directors who are also the beneficial owners.
4. Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the section headed “Share Option Scheme” of this report.

Save as disclosed above, so far as known to any Directors as at 30 June 2021, none of the Directors of the Company 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.

### SHARE OPTION SCHEME

At an annual general meeting held on 28 May 2021, the shareholders of the Company approved the adoption of a new share option scheme (the “2021 Share Option Scheme”) and the termination of the previous share option scheme adopted on 7 July 2011 (the “2011 Share Option Scheme”). The outstanding options granted under the 2011 Share Option Scheme remain exercisable according to the terms of the grants of the options.

Under the 2021 Share Option Scheme, the Directors may, at their discretion, grant to any Directors, executives and employees of any members of the Group and consultants, professional and other advisors to any members of the Group share options to subscribe for the shares of the Company, subject to the terms and conditions stipulated therein.

## OTHER INFORMATION

During the six-month period ended 30 June 2021, no share options were granted, exercised, cancelled or lapsed under the 2011 Share Option Scheme and the 2021 Share Option Scheme.

Category of Participants	As at 1 January 2021 and 30 June 2021	Date of grant	Exercise price (HK\$)	Exercise period  (Notes)
<b>Directors</b>				
Mr. Lau Yau Cheung	937,500	13 December 2018	1.05	3
Mr. Li Chak Hung	937,500	13 December 2018	1.05	3
<b>Employees</b>				
	1,211,250	1 September 2016	2.12	2
	10,621,875	13 December 2018	1.05	3
<b>Consultants</b>				
	5,448,750	1 September 2016	2.12	2
	<u>1,000,000</u>	2 November 2020	0.912	4
<b>Total</b>	<u>20,156,875</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 1 September 2016 are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 August 2021. The exercise price was adjusted from HK\$1.99 to HK\$2.12 as a result of the rights issue of the Company (the "Rights Issue") on 15 October 2020.
- The share options granted on 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023. The exercise price was adjusted from HK\$0.98 to HK\$1.05 as a result of the Rights Issue.
- 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 to 1 November 2025.

## EQUITY-LINKED AGREEMENTS

Other than the 2011 Share Option Scheme and 2021 Share Option Scheme as disclosed in this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the six-month period ended 30 June 2021 or subsisted at the end of the period.

## OTHER INFORMATION

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES**

As at 30 June 2021, 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.

**Long positions in the shares and underlying shares of the Company (Note 1)**

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>No. of shares of the Company held</b>	<b>No. of underlying shares of the Company held</b>	<b>Approximate % of total issued shares of the Company</b>
Suncity	Beneficial owner	123,255,000	–	2.73%
	Interest of controlled corporations (Note 2)	3,018,306,811	–	66.93%
		3,141,561,811	–	69.66%
Victor Sky	Beneficial owner	3,018,306,811	–	66.93%
Fame Select Limited	Interest of controlled corporations (Note 2)	3,141,561,811	–	69.66%
Mr. Chau Cheok Wa	Interest of controlled corporations (Note 2)	3,141,561,811	–	69.66%
Mr. Cheng Ting Kong	Interest of controlled corporations (Note 2)	3,141,561,811	–	69.66%

*Notes:*

- As at 30 June 2021, the total number of issued shares of the Company was 4,509,444,590.
- Suncity, a company listed on the Hong Kong Stock Exchange, 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 2021, Suncity was 74.87% owned by Fame Select Limited, which in turn owned as to 50% by Mr. Chau Cheok Wa and 50% by Mr. Cheng Ting Kong. By virtue of the SFO, Mr. Chau Cheok Wa, Mr. Cheng Ting Kong and Fame Select Limited are deemed to be interested in the shares of the Company held by Suncity.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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.

### 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 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) with the exception of code provision E.1.2 during the six-month period ended 30 June 2021.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chau Cheek Wa, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 28 May 2021 due to his other business commitment. The Board has arranged for Mr. Chiu King Yan, 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. Chau Cheek Wa and to respond to questions from the shareholders. The Company will continue to optimize the planning and procedures of annual general meetings by, for example exploring the use of technology, to minimize the impact of any future unpredictable episode and facilitate the chairman of the Board to attend future annual general meetings of the Company.

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

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

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

### 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 2021.

## OTHER INFORMATION

### 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 2020 Annual Report are set out below:

Name of Director	Details of changes
Mr. Lo Kai Bong	<ul style="list-style-type: none"> <li>- Appointed as a director of Suntrust Home Developers, Inc. ("SunTrust"), a company incorporated in the Philippines, the shares of which are listed on The Philippines Stock Exchange, Inc. and is a fellow subsidiary of the Company with effect from 4 May 2021.</li> </ul>
Mr. Chua Ming Huat David	<ul style="list-style-type: none"> <li>- Appointed as Executive Director and Chief Executive Officer of the Company with effect from 1 May 2021.</li> <li>- Appointed as a director of SunTrust with effect from 4 May 2021.</li> </ul>
Mr. Lau Yau Cheung	<ul style="list-style-type: none"> <li>- Resigned as an independent non-executive director of Sandmartin International Holdings Limited ("Sandmartin"), which is listed on the Hong Kong Stock Exchange, with effect from 18 August 2021.</li> </ul>
Mr. Li Chak Hung	<ul style="list-style-type: none"> <li>- Resigned as an independent non-executive director of Sandmartin with effect from 18 August 2021.</li> </ul>

### 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 2021 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lo Kai Bong (*Deputy Chairman*)

Mr. Chua Ming Huat David  
(*Chief Executive Officer*)

(appointed on 1 May 2021)

Mr. Chiu King Yan

#### Non-executive Directors

Mr. Chau Cheok Wa (*Chairman*)

Mr. Wong Pak Ling Philip

Dr. U Chio leong

#### 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. Ho Siu Pik

### REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1704, 17th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

Tel: (852) 3729-2135

Fax: (852) 3167-7980

Email: [info@saholdings.com.hk](mailto:info@saholdings.com.hk)

### PRINCIPAL BANKERS

Dah Sing Bank, Limited

Bank of Communications

(Hong Kong) Limited

Bank of Communications Co., Ltd.,

Hong Kong Branch

PJSC Bank Primorye

Alfa-Bank

Primsotsbank

### AUDITOR

Crowe (HK) CPA Limited

(*Registered Public Interest Entity Auditors*)

### LEGAL ADVISOR

Chiu & Partners

### PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

### STOCK CODE

102 (Listed on the Hong Kong Stock Exchange)

### WEBSITE

[www.saholdings.com.hk](http://www.saholdings.com.hk)