SUMMIT ASCENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 102)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Summit Ascent Holdings Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021, together with comparative figures for the corresponding period in 2020 as follows:

HIGHLIGHTS

- The Group's total revenue was HK$265.5 million in 2021, up 26% compared to HK$211.2 million in 2020, predominantly attributable to the local customers as the number of foreigners visiting our property in the Russian Far East dropped significantly after different governments have adopted various restrictions and quarantine measures for travellers due to the COVID-19 pandemic.

- The Group recorded a positive Adjusted EBITDA of HK$40.9 million in 2021, compared to a negative Adjusted EBITDA of HK$14.7 million in 2020.

- Loss attributable to owners of the Company was HK$230.0 million in 2021 (2020: a profit of HK$10.0 million), mainly derived from (a) the fair value losses on derivative financial instruments of approximately HK$149.1 million and (b) the impairment loss recognised on property, operating right and equipment of approximately HK$136.9 million.

- Taking into account the continual negative impact of the COVID-19 pandemic, particularly restrictions on international travel and the economic uncertainties, the Company decided to postpone the Phase II development of Tigre de Cristal which currently aiming for an opening no earlier than 2025.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Revenue from gaming and hotel operations	*4*	**265,519**	211,238
Other income	*5*	**100,043**	11,446
Other gains and losses	*7*	**(139,556)**	(15,554)
Gaming tax		**(4,759)**	(5,230)
Inventories consumed		**(10,726)**	(7,141)
Marketing and promotion expenses		**(11,495)**	(7,794)
Employee benefits expenses		**(123,821)**	(131,023)
Depreciation and amortisation		**(80,350)**	(82,194)
Other expenses	*8*	**(91,693)**	(81,404)
Fair value (losses)/gains on derivative financial instruments	*14, 17*	**(149,135)**	85,993
Finance costs	*9*	**(9,979)**	(25,963)
Loss before taxation		**(255,952)**	(47,626)
Income tax expense	*10*	**(17,859)**	(164)
Loss and total other comprehensive expense for the year	*11*	**(273,811)**	(47,790)
(Loss)/profit and total other comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(229,988)**	10,018
Non-controlling interests		**(43,823)**	(57,808)
		(273,811)	(47,790)
		HK cents	*HK cents*
(Loss)/earnings per share	*13*		
Basic		**(5.10)**	0.39
Diluted		**(5.10)**	0.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, operating right and equipment		**1,172,516**	1,372,204
Right-of-use assets		**5,394**	6,921
Long-term prepayments and other non-current assets		**14,604**	14,961
Derivative financial instrument	*14*	**840,005**	989,690
Intangible assets		**263**	344
		2,032,782	2,384,120
Current assets			
Inventories		**2,772**	2,309
Trade and other receivables	*15*	**28,186**	22,783
Amounts due from fellow subsidiaries		**116,633**	6,409
Short term loan to a fellow subsidiary		**935,772**	–
Bank balances and cash		**606,575**	1,562,263
		1,689,938	1,593,764
Current liabilities			
Contract liabilities, trade and other payables	*16*	**45,493**	43,140
Tax payables		**17,269**	–
Derivative financial instrument	*17*	**286**	836
Lease liabilities		**1,205**	1,335
		64,253	45,311
Net current assets		**1,625,685**	1,548,453
Total assets less current liabilities		**3,658,467**	3,932,573

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Convertible bonds	*17*	**17,767**	16,449
Loans from non-controlling shareholders of a subsidiary		**147,563**	138,516
Liabilities for value-added tax ("**VAT**") arrangements		**25,973**	35,590
Lease liabilities		**3,899**	5,104
		195,202	195,659
Net assets		**3,463,265**	3,736,914
Capital and reserves			
Share capital		**112,736**	112,736
Reserves		**3,055,713**	3,285,539
Equity attributable to owners of the Company		**3,168,449**	3,398,275
Non-controlling interests		**294,816**	338,639
Total equity		**3,463,265**	3,736,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

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

The Company's immediate holding company is Victor Sky Holdings Limited, which is incorporated in the British Virgin Islands (the "**BVI**"), and the Company's intermediate holding company, Suncity Group Holdings Limited ("**Suncity**"), is incorporated in the Cayman Islands with its shares listed on the Hong Kong Stock Exchange. The Directors consider the Company's ultimate holding company is Fame Select Limited, which is incorporated in the BVI, and Mr. Chau Cheok Wa and Mr. Cheng Ting Kong are the ultimate controlling parties of the Company.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**") which is also the functional currency of the Company. The functional currency of G1 Entertainment Limited Liability Company ("**G1 Entertainment**"), a principal subsidiary of the Group, engages in the gaming and hotel operations in the Russian Federation, is HK$, the currency of the primary economic environment in which the entity operates.

Significant event during the year

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

COVID-19, including recent increases in case numbers and new variants, has, and is expected to continue to, negatively impact (although to a lesser extent than previously as vaccinations increase) the global economy, the integrated resort industry, the willingness of the overseas players to travel, and the Group's business, results of operations and financial condition. It may also cause staff and supply shortages, increased labor costs to attract employees due to the perceived risk of exposure to COVID-19, as well as potential for increased workers' compensation claims if our employees are exposed to COVID-19 through the workplace, increased operating costs in order to comply with sanitation and other government guidelines and directives.

The Group's first gaming and hotel property, known as 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. The Directors are currently unable to determine when certain of these measures will be lifted though the development of vaccines against COVID-19 is making progress. 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.

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

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

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

- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instrument are stated at their fair value at the end of each reporting period.

4. REVENUE FROM GAMING AND HOTEL OPERATIONS

	2021	2020
	HK$'000	*HK$'000*
Revenue from gaming and hotel operations		
– Gaming operations	**248,355**	202,924
– Hotel operations	**17,164**	8,314
	265,519	211,238

Revenue from gaming operations represents the aggregate net difference between gaming wins and losses and is recognised at a point in time. The commissions rebated to customers related to their play are recorded as a reduction to revenue from gaming operations.

For the rooms and food and beverage, revenue is recognised when the control of goods and services is transferred, either over time or a point in time, as appropriate.

5. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Interest income from derivative financial instrument	**53,589**	–
Interest income from short term loan to a fellow subsidiary	**35,000**	–
Bank interest income	**8,669**	9,863
Imputed interest income on VAT arrangements	**472**	–
Rental income	**425**	247
Others	**1,888**	1,336
	100,043	11,446

6. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Deputy Chairman and Executive Director, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance.

The Group operates only in one operating and reportable segment, i.e. the gaming and hotel operations. Single management report for the gaming and hotel business is reviewed by the Company's Deputy Chairman and Executive Director who allocates resources and assesses performance based on the consolidated financial information for the entire business. Accordingly, the Group does not present separate segment information other than entity-wide disclosures.

During the years ended 31 December 2021 and 2020, all revenues were derived from customers patronising in the Group's property located in the Russian Federation.

7. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Impairment loss recognised on property, operating right and equipment	**(136,859)**	–
Impairment losses recognised on other receivables, deposits and prepayments	**(1,840)**	(7,267)
Exchange losses, net	**(695)**	(9,348)
(Loss)/gain on disposal/written-off of property, operating right and equipment	**(102)**	1,121
Loss on disposal of intangible assets	**(60)**	–
Impairment loss recognised on intangible assets	**–**	(60)
	(139,556)	(15,554)

8. OTHER EXPENSES

	2021	2020
	HK$'000	*HK$'000*
Security expenses	**11,980**	11,436
Bank charges	**7,980**	5,612
Repair and maintenance expenses	**7,842**	7,981
Legal and professional fees	**7,476**	5,291
Utilities and fuel	**7,292**	5,824
Costs for employee relations	**6,522**	6,881
Non-recoverable VAT	**5,765**	6,657
Travel agency expenses	**5,005**	3,997
Auditor's remuneration		
– Audit services	**3,860**	3,257
– Non-audit services	**1,334**	1,570
Motor vehicle expenses	**3,607**	3,581
Insurance expenses	**2,375**	2,710
Hotel supplies	**1,858**	1,434
Gaming supplies	**1,811**	2,339
Communication and networking costs	**1,505**	1,531
Overseas travel expenses	**1,427**	499
Share-based compensation benefits to a consultant	**162**	123
Sundry	**13,892**	10,681
	91,693	81,404

9. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Imputed interest on loans from non-controlling shareholders of a subsidiary	**8,215**	18,431
Imputed interest on VAT arrangements	**–**	6,785
Imputed interest on convertible bonds	**1,219**	148
Interest on lease liabilities	**545**	599
	9,979	25,963

10. INCOME TAX EXPENSE

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

	2021	2020
	HK$'000	*HK$'000*
Current tax – Provision for the year		
– Russian corporate tax	**141**	164
– Philippine withholding tax	**17,718**	–
	17,859	164

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 operates.

For the years ended 31 December 2021 and 2020, no provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group did not have assessable profits arising in Hong Kong.

Pursuant to the rules and regulations of the BVI, 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 YEAR

	2021	2020
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remunerations	**5,587**	4,233
Salaries, wages, bonus and other benefits, excluding Directors	**94,798**	100,969
Contributions to retirement benefits schemes, excluding Directors	**23,436**	25,821
Total employee benefits expenses, including Directors' emoluments	**123,821**	131,023
Amortisation of intangible assets	**21**	16
Depreciation of property, operating right and equipment	**78,802**	79,947
Depreciation of right-of-use assets	**1,527**	2,231
Total depreciation and amortisation	**80,350**	82,194

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

13. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$229,988,000 (2020: profit of approximately HK$10,018,000) and the weighted average number of ordinary shares in issue during the year as follows.

Weighted average number of ordinary shares

	Number of shares *(in thousands)*	
	2021	2020
Issued ordinary shares at 1 January	**4,509,445**	1,803,778
Effect of shares issued	–	746,419
Weighted average number of ordinary shares at 31 December	**4,509,445**	2,550,197

b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on:

i) (Loss)/profit attributable to owners of the Company (diluted)

	2021	2020
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company	**(229,988)**	10,018
Effect of change in fair value of derivative component in convertible bonds *(Note)*	–	(872)
Effect of imputed interest expense of convertible bonds *(Note)*	–	148
(Loss)/profit attributable to owners of the Company (diluted)	**(229,988)**	9,294

ii) Weighted average number of ordinary shares (diluted)

	Number of shares *(in thousands)*	
	2021	2020
Weighted average number of ordinary shares at 31 December	**4,509,445**	2,550,197
Effect of deemed issue of shares under the Company's convertible bonds *(Note)*	**–**	817
Weighted average number of ordinary shares (diluted) at 31 December	**4,509,445**	2,551,014

Note: The computation of the diluted loss per share for the year ended 31 December 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 year and the assumed exercise of those convertible bonds would result in decrease in loss per share.

14. DERIVATIVE FINANCIAL INSTRUMENT

	2021	2020
	HK\$'000	*HK\$'000*
Derivative financial instrument – designated at fair value through profit or loss ("**FVTPL**")	**840,005**	989,690

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

Derivative financial instrument represented the fair value of an investment in convertible bonds issued by Suntrust Home Developer, Inc. ("**Suntrust**"), a company incorporated in the Philippines, the shares of which are listed on The Philippine Stock Exchange, Inc.. and is a fellow subsidiary of the Company. The principal amount of the convertible bonds is PHP5.6 billion (equivalent to approximately HK$904,569,000), 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. For the year ended 31 December 2021, interest income generated from the derivative financial instrument amounting to approximately HK$53,589,000 (2020: Nil) was recognised and disclosed under "Other income" in note 5.

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

For the year ended 31 December 2021, the fair value loss of the derivative financial instrument amounting to approximately HK$149,685,000 (2020: gain of HK$85,121,000) was recognised and disclosed under "fair value (losses)/gains on derivative financial instrument".

The fair value of the derivative financial instrument as at 31 December 2021 had been determined by CHFT Advisory and Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on equity allocation method. The inputs used for the calculation of fair value of the financial instrument at each subsequent measurement date were as follows:

	31 December 2021	31 December 2020
Share price of Suntrust *(PHP)*	**1.12**	1.67
Expected volatility *(%) (Note a)*	**61.10%**	60.20%
Expected remaining life *(years)*	**4**	5
Risk-free rate *(%) (Note b)*	**3.44%**	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.

15. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**33**	11
Prepayments	**16,589**	19,176
Other receivables and deposits *(Note)*	**11,978**	4,195
Less: Allowance	**(414)**	(599)
	28,153	22,772
	28,186	22,783

Note: As at 31 December 2020, this included an amount due from an employee of the controlling shareholder of the Company amounting to HK$541,000 and represented the sum collected from patrons on behalf of the Group. They were unsecured, interest bearing and repayable on demand.

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 30 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 2021 and 2020 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from patrons as at 31 December 2021 and 2020 were assessed individually. There were no additional impairment allowance for both reporting periods. For other trade receivables, the Group assessed the expected credit losses collectively based on the provision matrix as at 31 December 2021 and 2020. No impairment allowance was provided due to the low probability of default of those receivables based on the short credit period.

Allowance of approximately HK$414,000 as at 31 December 2021 (2020: HK$599,000) represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

16. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**142**	391
Payable in respect of transfer of connection right to local electricity supply network	**10,687**	10,686
Liabilities for VAT arrangements	**8,972**	9,208
Outstanding gaming chips	**2,358**	1,322
Gaming tax payables	**–**	276
Accruals and other payables	**23,334**	21,257
	45,493	43,140

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

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$2,358,000 (31 December 2020: HK$1,322,000); and (2) loyalty programs liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK$1,965,000 (31 December 2020: HK$1,446,000). Loyalty programs liabilities and customer deposits on hotel rooms are included in other payables above.

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

17. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

On 16 November 2020, the Company issued convertible bonds denominated in US dollars ("**US$**") for acquisition of additional interests in a subsidiary from a non-controlling shareholder in an aggregate principal amount of US$3,000,000 with an initial conversion price of HK$3.50 (to be translated to US$ at a fixed rate of HK$7.75 to US$1.00) per share with adjustments clauses, which will mature on the fifth anniversary of the respective issue dates. The convertible bonds carry no interest.

The convertible bonds contained two components, a liability component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the holders 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 year ended 31 December 2021, the fair value gain amounting to approximately HK$550,000 (2020: HK$872,000) was recognised and disclosed under "fair value (losses)/gains on derivative financial instrument".

The liability component in convertible bonds is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rate of the liability component in the convertible bonds is 7.37% per annum. For the year ended 31 December 2021, imputed interest on convertible bonds amounting to approximately HK$1,219,000 (2020: HK$148,000) was recognised and disclosed under "Finance costs" in note 9.

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

The fair value of the convertible bonds as at 31 December 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 measurement date were as follows:

	31 December 2021	31 December 2020
Share price of the Company *(HK$)*	**0.15**	0.75
Expected volatility *(%) (Note a)*	**77.38%**	60.45%
Expected remaining life *(years)*	**3.88**	4.88
Expected dividend yield *(Note b)*	**zero**	zero
Risk-free rate *(%) (Note c)*	**1.14%**	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 2020	–	–	–
Initial recognition on issuance of convertible bonds	16,295	1,708	18,003
Imputed interest on convertible bonds	148	–	148
Exchange difference	6	–	6
Fair value change on derivative financial instrument	–	(872)	(872)
At 31 December 2020 and 1 January 2021	16,449	836	17,285
Imputed interest on convertible bonds	1,219	–	1,219
Exchange difference	99	–	99
Fair value change on derivative financial instrument	–	(550)	(550)
At 31 December 2021	**17,767**	**286**	**18,053**

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The gaming and hotel operations of 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, a wholly-owned subsidiary of Oriental Regent.

G1 Entertainment holds a gaming license granted by the Russian government and governed by, among others, the Russian Federal Law No. 244-FZ of 29 December 2006 "On The State Regulation Of Activities Associated With The Organisation Of And Carrying On Gambling And On Amending Individual Legislative Acts Of The Russian Federation" for an indefinite period and the development rights on three adjacent parcels of land, namely Lot 8, Lot 9 and Lot 10 with site areas of approximately 73,000 square metres, 90,000 square metres and 154,000 square metres respectively, in the Integrated Entertainment Zone of the Primorye Region (the "**IEZ Primorye**") of the Russian Far East, which is the largest of five designated zones in the Russian Federation where gaming and casino activities are legally permitted. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. Lot 8 are partly erected with dormitories, gas-powered station and storage area, called the utility zone. The remaining portion of Lot 8 and the entire Lot 10 are vacant land currently, held for the phased development of Tigre de Cristal in the future.

The features of Tigre de Cristal are as follows:

- Approximately 36,000 square metres of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;

- The finest luxury 5-Star hotel in the Russian Far East with 121 rooms and suites, which was named "Russia's Best Casino Hotel 2021" by World Casino Awards and "Russia's Leading Resort 2018" by World Travel Awards;

- Fine dining in 2 restaurants, Western and Pan-Asian cuisines including hot pot, and 3 casual bars;

- Virtual golf zone, and a private club with karaoke rooms;

- A Tigre de Cristal branded shop;

- A high-end diamond and luxury watch boutique "DOMINO" and a Montblanc outlet; and

- A brand-new VIP Salon.

Impact of the COVID-19 Pandemic

COVID-19, including recent increases in case numbers and new variants, has, and is expected to continue to, negatively impact (although to a lesser extent than previously as vaccinations increase) the global economy, the integrated resort industry, the willingness of the overseas players to travel, and the Group's business, results of operations and financial condition. It may also cause staff and supply shortages, increased labor costs to attract employees due to the perceived risk of exposure to COVID-19, as well as potential for increased workers' compensation claims if our employees are exposed to COVID-19 through the workplace, increased operating costs in order to comply with sanitation and other government guidelines and directives.

The Group's first gaming and hotel property, known as 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 bounce back to life going forward. The staff in Tigre de Cristal has started to receive the free vaccination since the beginning of February 2021. Taking into account the continual negative impact of the COVID-19 pandemic, particularly restrictions on international travel and the economic uncertainties, the Company decided to postpone the Phase II development of Tigre de Cristal (the "**TdC Phase II**") which currently aiming for an opening no earlier than 2025.

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 projects under development. In 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$40.9 million, compared to a negative Adjusted EBITDA of HK$14.7 million in 2020 when Tigre de Cristal suspending its gaming operations for about 3 months temporarily until 15 July 2020 according to the respective measures recommended by the Russian government.

The Russia-Ukraine Conflict

In response to the Russia-Ukraine conflict since late February 2022, the United States, the European Union and their allies are aggressively escalating economic sanctions against the Russian Federation including, but not limited to, removal of seven Russian banks from the SWIFT messaging system operated by the Society for Worldwide Interbank Financial Telecommunication, blocking companies from sending a wide array of goods to the Russian Federation, and banning Russian flights from their airspace. A lot of large global corporations have also voluntarily suspended their operations in the Russian Federation. On the other hand, the Russian Federation has imposed countersanctions, including export bans on a string of products to "unfriendly" countries and approved legislation that took the first step towards nationalising assets of foreign firms that leave the country.

These unprecedented sanctions and the rapidly changing landscape are having a massive impact on the Russian economy. Among others, the value of the Russian Ruble (the "**RUB**") has plummeted to a record low. As the RUB depreciation threatens to stoke inflation, the Bank of Russia more than doubled its key interest rate to 20% from 28 February 2022.

The Group's integrated resort Tigre de Cristal is operating in the Russian Far East and has been self-sustaining without any bank borrowings. However, we shall have to adjust our operations to the reality of a volatile business environment and try to find ways to do business within the new constraints we may face including, but not limited to, the payment platform for further capital investment for the TdC Phase II, loan repayment and dividend repatriation to its parent companies in Hong Kong, settlements with the overseas customers, suppliers, and service providers, and the increased operating costs due to the inflation and supply-chain disruptions. The Board has been closely monitoring the market conditions, and assessing the short-term and long-term implications of the geopolitical tensions, the Group's working capital requirements as well as funding requirements for its projects under development. The Board will base on the development of the situation to perform further assessment of its impact on the Group's financial performance and take relevant measures.

Fair Value Losses on Derivative Financial Instruments

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

For the year ended 31 December 2021, the Group recognised net fair value losses on derivative financial instruments of HK$149.1 million (2020: net gains of HK$86.0 million), mainly attributable to the convertible bonds held by the Group and issued by Suntrust in 2020.

Subscription of the 2020 Convertible Bonds

On 1 June 2020, the Group and Suntrust entered into a subscription agreement, pursuant to which Suntrust had agreed to issue and the Group had agreed to subscribe (the "**2020 Subscription**") for the convertible bonds (the "**2020 CB**") in the aggregate principal amount of PHP5.6 billion with a 6% coupon rate (or 8% per annum if the convertible bonds are held until their maturity) for an initial term of 5 years and may be converted into the shares of Suntrust at an initial conversion price of PHP1.80 per share of Suntrust, pursuant to the terms and conditions of the 2020 CB. The Group fully paid PHP5.6 billion in cash and the 2020 Subscription was completed on 30 December 2020.

Suntrust is the sole and exclusive operator and manager of an integrated resort (the "**Main Hotel Casino**") located at the Entertainment City, Manila of the Philippines (the "**Project Site**"). Suntrust also entered into a lease agreement to lease the Project Site for the construction and development of the Main Hotel Casino. The investment in the 2020 CB marked the first step towards establishing the Group's footprint in the casino and entertainment market of the Philippines and allowing the Group to tap into this growing market as well as providing synergies to the overall tourism related business in partnership with Suntrust. The Directors believe that investing part of the net proceeds from the rights issue completed on 15 October 2020 (the "**Rights Issue**") for the 2020 Subscription can achieve the diversification and geographic expansion, which paves the way for sustained growth and profitability.

Suntrust became a fellow subsidiary of the Company upon completion of the Rights Issue, when the Company became a 69.66% owned subsidiary of Suncity. The 2020 Subscription, the Rights Issue and the transactions contemplated thereunder were approved at the special general meeting of the Company held on 7 September 2020, details of which were disclosed in the Company's announcements dated 1 June, 7 September and 14 October 2020, the Company's circular dated 14 August 2020, and the Company's prospectus dated 18 September 2020.

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 has provided 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 should be matured after three months from the date of the disbursement of the Loan, which is extendable not more than three months. The Loan was advanced to Suntrust on 18 May 2021.

As the continual impact of COVID-19 has affected the progress of the pre-construction stage of the TdC Phase II, including design, procurement of construction materials, tendering and associated payments, part of the net proceeds from the Rights Issue 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, the Loan and all other transactions contemplated thereunder were approved at the special general meeting of the Company held on 20 April 2021, details of which are disclosed in the Company's announcements dated 23 February and 20 April 2021, and the Company's circular dated 26 March 2021.

Subscription of the 2021 Convertible Bonds

On 20 September 2021, the Group entered into a subscription agreement with Suntrust (the "**2021 Subscription Agreement**"), pursuant to which Suntrust has conditionally agreed to issue and the Group has conditionally agreed to subscribe for the 6% coupon rate convertible bonds (the "**2021 CB**") in the maximum aggregate principal amount of PHP6.4 billion (the "**Maximum Set-Off Amount**") at an initial conversion price of PHP1.65 per share of Suntrust for an initial term of 3 years from the date of their issue extendable for a further term of 3 years. The aggregate subscription amount payable by the Group under the 2021 Subscription Agreement shall be satisfied by setting off a pro tanto amount of the Loan together with interest accrued (the "**Indebted Amount**") up to and including the completion date of the 2021 Subscription Agreement (the "**Completion**").

Considering the expected timeline for fulfilling the conditions precedent to the 2021 Subscription Agreement, the Group has agreed to extend the maturity date of the Loan to 18 July 2022 (the "**Loan Extension**") or such other date as the Group otherwise agrees to in its sole and absolute discretion. Under the 2021 Subscription Agreement, the Group and Suntrust will enter into a set-off deed upon the Completion to set-off the Indebted Amount up to the Maximum Set-Off Amount (the "**Loan Set-Off**"), and Suntrust undertakes, in the event that the Completion is later than 18 July 2022, to compensate any excess of the Indebted Amount over the Maximum Set-Off Amount in cash upon Completion.

At the time of entering into the Loan Agreement on 23 February 2021, there were indications that the COVID-19 situation in the Philippines was improving because of the imminent deployment of various COVID-19 vaccines and the decreasing trend of infections in the Philippines. However, the COVID-19 situation has worsened in Manila, where the Main Hotel Casino is currently being developed, and there have been various stages of enhanced quarantine and lockdown measures taken to fight the spread of the new variants of COVID-19 which have severely limited business and governmental services. The stay-at-home order has severely hampered the negotiations between Suntrust and various third parties in relation to securing financing for the development of the Main Hotel Casino.

Taking into account the abovementioned factors, the Board considers that a longer-term extension of the Loan and a form of guarantee towards the Indebted Amount are required, of which the 2021 Subscription Agreement through the Loan Set-Off is able to accomplish. The convertible nature of the 2021 CB provides a form of guarantee for the Indebted Amount and has potential to increase in value upon the completion and eventual operation of the Main Hotel Casino. The 2021 CB also represent a much lower risk of borrowing than the short-term Loan. The Board is of the view that the further change of the proposed use of proceeds from the Rights Issue regarding the Original Portion for TdC from the Loan to the 2021 CB through the Loan Extension and the Loan Set-Off, is fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

The entering into of the 2021 Subscription Agreement, including the Loan Extension and the Loan Set-Off, and the transactions contemplated thereunder were approved at the special general meeting of the Company held on 16 November 2021, details of which are disclosed in the Company's announcements dated 20 September and 16 November 2021, and the circular dated 26 October 2021.

Use of Proceeds and Further Changes

(1) The placing of new shares under general mandate

The Company raised net proceeds of approximately HK$297 million from the placing of shares of the Company (the "**Shares**") on 19 August 2019 (the "**2019 Placing**") intended for the TdC Phase II. The actual utilised amount in 2021 amounted to approximately HK$0.7 million and the remaining unutilised amount was placed on short-term interest-bearing deposits with licensed commercial banks.

(2) The Rights Issue

The Company raised net proceeds of approximately HK$1,618.4 million from the Rights Issue. The detailed breakdown and description of the proceeds and the expected timeline of the unutilised amount of the proceeds from the Rights Issue up to 31 December 2021 are set out as follows:

Use of proceeds from the Rights Issue	**Planned amount to be used**	**Actual amount utilised up to 31 December 2020**	**Change in use of proceeds in 2021**	**Actual amount utilised in 2021**	**Unutilised amount as at 31 December 2021**	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	
The 2020 Subscription	**847.0**	**(847.0)**	**52.0**	**(52.0)**	**–**	*Note 1*
The Loan and the 2021 Subscription	**–**	**–**	**465.0**	**(465.0)**	**–**	*Note 2*
TdC Phase II, including but not limited to,						
Procurement of construction materials	311.5	–	(125.1)	–	186.4	
Construction of buildings/ facilities	100.8	–	(100.8)	–	–	
Interior fit-out	189.1	–	(189.1)	–	–	
	601.4	**–**	**(415.0)**	**–**	**186.4**	*Note 3*
For general working capital of the Group, including but not limited to,						
(i) Phase I, including:						
Capital expenditures	78.0	–	(52.0)	(17.1)	8.9	
Repairs and maintenance	24.0	–	–	(7.8)	16.2	
Return of the refunded value-added tax	18.0	–	–	(9.3)	8.7	
(ii) Pre-opening expenses for Phase II, including but not limited to,						
Staff costs (training and employee relations)	30.0	–	(30.0)	–	–	
Security expenses	9.0	–	(9.0)	–	–	
Marketing expenses	11.0	–	(11.0)	–	–	
	170.0	**–**	**(102.0)**	**(34.2)**	**33.8**	*Note 4*
Total	**1,618.4**	**(847.0)**	**–**	**(551.2)**	**220.2**	

Notes:

1. The overspending was due to the exchange difference.

2. As disclosed by the Company on 23 February 2021, the Group proposed to change the use of part of the net proceeds from the Rights Issue and deployed the Original Portion for TdC amounted to US$60 million (approximately HK$465 million) as part of the Loan. Subsequently, as disclosed by the Company on 20 September 2021, the Group proposed further change in use of the Original Portion for TdC from the Loan to the 2021 Subscription.

3. The Group continues to proceed on the development of the TdC Phase II but the continual negative impact of COVID-19, particularly restrictions on international travel and the economic uncertainties, has affected the progress of the pre-construction phase, including design, procurement of construction materials, and tendering. We are currently targeting an opening of the first stage of the TdC Phase II no earlier than 2025. It is expected that the remaining balance of the proceeds from the 2019 Placing and the Rights Issue will be fully utilised as intended but follow the amended timeline for the TdC Phase II.

4. It is estimated that the remaining balance will be utilised by 30 June 2023 as intended.

Changes of Directors

During the year 2021, we have the following changes to the Board:

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 which are disclosed in the Company's announcement dated 29 March 2021.

Mr. Chau Cheok Wa has tendered his resignation from the posts of the Chairman and Non-executive Director with effect from 1 December 2021, details of which are disclosed in the Company's announcement dated 1 December 2021.

Mr. Wong Pak Ling Philip has tendered his resignation as a Non-executive Director with effect from 2 December 2021, details of which are disclosed in the Company's announcements dated 2 and 3 December 2021.

Dr. U Chio Ieong has tendered his resignation as a Non-executive Director with effect from 6 December 2021, details of which are disclosed in the Company's announcement dated 6 December 2021.

OUTLOOK

Although the Group is not spared from the profound impacts caused by the COVID-19 pandemic, our integrated resort operations revealed a silver lining in 2021. Tigre de Cristal performed fairly during the pandemic even without international tourists. In 2021, the Group turned Adjusted EBITDA around from negative to positive, derived from an all-local contribution in mass table and electronic gaming businesses. Electronic gaming volume even surpassed the pre-pandemic volume in the year of 2019, when Tigre de Cristal was a monopoly in the IEZ Primorye, and when tourist and local plays were both accounted for. These concrete numbers demonstrated the appeal of Tigre de Cristal as locals' preferred entertainment venue in the Russian Far East. The Group remains hopeful that business will improve substantially when bilateral quarantine-free international travel is resumed.

Despite recent geopolitical tensions, the economic sanctions on the Russian Federation do not have an immediate impact on our operations. While it may be too early to thoroughly evaluate all possible effects, Tigre de Cristal operating in the Russian Far East has been self-sufficient based on an all-local contribution. The Group maintains a healthy balance sheet, all equity financed without any bank borrowings. The Group now turns prudent towards the future expansion of Tigre de Cristal as the foreign direct investment environment is shifting. TdC Phase II is currently aiming for an opening no earlier than 2025 and sub-phases will be rolled out gradually in response to the continual negative impact of the COVID-19 pandemic. Thus, there is no imminent need for the Group to transfer funds into the Russian Federation.

Through investing in the 2020 CB and the 2021 CB, the Group is transforming itself into a pan-Asian gaming operator in a prudent manner. The 2020 CB and 2021 CB issued by Suntrust offer flexibility for the Group to have an upside exposure in the Philippines should the Main Hotel Casino become successful, while allowing the Group to earn an interest income immediately. Even with the COVID-19 pandemic as a backdrop, the other four integrated resorts in Manila of the Philippines delivered solid gaming revenue in 2021 according to the Philippine Amusement and Gaming Corporation (PAGCOR). When the Main Hotel Casino is completed, it will become the latest attraction undoubtedly. The potential for the Group to own part of an integrated resort in a location with a decade's track record of double-digit gaming revenue growth, offers the Group an alternative fast pass to tap into the pan-Asian gaming market.

Inevitably, the Group may continue to encounter uncertainties in a tough business environment. Management vigilantly anticipates the latest developments and plans for contingencies in the interest of all Shareholders. In any event, the Group is firmly dedicated to complying with all relevant government policies and regulations while delivering credible results to our Shareholders in the years to come.

FINANCIAL REVIEW

Adjusted EBITDA of Tigre de Cristal

Adjusted EBITDA generated by Oriental Regent, a 77.5% owned subsidiary of the Company operating our integrated resort in the Russian Far East, Tigre de Cristal, is used by management as the primary measure of operating performance of our gaming and hotel operations, which is a non-IFRS financial measure and defined by the Company as Earnings Before Interest, Income Tax, Depreciation and Amortisation, and excluding Company corporate expenses and the non-cash items such as unrealised exchange differences and fair value gains or losses on financial instruments.

In 2021, the Group recorded a positive Adjusted EBITDA of HK$40.9 million, compared to a negative Adjusted EBITDA of HK$14.7 million in 2020. This improvement was mainly attributable to the growth in revenue of HK$54.3 million during 2021, and the relatively stable general and administrative expenses due to our careful and cautious cost control approach since the outbreak of COVID-19.

The following table sets forth a reconciliation of Adjusted EBITDA to the reported loss for the year attributable to owners of the Company as per the Consolidated Statement of Profit of Loss and Other Comprehensive Income for the year ended 31 December 2021.

Reconciliation of Adjusted EBITDA to the loss for the year ended 31 December 2021 attributable to owners of the Company

	2021	2020
	HK$'000	*HK$'000*
Gross revenue from rolling chip business	**–**	52,171
Less: Rebates	**–**	(33,815)
Revenue from rolling chip business	**–**	18,356
Revenue from mass table business	**113,560**	81,799
Revenue from electronic gaming business	**134,795**	102,769
Net revenue from gaming operations	**248,355**	202,924
Revenue from hotel operations	**17,164**	8,314
Total revenue from gaming and hotel operations	**265,519**	211,238

		2021	2020
		HK$'000	*HK$'000*
Add:	Other income	**2,307**	1,097
Less:	Other gains and losses	**(1,941)**	(6,146)
	Gaming tax	**(4,759)**	(5,230)
	Inventories consumed	**(10,726)**	(7,141)
	Marketing and promotion expenses	**(11,492)**	(7,794)
	Employee benefits expenses	**(110,113)**	(120,079)
	Other expenses	**(87,846)**	(80,624)
Adjusted EBITDA of Tigre de Cristal		**40,949**	(14,679)
Add:	Management fee payable to the Company	**7,486**	6,118
Less:	Company corporate expenses	**(24,937)**	(17,233)
		23,498	(25,794)
Add:	Interest income from derivative financial instrument	**53,589**	–
	Interest income from short term loan to a fellow subsidiary	**35,000**	–
	Bank interest income	**8,669**	9,863
Less:	Income tax expense	**(17,859)**	(164)
	Interest on lease liabilities	**(545)**	(599)
		102,352	(16,694)
Non-cash items:			
Add:	Imputed interest income on VAT arrangements	**472**	–
Less:	Fair value (losses) gains on derivative financial instruments	**(149,135)**	85,993
	Impairment loss recognised on property, operating right and equipment	**(136,859)**	–
	Depreciation and amortisation	**(80,350)**	(82,194)
	Imputed interest expenses	**(9,434)**	(25,364)
	Net exchange losses	**(695)**	(9,348)
	Share-based compensation benefits	**(162)**	(123)
	Impairment loss recognised on intangible assets	**–**	(60)
Loss for the year of the Group		**(273,811)**	(47,790)
Less:	Loss for the year attributable to non-controlling interests	**43,823**	57,808
(Loss) profit for the year attributable to owners of the Company		**(229,988)**	10,018

Revenue and Segment Reporting

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

For the year ended 31 December 2021, the COVID-19 pandemic continued to negatively impact our gaming and hotel operating statistics; however, we experienced significant improvement in our results as compared to the same period in 2020, which continue to reflect recovery from the adverse impact of the COVID-19 pandemic. Total revenue of the Group was HK$265.5 million in 2021, up 26% compared to HK$211.2 million in 2020. Such increase was predominantly attributable to the local customers as the number of foreigners visiting our property dropped significantly after different governments have adopted various travel restrictions and quarantine measures for travellers due to the COVID-19 pandemic. The increase was also partly due to the base effect as, in the second quarter of 2020, the gaming operations of Tigre de Cristal suspended for about 3 months temporarily according to the respective measures recommended by the Russian government.

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:

	2021	**Share of GGR**	2020	Share of GGR
	HK$'000	***%***	*HK$'000*	*%*
Rolling chip business	**–**	**0%**	52,171	20.9%
Mass table business	**145,487**	**50.9%**	92,679	37.1%
Electronic gaming business	**140,614**	**49.1%**	104,886	42.0%
Total GGR	**286,101**	**100.0%**	249,736	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 and 2020.

(HK$'million)	**FY2021**	FY2020
Rolling chip volume	–	1,355
Gross win	–	52
Less: Rebate	–	(34)
Net win after rebate	–	18
Gross win rate %	**0.00%**	3.84%
Daily average number of tables opened *(Note)*	–	8

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

Due to the COVID-19 pandemic and various travel restrictions, no rolling chip business was noted in 2021. In 2020, rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was HK$1,355 million. Net win after all commissions rebated directly or indirectly to customers from rolling chip business was HK$18 million in 2020. Gross win rate percentage (represented the ratio of gross win to rolling chip volume) was 3.84% in 2020.

Mass table business

Our mass table business targets both the foreign tourists and the local market. The table below sets forth the key performance indicators of our mass table business in 2021 on a quarterly basis.

(HK$'million)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	**FY2021**	FY2020
Mass table drop	123	114	118	141	**496**	362
Net win	24	31	25	33	**113**	82
Net win rate %	19.5%	27.2%	21.2%	23.4%	**22.8%**	22.7%
Daily average number of tables opened *(Note)*	24	23	24	24	**24**	23

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

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased by 37% to HK$496 million in 2021, compared to HK$362 million in 2020. Net win from mass table business increased by 38% to HK$113 million in 2021, compared to HK$82 million in 2020. Net win rate percentage (represented net win as a percent of mass table drop) increased slightly from 22.7% in 2020 to 22.8% in 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.

(HK$'million)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	**FY2021**	FY2020
Electronic gaming volume	782	781	915	999	**3,477**	2,217
Net win	33	35	37	30	**135**	103
Net win rate %	4.2%	4.5%	4.0%	3.0%	**3.9%**	4.6%
Daily average number of electronic gaming machines deployed *(Note)*	285	297	301	313	**299**	277

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

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was HK$3,477 million in 2021, increased by 57% compared to HK$2,217 million in 2020. The electronic gaming business recorded net win of HK$135 million, up 31% compared to HK$103 million in 2020. The net win rate percentage decreased to 3.9% in 2021 from 4.6% in 2020. The average number of electronic gaming machines deployed increased by 8% to 299 in 2021, compared to 277 in 2020.

Hotel Operations

Revenue from hotel operations, despite largely dependent on foreign guests before the COVID-19 pandemic, increased to HK$17.2 million in 2021 or by 106% compared to 2020, as a result of an improvement in demand which was more severely depressed from the impacts of COVID-19 in 2020. Average hotel occupancy rates, representing the total number of room nights sold divided by the total number of room nights available at Tigre de Cristal for the year, increased to 55% (2020: 12%) during weekends and 25% (2020: 19%) during weekdays in 2021.

Other Income, Other Gains and Losses

The Group recognized interest income of HK$53.6 million and HK$35.0 million from the 2020 CB and the Loan respectively for the year ended 31 December 2021 (2020: Nil), which are subject to the Philippine withholding tax of 20%.

An impairment loss of HK$136.9 million was recognised for the year ended 31 December 2021 (2020: Nil) after the reassessment of the fair values of the Group's property, operating right and equipment in relation to Tigre de Cristal and the changes in cash flow expectations.

Staff Costs and Operating Expenses

To mitigate the impacts of COVID-19 on our business, we have proactively implemented various cost reduction efforts to adjust our costs based on our revenue level. The Group continues to maintain stringent cost controls during the year. Total operating costs, including inventories consumed, marketing and promotion expenses, employee benefits expenses and other expenses but excluding non-cash items like depreciation and amortisation, were HK$220.2 million in 2021, slightly increased by 2% compared to HK$215.6 million in 2020 in spite of an increase in total revenue by 26% for the year. In particular, the Group's employee benefits expenses decreased to HK$110.1 million in 2021, down 8% compared to HK$120.1 million in 2020.

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

Company corporate expenses mainly consisted of staff costs, audit fee, legal and professional fees and general administrative expenses incurred by the Hong Kong headquarters of the Group. Part of the increase for the year ended 31 December 2021 was attributable to the directors' remuneration in relation to the new appointment of an Executive Director of the Company in May 2021.

The fair values of the Company's derivative financial instruments have been determined by independent and professional qualified valuers. As the share price of Suntrust quoted on The Philippine Stock Exchange, Inc. decreased since the 2020 Subscription completed on 30 December 2020, which is the key input parameter for determining the fair value of the 2020 CB, the Company recorded a fair value loss of HK$149.7 million for the year ended 31 December 2021 (2020: gain of HK$85.1 million).

Depreciation and amortisation expenses consisted of depreciation charges on property, operating right and equipment, and amortisation of intangible assets. Depreciation and amortisation of the Group decreased by 2% to HK$80.4 million in 2021, compared to HK$82.2 million in 2020, when some assets of the Group becoming fully depreciated.

Finance Costs

Finance costs of the Group were HK$10.0 million in 2021, representing a decrease of 62% compared to HK$26.0 million in 2020. These costs primarily comprised non-cash imputed interest on the loans from non-controlling shareholders of Oriental Regent by applying the effective interest method at recognition, although the loans are non-interest bearing. The decrease in imputed interest was in line with the decrease in the loan outstanding balances, mainly because of the acquisition of additional interest in Oriental Regent during the fourth quarter of 2020.

Gaming Tax

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

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

In 2020 and 2021, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively.

However, in response to the COVID-19 outbreak, the Russian tax authority introduced relief measures and granted full exemption of gaming tax to Tigre de Cristal for May and June 2020. On 16 July 2020, the local government of the Primorye Region approved a bill to grant gaming tax reduction to lower the gaming tax rates to RUB50,000 per gaming table and RUB3,000 per electronic gaming machine (the "**Gaming Tax Relief**") for four months from July to October 2020, which was subsequently extended to November and December 2020.

The Gaming Tax Relief has been further extended and appliable to the periods from June 2021 to March 2022 as approved by the local government of the Primorye Region.

Income Tax Expense

Income tax expense is comprised of corporate income tax and withholding tax payable on interest income generated from the 2020 CB and the Loan.

No provision for taxation in Hong Kong has been made as the Group has no assessable profit in 2021 and 2020. As at 31 December 2021, the Group had unused tax losses of HK$31.1 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 31 December 2021, the Group had unused tax losses of approximately HK$589.5 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 generated from the 2020 CB and the Loan, amounted to HK$10.7 million and HK$7.0 million respectively for the year ended 31 December 2021 (2020: Nil).

Loss/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company was HK$230.0 million in 2021, compared to a profit of HK$10.0 million in 2020.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

Liquidity, Financial Resources and Capital Structure

Our business is capital intensive, and we rely heavily on the ability of our property to generate operating cash flows to maintain operations. When necessary and available, we supplement the cash flows generated by our operations with funds provided by equity financing activities. The Group continued to maintain a strong financial position and the equity attributable to owners of the Company was HK$3,168.4 million at 31 December 2021 (2020: HK$3,398.3 million). The Group had no outstanding bank borrowing throughout the year ended 31 December 2021. Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 31 December 2021 (2020: 0%).

The Group had unsecured, unguaranteed and non-interest bearing loans from non-controlling shareholders of Oriental Regent with a principal amount of US$24.6 million (approximately HK$190.6 million) as at 31 December 2020 and 2021. No repayment had been made in 2021 as the loans will be repaid by Oriental Regent to its shareholders only if there are sufficient free cash flows generated from the operations to make the repayment.

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

The Group remains conservative in its working capital management. As at 31 December 2021, net current assets of the Group were HK$1,625.7 million (2020: HK$1,548.5 million) and the current ratio (represented a comparison of current assets to current liabilities) was 26.3, compared to 35.2 as at 31 December 2020. Cash and cash equivalents were HK$606.6 million at 31 December 2021 (2020: HK$1,562.3 million), comprised 25.6% in HK$, 23.2% in US$, and 51.2% in RUB. The majority of our cash equivalents at 31 December 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 2021 and 2020:

	2021	2020
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**20,061**	(35,075)
Net cash used in investing activities	**(972,863)**	(928,684)
Net cash (used in)/generated from financing activities	**(1,879)**	1,662,428
Net (decrease)/increase in cash and cash equivalents	**(954,681)**	698,669
Cash and cash equivalents at 1 January	**1,562,263**	860,698
Effect of foreign exchange rate changes	**(1,007)**	2,896
Cash and cash equivalents at 31 December	**606,575**	1,562,263

Net cash generated from operating activities of HK$20.1 million in 2021 represented the positive cash inflows generated from the operations of Tigre de Cristal, compared to the negative cash outflows of HK$35.1 million in 2020.

Net cash used in investing activities of HK$972.9 million in 2021 was mainly attributable to the Loan of approximately HK$924.8 million. Net cash used in investing activities of HK$928.7 million in 2020 was mainly attributable to investment in the 2020 CB of HK$904.6 million and capital expenditures of HK$26.9 million for improvements in Tigre de Cristal.

Net cash used in financing activities of HK$1.9 million in 2021 primarily represented the repayment of lease liabilities. Net cash generated from financing activities of HK$1,662.4 million in 2020 was primarily attributable to the gross proceeds of HK$1,623.4 million from the Rights Issue and capital contribution of HK$88.4 million from a non-controlling shareholder of Oriental Regent, partially offset by the consideration of HK$41.7 million paid for the acquisition of additional interest in Oriental Regent.

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

Charge on Assets

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

Exposure to Fluctuations in Exchange Rates

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

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

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

A sharp devaluation of RUB due to the Russia-Ukraine conflict since the late February 2022 would mean a drop in the Group's asset values denominated in RUB when the consolidated financial statements of the Group are presented in HK$.

Capital Commitment

The Group's capital commitment as at 31 December 2021 amounted to approximately HK$1,455,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (2020: HK$2,884,000).

Contingent Liabilities

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

Employees

As at 31 December 2021, total number of employees employed by the Group was 994 (2020: 1,081). Currently, more than 97% of our full-time employees are local Russian citizens (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

The Russian gaming industry is one of the most heavily regulated and controlled business sectors in the country, and is governed by the Russian Federal Law No. 115-FZ of 7 August 2001 "On Countering the Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism" in relation to the anti-money laundering and counter-terrorist financing measures (the "**AML/CFT**"). According to the AML/CFT Mutual Evaluations Report on the Russian Federation published by the Financial Action Action Task Force (FATF), the Eurasian Group and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL) in December 2019, Russian authorities have an in-depth understanding of the country's money laundering and terrorist financing risks and a robust legal framework for combating terrorist financing, which is largely in line with international standards. Also, the Russian Federation has improved its legal framework and operational approach to enhance transparency of legal persons, which makes it more difficult to misuse a legal person established in the Russian Federation.

The Federal Tax Service of Russia is responsible for the AML/CFT supervision of casinos. Tigre de Cristal must undertake certain anti-money laundering procedures, including mandatory review of pay-outs of more than RUB600,000 (equivalent to approximately HK$63,000) in value and the filing of reports with the Federal Financial Monitoring Services of the Russian Federation, also known as Rosfinmonitoring, which is directly under the authority of the President of the Russian Federation and aimed to collect and analyze information about financial transactions in order to combat domestic and international money laundering, terrorist financing, and other financial crimes. Furthermore, Tigre de Cristal has adopted its own anti-money laundering and combating financing of terrorism policies in accordance with the provisions of the Russian AML/CFT laws and the key components include: internal control systems; a special officer to oversee the daily compliance; client identification and screening; and reporting unusual transactions subject to mandatory requirements.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 27 May 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2022.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2021, apart from the deviation mentioned below.

Pursuant to code provision E.1.2 (which has been renumbered as code provision F.2.2 with effect from January 1, 2022) of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chau Cheok Wa, the former 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, the Executive Director, who was well versed in all business activities and operations of the Group, to attend and chair the annual general meeting on behalf of Mr. Chau Cheok Wa and to respond to questions from the shareholders of the Company. The Company will continue to optimize the planning and procedures of annual general meetings by, for example exploring the use of technology, to minimize the impact of any future unpredictable episode and facilitate the Chairman of the Board to attend future annual general meetings of the Company.

Mr. Chau Cheok Wa has tendered his resignation as the Company's Chairman of the Board with effect from 1 December 2021. Details of which are published in the relevant announcement on 1 December 2021. Following his resignation, no individual has been appointed as the of Chairman of the Board. Mr. Lo Kai Bong, the Deputy Chairman of the Board, has performed the responsibility and functions of Chairman.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "**Code of Securities Dealings**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "**Model Code**"). We have received confirmation from all Directors that they have complied with the required standards set out in the Mode Code and the Code of Securities Dealings throughout the year ended 31 December 2021.

AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee and audited by the independent auditor of the Group, Crowe (HK) CPA Limited.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

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

This announcement is published on the Company's website (http://www.saholdings.com.hk) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk). The 2021 annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the Company's Executive Directors are Mr. Lo Kai Bong (Deputy Chairman), Mr. Chua Ming Huat David (Chief Executive Officer) and Mr. Chiu King Yan, and the Independent Non-executive Directors are Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung.

By Order of the Board of
Summit Ascent Holdings Limited
Lo Kai Bong
Deputy Chairman

Hong Kong, 22 March 2022