2019 ANNUAL REPORT

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

CONTENTS

HIGHLIGHTS

- Profit attributable to owners of the Company recorded a significant increase to HK$82.0 million in 2019, compared to HK$7.6 million in 2018.

- Adjusted Property EBITDA generated by Oriental Regent Limited, a 60% owned subsidiary of the Company operating our integrated resort in the Russian Far East – Tigre de Cristal, was HK$214.8 million in 2019, up 18% compared to HK$181.4 million in 2018. Adjusted Property EBITDA margin also rose to 40% in 2019, versus 39% in 2018.

- The Group's total revenue in 2019 was HK$532.8 million, representing an increase of 15% compared to HK$463.2 million in 2018.

- The slot business outperformed the Company's other lines of business in 2019 and recorded revenue of HK$185.6 million, up 30% compared to HK$142.9 million in 2018. Rolling chip business also saw significant improvement with revenue increasing by 12% from HK$109.5 million in 2018 to HK$122.5 million in 2019.

- On 23 April 2019, we were informed by First Steamship Company Limited, a former substantial shareholder of the Company and Mr. Kuo Jen Hao, the then Chairman of the Company, that they had disposed of all the shares they held in the Company in an off market transaction, at the price of HK$1.94 per share, to a wholly owned subsidiary of Suncity Group Holdings Limited, which at that time became the single-largest and a substantial shareholder of the Company.

- Among other changes at the board level in 2019, Mr. Chau Cheok Wa has been appointed as Non-executive Director and Chairman of the Company with effect from 1 June 2019.

CHAIRMAN'S STATEMENT

In my inaugural statement as Chairman, I am pleased to announce that 2019 was a year of significant positive transformation for Summit Ascent Holdings Limited (the "Company"), as Suncity Group Holdings Limited ("Suncity") became the largest shareholder of the Company, and I took the reins as Chairman and Non-executive Director of the Company. We are excited to apply our extensive experience in the rolling chip business to move up the value chain at Tigre de Cristal and have been rapidly making alterations and improvements to attract and retain our discerning clientele.

I believe that the Company fits well within Suncity's pan-Asian growth strategy and integrated resort portfolio due to its low tax regime, professional workforce, and enviable geographic location in the heart of Northeast Asia.

We are also excited to announce that the construction of our luxurious new Suncity VIP room at Tigre de Cristal is nearing completion and will welcome VIP guests soon. Later this year, we expect to add approximately 30 hotel rooms through an extension to the existing property, thereby mitigating our shortage of rooms on peak weekend times and expanding our lodging capacity by approximately 25%. In addition, a new private club, a new hot pot section in Pan-Asian restaurant, and stand-alone noodle bar are being added to the property's amenities.

We are also proud that the Company managed to post its second consecutive year of profit growth, and our majority-owned operating property maintained positive EBITDA expansion during this period of transition.

The team in Hong Kong, and at Tigre de Cristal in the Russian Federation, have continued to manage the business with a high degree of discipline and professionalism, and I would like to thank them for their contributions – especially during the first quarter of 2020 as they have continued to work diligently and implemented health and safety measures on-site to mitigate any risk arising from the Coronavirus Disease.

Last, but certainly not least, I would also like to express my appreciation for the key officials in the local and federal governments of the Russian Federation for their ongoing support as we move forward with our Phase II project that will have more than double the rooms of our existing property, world class gaming facilities, an indoor beach club and other premium dining and retail facilities.

Despite obvious short term challenges, we remain optimistic on our business prospects going forward due to the ongoing economic development and positive metamorphosis of the Primorye Integrated Entertainment Zone and the Russian Far East, our belief in the resilience of the Northeast Asian economies, and the continued support of our directors, management and staff, and our shareholders and investment partners.

Chau Cheok Wa
Chairman

Hong Kong, 23 March 2020

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 60% equity interest in Oriental Regent Limited ("Oriental Regent"). The Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by G1 Entertainment 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 two adjacent parcels of land, namely Lot 9 and Lot 10, in the Primorye Integrated Entertainment Zone ("IEZ Primorye") of the Russian Far East, being the largest of five designated zones in the Russian Federation where gaming and casino activities are legally permitted. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. Due to the recent changes in our substantial shareholders, we are currently refining the design and construction elements of our Phase II project on Lot 10.

Tigre de Cristal is currently the only casino, hotel and entertainment destination operating in the IEZ Primorye. We continuously strive to enhance our property and the current features of Tigre de Cristal are as follows:

- Approximately 36,000 square meters of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- The finest luxury hotel in the Russian Far East with 121 rooms and suites;
- Casual and fine dining in 2 restaurants and 3 bars;
- Virtual golf zone, and a soon to be opened private club with karaoke rooms;
- A convenience store and a Tigre de Cristal branded shop; and
- A high-end diamond and luxury watch boutique "DOMINO" and a Montblanc outlet.

Additional amenities to be added later this year include a hotel extension with 30 new rooms, new VIP gaming rooms, a stand-alone noodle bar, and a new hot pot section in our existing Pan-Asian restaurant.

Since October 2017, Tigre de Cristal has been certified as a 5-star hotel. The property was also named "Russia's Leading Resort 2018" at the Europe Gala Ceremony 2018 and one of the Top 5 nominees of "Russia's Leading Resort 2019" organized by World Travel Awards.

Change of Substantial Shareholder

On 23 April 2019, we were informed by First Steamship Company Limited, a former substantial shareholder of the Company and Mr. Kuo Jen Hao ("Mr. Kuo"), then Chairman of the Company, that they had disposed of all the shares they held in the Company in an off market transaction, at the price of HK$1.94 per share, to a wholly owned subsidiary of Suncity Group Holdings Limited ("Suncity"), which at that time became the single-largest and a substantial shareholder of the Company.

Changes of Directors

During the year of 2019, we have the following changes to the Company's board of directors (the "Board" or the "Directors") of the Company:

- Mr. Chau Cheok Wa ("Mr. Chau"), currently the chairman, executive director and controlling shareholder of Suncity and also the founder and chairman of the Suncity Group (the "Suncity Group") which is one of Asia's leading VIP services and entertainment conglomerates, has been appointed as Non-executive Director and Chairman of the Board with effect from 1 June 2019;
- Mr. Lo Kai Bong ("Mr. Lo"), currently an executive director of Suncity and the chief investment officer of the Suncity Group, was re-designated from Non-executive Director to Executive Director and appointed as Deputy Chairman of the Board on 26 April 2019;
- Mr. Chiu King Yan, currently the chief financial officer of Suncity, was appointed as Executive Director on 26 April 2019;
- Mr. Wong Pak Ling Philip, currently the chief financial officer of the Suncity Group, has been appointed as Non-executive Director with effect from 1 June 2019;
- Mr. Lam Kwan Sing has been appointed as Independent Non-executive Director with effect from 14 June 2019; and
- Mr. Wang, John Peter Ben ("Mr. Wang"), Mr. Kuo and Mr. Gerard Joseph McMahon stepped down as Executive Director and Deputy Chairman, Non-executive Director and Chairman, and Independent Non-executive Director on 12 April 2019, 26 April 2019, and 14 June 2019 respectively.

Financial Review

Segment Information

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

Adjusted Property EBITDA of Tigre de Cristal

Adjusted Property EBITDA generated by Oriental Regent Limited, a 60% owned subsidiary of the Company operating our integrated resort in the Russian Far East, Tigre de Cristal, is used by management as the primary measure of operating performance of our gaming and hotel operations. Adjusted Property EBITDA, which is a non-IFRS financial measure and defined as net income before management fee payable to the Company, company corporate expenses, unrealized exchange differences, interest, taxes, depreciation and amortisation, and share-based compensation benefits, was HK$214.8 million in 2019, up 18% compared to HK$181.4 million in 2018.

Adjusted Property EBITDA margin (represented the ratio of Adjusted Property EBITDA to total revenue) also jumped to 40% in 2019, versus 39% in 2018 – demonstrating that the operating expenses of the Company have remained relatively constant despite ongoing growth in revenues.

The following table sets forth a reconciliation of Adjusted Property EBITDA to the reported profit for the year attributable to owners of the Company as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019.

Reconciliation of Adjusted Property EBITDA to the profit for the year ended 31 December 2019 attributable to owners of the Company

	2019 **HK$'000**	2018 HK$'000
Gross revenue from rolling chip business	**441,260**	484,385
Less: Rebates	**(318,800)**	(374,850)
Revenue from rolling chip business	**122,460**	109,535
Revenue from mass table business	**174,140**	166,917
Revenue from slot business	**185,633**	142,889
Net revenue from gaming operations	**482,233**	419,341
Revenue from hotel operations	**50,583**	43,809
Total revenue from gaming and hotel operations	**532,816**	463,150
Add: Other income	**1,225**	1,784
Less: Other gains and losses	**(5,489)**	(171)
Gaming tax	**(13,602)**	(13,134)
Inventories consumed	**(13,299)**	(13,291)
Marketing and promotion expenses	**(17,665)**	(16,177)
Employee benefits expenses	**(147,777)**	(135,605)
Other expenses	**(121,365)**	(105,188)
Adjusted Property EBITDA of Tigre de Cristal	**214,844**	181,368
Add: Management fee payable to the Company	**14,962**	12,914
Less: Company corporate expenses	**(19,502)**	(17,950)
	210,304	176,332
Add: Bank interest income	**8,415**	3,864
Less: Interest on lease liabilities/obligations under finance leases	**(768)**	(91)
Income tax expense	**(112)**	(108)
	217,839	179,997

	2019 **HK$'000**	2018 HK$'000
Non-cash items:		
Add: Net exchange gains	**19,043**	6,261
Imputed interest income from loan to a joint venture	**–**	101
Less: Depreciation and amortisation	**(99,278)**	(115,537)
Imputed interest expenses	**(30,933)**	(36,371)
Gain on disposal of interest in subsidiaries	**180**	–
Loss on deemed disposal of interest in a joint venture	**–**	(659)
Share-based compensation benefits	**–**	(29,175)
Share of losses of a joint venture	**–**	(119)
Non-recurring write-offs relating to construction	**–**	(442)
Profit for the year of the Group	**106,851**	4,056
Less: (Profit) loss for the year attributable to non-controlling interest	**(24,853)**	3,555
Profit for the year attributable to owners of the Company	**81,998**	7,611

Operating Revenues of the Group

Total revenue of the Group in 2019 was HK$532.8 million, representing an increase of 15% compared to the corresponding year in 2018.

Gaming Revenues

Gaming revenue of Tigre de Cristal, which comprises three main sources, namely the rolling chip business, mass table business and slot business, increased to HK$482.2 million, compared to HK$419.3 million in 2018, and such improvement is primarily benefited from the rebound in rolling chip business and growth in slot business versus last year.

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 2019.

(HK$'million)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**FY2019**	FY2018
Rolling chip turnover	4,471	3,889	3,885	2,970	**15,215**	15,562
Gross win	155	101	109	76	**441**	484
Less: Rebate	(115)	(72)	(79)	(53)	**(319)**	(375)
Net win after rebate	40	29	30	23	**122**	109
Gross win %	3.47%	2.60%	2.81%	2.56%	**2.90%**	3.11%
Daily average number of tables opened	21	22	23	22	**22**	14

Rolling chip turnover (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal in 2019 was HK$15.2 billion, representing a decrease of 2% compared to the corresponding year in 2018. Net win after all commissions rebated directly or indirectly to customers from rolling chip business increased by 12% to HK$122 million in 2019. Gross win percentage (represented the ratio of gross win to rolling chip turnover) decreased slightly from 3.11% in 2018 to 2.90% in 2019.

Since 23 April 2019, Suncity has become the substantial shareholder of the Company and, together with the subsequent changes at the Board level of the Company, we believe our cooperation with the Suncity Group will continue to grow in scope and scale. In addition, Tigre de Cristal fits into the strategic roadmap of the Suncity Group to provide a diversified portfolio of gaming options for its players around the world. The comparatively low gaming tax rate in the Russian Federation enables our majority-owned subsidiary to pay attractive rebates while maintaining solid margins, and Suncity, as the single-largest shareholder of the Company, captures virtually all the additional economics by using the equity method of accounting to share in the results of the Group. We will continue to enhance the non-gaming offerings at Tigre de Cristal in order to further attract player volumes and drive higher value rolling chip business to the property.

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 2019.

(HK$'million)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**FY2019**	FY2018
Total table drop	171	179	191	210	**751**	700
Table net win	41	36	48	49	**174**	167
Hold %	24.0%	20.1%	25.1%	23.3%	**23.2%**	23.9%
Daily average number of tables opened	26	27	27	27	**27**	21

Total table drop (measured as the sum of gaming chips purchased or exchanged at the cage) increased by 7% to HK$751 million in 2019. Table net win from mass table business increased by 4% to HK$174 million in 2019. Hold percentage (represented table net win as a percent of table drop) decreased slightly from 23.9% in 2018 to 23.2% in 2019.

Slot business

Our slot business primarily targets the local Russian market. The table below sets forth the key performance indicators in 2019.

(HK$'million)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**FY2019**	FY2018
Total slot handle	826	819	799	960	**3,404**	2,859
Slot net win	42	49	46	49	**186**	143
Hold %	5.1%	6.0%	5.8%	5.1%	**5.5%**	5.0%
Daily average number of slots deployed	325	357	329	332	**336**	310

The slot business outperformed the Company's other lines of business in 2019 and recorded revenue of HK$185.6 million, up 30% compared to HK$142.9 million in 2018. The increase was principally due to the continuous growth in slot handle by 19% to HK$3.4 billion in 2019, compared to HK$2.9 billion in the corresponding year in 2018. The average hold percentage also increased to 5.5% in 2019 from 5.0% in the corresponding year of 2018. The average number of slots deployed increased by 8% to 336 in 2019.

Non-gaming Revenues

Revenue from hotel operations, which is largely dependent on foreign guests, increased to HK$50.6 million or by 15% compared to the corresponding year in 2018. Average hotel occupancy rates were maintained at 88% (2018: 84%) during weekends and 63% (2018: 55%) during weekdays in 2019.

Operating Expenses of the Group

The Group continued to maintain stringent cost controls and streamline our operations 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 amortization, were HK$300.1 million in 2019, an increase of HK$29.8 million or 11% compared to the corresponding year in 2018.

Depreciation and Amortisation

Depreciation and amortisation of the Group decreased by 14% to HK$99.3 million in 2019 as compared to HK$115.5 million for the corresponding year in 2018. The decrease was primarily due to some assets, which were depreciated over a three-year time period, having become fully depreciated as Tigre de Cristal has been operating for more than three years.

Finance Costs

Finance costs of the Group were HK$31.7 million in 2019, a decrease of 13% compared to HK$36.5 million for the corresponding year in 2018. These costs were primarily comprised non-cash imputed interest by applying the effective notional interest rate on the interest-free loans payable to non-controlling shareholders of Oriental Regent. The decrease in imputed interest was due to the continuous repayments to the shareholders of Oriental Regent by using internally generated cash flows.

Share-based Compensation Benefits

During the year 2019, no share options were granted and hence no share-based compensation benefits were incurred (2018: HK$29.2 million).

Gaming Tax

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

Since 2004 up to 31 December 2017:

	Minimum (RUB)	**Maximum (RUB)**
Each gaming table	25,000	125,000
Each gaming machine	1,500	7,500

Effective from 1 January 2018:

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

On 28 February 2018, the local parliament of Primorsky Krai voted overwhelmingly to maintain the gaming tax rates at existing levels as they are within the ranges stipulated by the new federal law enacted on 27 November 2017. Accordingly, no changes in gaming tax rates have been applied to Tigre de Cristal since its opening in 2015.

For the year ended 31 December 2019, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively, resulting in total gaming tax of approximately HK$13.6 million (2018: HK$13.1 million) which corresponded to 3% of the Group's net gaming revenue for the year of 2019 (2018: 3%).

Income Tax Expense

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for the year. As at 31 December 2019, the Group had unused tax losses of HK$30.1 million (31 December 2018: HK$25.1 million) available under Hong Kong Profits Tax for offset against future profits.

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. As for non-gaming revenues, the Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%.

At at 31 December 2019, the Group had unused tax losses of HK$522 million (31 December 2018: HK$473 million) available under Russian corporate tax and all losses may be carried forward indefinitely. The Group believes that these unrecognized tax losses are adequate to offset any adjustments related to uncertain tax matters that might be proposed by the Russian tax authorities.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK$82.0 million in the year of 2019, compared to HK$7.6 million in the corresponding year of 2018.

Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position and finances its business operations with internal resources and cash revenues generated from operating activities. As at 31 December 2019, total equity attributable to the owners of the Company was HK$1,644.4 million (31 December 2018: HK$1,250.7 million).

The Group had no outstanding external borrowings throughout the year ended 31 December 2019 (31 December 2018: Nil). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 31 December 2019 (31 December 2018: 0%).

The Group remains conservative in its working capital management. As at 31 December 2019, net current assets of the Group were HK$638.6 million (31 December 2018: HK$451.6 million) and bank balances and cash were HK$860.7 million (31 December 2018: HK$479.8 million), of which 31.0% was denominated in United States dollar, 58.7% in Hong Kong dollar, and 10.3% in Russian ruble. The majority of our cash equivalents at 31 December 2019 was in fixed deposits with a maturity of three months or less generally. The increase in bank balances and cash was mainly due to the net proceeds received from the issuance of 300,000,000 ordinary shares of the Company (the "Placing Share") at a price of HK$1.01 per Placing Share pursuant to the general mandate granted to the Directors at the 2019 annual general meeting of the Company (the "Share Placement"), details of which are set out in the Company's announcements dated 25 July 2019 and 19 August 2019. The Company intends to utilise the net proceeds from the Share Placement to further develop the hotel and gaming business in IEZ Primorye.

The following table sets forth a summary of our cash flows for the year of 2019:

	2019 **HK$'000**	2018 HK$'000
Net cash from operating activities	**215,526**	195,536
Net cash used in investing activities	**(67,271)**	(34,564)
Net cash from (used in) financing activities	**237,344**	(69,759)
Net increase in cash and cash equivalents	**385,599**	91,213
Cash and cash equivalents at 1 January	**479,822**	400,208
Effect of foreign exchange rate changes	**(4,723)**	(11,599)
Cash and cash equivalents at 31 December	**860,698**	479,822

Net cash from operating activities of HK$215.5 million and HK$195.5 million for the years ended 31 December 2019 and 2018 respectively, represented the positive operating cash flows generated by the gaming and hotel operations of Tigre de Cristal.

Net cash used in investing activities of HK$67.3 million for the year ended 31 December 2019 was mainly due to additions for equipment of HK$48.4 million, deposit paid for purchase of property, operating right and equipment of HK$18.3 million and the return of HK$9.9 million of VAT refunded under VAT arrangements to the tax authority of the Russian Federation.

Net cash from financing activities of HK$237.3 million for the year ended 31 December 2019 represented primarily the net proceeds from the Share Placement of HK$296.6 million, partially net off with early repayment of the interest-free loans from non-controlling shareholders of Oriental Regent of HK$71.6 million. Net cash used in financing activities of HK$69.8 million for the year ended 31 December 2018 represented primarily early repayment of the interest-free loans from non-controlling shareholders of Oriental Regent of HK$68.5 million.

Anti-money Laundering Policy

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

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

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 31 December 2019 and 31 December 2018.

Exposure to Fluctuations in Exchange Rates

The functional currency of the Company is Hong Kong dollar and the consolidated financial statements of the Group are presented in Hong Kong dollars.

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 Hong Kong dollars. The Group's equity position reflects changes in book values caused by exchange rates. Hence, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on results, and assets and liabilities of the Group. As these fluctuations do not necessarily affect future cash flows, the Group does not hedge against exchange rate translation risk.

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

Capital Commitment

The Group's capital commitment as at 31 December 2019 amounted to approximately HK$23,729,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (31 December 2018: HK$1,776,000).

Contingent Liabilities

There were no contingent liabilities as at 31 December 2019 and 31 December 2018.

Employees

As at 31 December 2019, total number of employees employed by the Group was 1,139 (31 December 2018: 1,050). Currently, more than 97% of our full-time employees are local Russian citizens (31 December 2018: 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.

Outlook

The Group continues its positive transformation since Suncity became the single-largest and a substantial shareholder in April 2019. The Group, together with its majority-owned subsidiary Tigre de Cristal, continued to grow its profit and EBITDA on a year-over-year basis.

In addition, the Group continued to execute on several initiatives during 2019 – most notably significant progress has been made in the expansion and refinement of the customer offerings at Tigre de Cristal. The completion of these enhancements has been inevitably slowed by the delays in deliveries of materials and other logistical constraints effected by the recent Coronavirus Disease outbreak.

Current status of the property enhancements is detailed below:

- Suncity VIP Salon. The luxurious new VIP room has been slightly delayed but is nearing completion and will welcome its first VIP customers once travel connectivity returns to normalcy. With this addition to our gaming offering, we expect to more than double our number of VIP gaming tables and we now target an opening of this VIP room in 1H2020.

- A separate hot pot section in the rear of our existing Pan-Asian restaurant, and a large private club located on the lower level of the property are nearing completion, but they have been delayed due to the unavoidable logistical issues mentioned above. Both amenities are expected to be operational in 1H2020.

- A 30-room extension to our existing hotel and a stand-alone noodle bar on the main gaming floor are both expected to be completed and operating later in 2020.

Going forward, the Group expects the following factors to drive our growth:

- More operators expected. In addition to the new VIP room referenced above, we expect to invite more traditional VIP operators to the property and believe that they will follow Suncity's lead into the Russian market. This is in line with our strategy to move up the VIP value chain.

- The "Cluster Effect". Two other casino operators in the IEZ Primorye continue to develop their properties. We expect the smaller of the two to open for business in 2020 and the other in 2021 or 2022. We believe that more lodging, gaming choices, and amenities in the zone will increase the draw for both VIP and mass customers.

- Phase II. We have reviewed and are finalizing conceptual designs, and are targeting an opening of our next property in the IEZ Primorye in 2022. This new integrated resort is expected to double our VIP and mass gaming tables, slots, and have at least twice the lodging capacity of our first property. Our plans include four restaurants and bars, additional retail offerings, and an indoor beach club and spa.

- The Group continues to enjoy a constructive dialogue and relationship with relevant Russian officials at the provincial and national levels and we do not expect adverse changes in legislation for the foreseeable future.

Effective from 20 February 2020, as part of the efforts to contain the Coronavirus Disease outbreak, the Russian government implemented a temporary entry ban for Chinese nationals, including passport holders from Hong Kong and Macau, which understandably had an adverse impact on our visitation to start 2020 and a negative impact on our rolling chip business in particular. Having said that, the company has developed a diverse customer base and is not overly reliant on one feeder market or gaming segment. In addition, the winter period is historically our low season and the impact has not been as pronounced as it would have been if the crisis occurred in the Company's peak summer months. While it is still impossible to quantify the impact to our overall business due to factors like the length of the border closures and temporary drop in flight connectivity, we anticipate a quick rebound once we move past this challenging period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Chau Cheok Wa (aged 45)
Chairman and Non-executive Director

Mr. Chau has been the Chairman and a Non-executive Director of the Company since 1 June 2019. He is currently the chairman, executive director and controlling shareholder of Suncity Group Holdings Limited (stock code: 1383) ("Suncity"), a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the substantial shareholder of the Company. He was previously an executive director and the chairman of Sun International Resources Limited (stock code: 8029) (now known as Sun International Group Limited, "Sun International"), a company listed on the GEM of the Hong Kong Stock Exchange and resigned on 5 July 2013.

Mr. Chau is also the founder and chairman of the Suncity Group (the "Suncity Group"), which is one of Asia's leading VIP services and entertainment conglomerates.

Mr. Lo Kai Bong (aged 40)
Deputy Chairman and Executive Director

Mr. Lo had been a Non-executive Director of the Company since December 2018 until he was re-designated as an Executive Director of the Company and appointed as the Deputy Chairman of the Board of the Company on 26 April 2019. He is a director of a subsidiary of the Company. He has obtained a Bachelor of Arts degree from the University of Winnipeg in Canada. Mr. Lo is currently an executive director of Suncity, a company listed on Hong Kong Stock Exchange and the substantial shareholder of the Company. Mr. Lo is also the chief investment officer of the Suncity Group, which is one of Asia's leading VIP services and entertainment conglomerates. Mr. Lo has been involved in business development of the Suncity Group's overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of Suncity and the Suncity Group and is experienced in the gaming industry. Mr. Lo was an executive director of Sun International, a company listed on the GEM of the Hong Kong Stock Exchange, from August 2013 to February 2015. Mr. Lo is a brother-in-law of Mr. Chiu King Yan, Executive Director of the Company.

Mr. Eric Daniel Landheer (aged 51)
Executive Director

Mr. Landheer has been an Executive Director of the Company since September 2017. He joined the Company as Director – Corporate Finance and Strategy in March 2014 and is responsible for leading the Company's fundraising and other capital markets activities, strategic planning and execution, as well as investor and media relations. He is a director of a subsidiary of the Company.

Mr. Landheer has more than 20 years of experience in the financial markets. Prior to joining the Company, he was Senior Vice President and Head of Issuer Marketing at Hong Kong Exchanges and Clearing Limited from 2011 to 2012 and led their efforts to attract international and Chinese listings to Hong Kong as well as the promotion of offshore Renminbi products. Previously, Mr. Landheer was Head of Asia Pacific for the NASDAQ OMX Group, Inc. for four years based in London and Hong Kong, and was responsible for the NASDAQ's new listings and retention business as well as media and government relations throughout Asia. Prior to his position as Head of Asia Pacific for the NASDAQ OMX Group, Inc., he worked as Managing Director in the Corporate Client Group for The NASDAQ Stock Market, Inc. for three years and was responsible for IPOs in the Western United States. Before that, Mr. Landheer worked for various brokerage and securities houses in the United States in equity finance and institutional brokerage.

Mr. Landheer holds a bachelor's degree in Political Science with high honors from The University of California, Berkeley in the United States.

On 23 March 2020, at the Board meeting held for approving matters, among others, the financial results of the Company for the year ended 31 December 2019, Mr. Landheer has resigned as Executive Director with effect from the same date and his resignation was accepted by the Board.

Mr. Chiu King Yan (aged 42)
Executive Director

Mr. Chiu has been an Executive Director of the Company since 26 April 2019. He is the chief financial officer of Suncity, a company listed on Hong Kong Stock Exchange and the substantial shareholder of the Company. Mr. Chiu is a director of subsidiaries of the Company since 23 March 2020. Mr. Chiu has over 19 years of experience in audit, accounting, private equity investment and corporate finance, obtained from his previous working experience in international accounting firms and various listed companies in Hong Kong. Mr. Chiu was an executive director of Wanjia Group Holdings Limited (stock code: 401), a company listed on the Hong Kong Stock Exchange, from March 2017 to February 2018. He was the group chief financial officer of AID Partners Capital Holdings Limited (stock code: 8088) (now known as AID Life Science Holdings Limited), a company listed on the Hong Kong Stock Exchange, from April 2014 to July 2016, responsible for financial reporting, investment management and mergers and acquisitions.

Mr. Chiu holds a master's degree in financial analysis from The Hong Kong University of Science and Technology and a bachelor's degree in business administration in Accountancy from The City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chiu is a brother-in-law of Mr. Lo Kai Bong, Executive Director and Deputy Chairman of the Company.

Mr. Wong Pak Ling Philip (aged 56)
Non-executive Director

Mr. Wong has been a Non-executive Director of the Company since 1 June 2019. He is currently the chief financial officer of Suncity Group.

Mr. Wong has over 30 years of experience in tax, audit, accounting, and corporate finance, obtained from his previous working experience in international accounting firms and various companies in Hong Kong and Macau. Prior to joining the Suncity Group, he was the chief financial officer of Altira Macau from June 2009 to February 2011, a hotel casino owned by Melco Resorts & Entertainment Limited which is a company listed on the NASDAQ Global Select Market (stock code: MLCO). From April 2005 to June 2009, Mr. Wong was the vice president – finance of Galaxy Casino S.A., a subsidiary of Galaxy Entertainment Group Limited (stock code: 27), a company listed on the Hong Kong Stock Exchange. From April 2003 to April 2005, he was the finance director of Huawei Technology Investment Limited, a subsidiary of Huawei Technology Company Limited.

Mr. Wong holds a master's degree in business administration from the Heriot-Watt University in the United Kingdom. He is a member of the Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) and the Institute of Chartered Accountants in England and Wales. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Dr. U Chio Ieong (aged 47)
Non-executive Director

Dr. U has been a Non-executive Director of the Company since September 2018. He is a well-rounded businessman and philanthropist with a wealth of experience and connections in various fields. Dr. U has held management positions in a number of private companies in China, Hong Kong and Macau, in which he has shareholding interests. These companies are mainly engaged in real estate, graphene mining, food and beverage, hotels, finance, travel, rosewood furniture and crafts.

Dr. U is a keen supporter of community services and serves as the Standing Member of Fujian Federation of Returned Overseas Chinese, the Deputy Chairman of the International Society of Fuqing Clansmen, Permanent Honorary Chairman of the Macau Society of Fuqing Clansmen, the first Director of the Fujian Province Overseas Chinese Charity Foundation, the second Deputy Chairman of Fujian Overseas Chinese Enterprise Development Foundation, Honorary Deputy Chairman of Fujian Women and Children's Development Foundation, Executive Vice President of Fuzhou Overseas Chinese Chamber of Commerce, Deputy Chairman of Yongtai County Charity Federation, and Fuqing City Overseas Friendship Association. Dr. U was a member of the Fuzhou Committee of Chinese People's Political Consultative Conference in Fujian Province, China.

Dr. U is also the Founding Chairman of Benevolence International Charity Association. He was granted the 15th "World Outstanding Chinese Award" by World Chinese Business Investment Foundation. In 2017, Dr. U was granted an Honorary Doctorate Degree in Business Administration by Sabi University, which is an accredited international private university located in Paris, France.

Mr. Lam Kwan Sing (aged 50)
Independent Non-executive Director

Mr. Lam has been an Independent Non-executive Director of the Company since 14 June 2019. He is also the chairman of the remuneration committee and corporate governance committee and a member of the audit committee and nomination committee of the Company.

Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. He has over 21 years of experience in the commercial and corporate finance field. Currently he is an executive director and chief executive officer of SFund International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1367), and is also an independent non-executive director of Hao Tian Development Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 474). In addition, Mr. Lam is a director of China Natural Resources Inc. since 2003 (a company listed on NASDAQ). Mr. Lam was an executive director of China Smarter Energy Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1004), from 1 August 2010 to 16 August 2017.

Mr. Lau Yau Cheung (aged 59)
Independent Non-executive Director

Mr. Lau has been an Independent Non-executive Director of the Company since October 2018. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company.

Mr. Lau holds a bachelor's degree in commerce from the University of Toronto in Canada. Mr. Lau has over 25 years of experience in business strategies and corporate finance and 6 years of experience in the securities trading business. He has served in various senior management positions with both private and public companies in Hong Kong and overseas. Mr. Lau is currently an independent non-executive director and chairman of the board of the directors of Sandmartin International Holdings Limited ("Sandmartin"), a company listed on the Hong Kong Stock Exchange. A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin (the "Petition"), which was prior to the appointment of Mr. Lau as an independent non-executive director of Sandmartin on 7 August 2017 and chairman of the board of directors of Sandmartin on 18 August 2017. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed.

Mr. Lau was an independent non-executive director of Walderly International Holdings Limited (now known as Fullshare Holdings Limited) from September 2005 to August 2006, an executive director of APAC Resources Limited from April 2004 to October 2007 and an executive director of Greenfield Chemical Holdings Limited (now known as Landing International Development Limited) from October 2007 to January 2010, all of these companies are listed on the Hong Kong Stock Exchange. Mr. Lau also serves as the managing director of BH Capitalink Development Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Chak Hung (aged 55)
Independent Non-executive Director

Mr. Li has been an Independent Non-executive Director of the Company since October 2018. He is also the chairman of the audit committee and a member of the corporate governance committee of the Company.

Mr. Li is graduated from The Chinese University of Hong Kong and holds a Bachelor's Degree of Business Administration. He is a practicing Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow of The Taxation Institute of Hong Kong. He has over 25 years' experience in accounting, auditing, taxation and financial management. Mr. Li is currently an independent non-executive director of Asiasec Properties Limited, Sandmartin and Alpha Professional Holdings Limited, and he was an independent non-executive director of DreamEast Group Limited from October 2004 to December 2019 and ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited) from September 2004 to June 2014, all of them are listed on the Hong Kong Stock Exchange. A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed.

Senior Management

Mr. Stylianos Tsifetakis (aged 48)
Chief Operating Officer – Russian Operations

Mr. Tsifetakis has joined the Group in a senior management capacity since September 2014. Mr. Tsifetakis has over 21 years of experience in the casino and hospitality industry. Prior to joining the Group, he was the Director of Operations at Regency Casino Mont Parnes and a Director at Hyatt Regency Casino, both of which are located in Greece. Mr. Tsifetakis also held senior managerial roles in various world class hotels in multiple jurisdictions including the United Kingdom, Romania and Kazakhstan.

Mr. Tsifetakis holds a casino management certificate in Greece and graduated from London South Bank University in the United Kingdom with a Bachelor of Arts (Honours) degree in hotel management.

Mr. Yip Ho Chi (aged 50)
Finance Director

Mr. Yip has been Finance Director of the Company since October 2013. He is a director of a subsidiary of the Company. Prior to joining the Company, Mr. Yip was the chief financial officer of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange, from 2009 to 2013. Before this, he had been serving as an executive director, finance director and company secretary of Sandmartin, a company listed on the Hong Kong Stock Exchange, for nine years. Mr. Yip was also an audit manager of Deloitte Touche Tohmatsu with whom he worked for over seven years.

Mr. Yip graduated from The University of Hong Kong with a Bachelor of Business Administration degree. He is a fellow member of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

Summit Ascent Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") is committed to maintaining high standards of corporate governance. Our business culture and practices are founded upon a common set of values that govern our relationships with customers, employees, shareholders, suppliers and the communities in which we operate.

Compliance of Corporate Governance Code

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with the exception of code provision A.2.1 during the year ended 31 December 2019. Details of the deviation from the code provision A.2.1 is explained in the section "Composition of the Board".

The Board of Directors

Composition of the Board

As at 31 December 2019, the board of directors of the Company (the "Board") has nine members, consisting of three Executive Directors, Mr. Lo Kai Bong (Deputy Chairman), Mr. Eric Daniel Landheer and Mr. Chiu King Yan, three Non-executive Directors, Mr. Chau Cheok Wa (Chairman), Mr. Wong Pak Ling Philip and Dr. U Chio Ieong, and three Independent Non-executive Directors, Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung. Biographies of the directors of the Company (the "Directors") are contained in the section headed "Biographical Details of Directors and Senior Management" set out on pages 16 to 20 of this annual report.

On 23 March 2020, at the Board meeting held for approving matters, among others, the financial results of the Company for the year ended 31 December 2019. Mr. Landheer has resigned as Executive Director with effect from the same date.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly stated and set out in writing. However, due to the change of chairman and deputy chairman of the Company as mentioned below, there was no separation of the roles of chairman and chief executive as well as no written guideline setting out the responsibilities between the chairman and chief executive during the corresponding transitional period from 12 April 2019 to 31 May 2019.

Mr. Kuo Jen Hao resigned as Chairman on 26 April 2019 and Mr. Chau Cheok Wa has been appointed as Chairman with effect from 1 June 2019. Mr. Wang, John Peter Ben, the then Deputy Chairman, who was performing the role of Chief Executive Officer resigned on 12 April 2019, and Mr. Lo Kai Bong was appointed as Deputy Chairman to perform the role of Chief Executive Officer with effect from 26 April 2019. Subsequent to the appointment of Mr. Lo Kai Bong and Mr. Chau Cheok Wa as the Deputy Chairman and Chairman, the deviation from code provision A.2.1 was rectified.

The Non-executive Directors, all of whom are independent of the management of the Group's business, are professionals with substantial experience in accounting, banking, financial management and business. The mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they ensure the Company maintains a high standard of financial and legal reporting and provide checks and balances to safeguard the interests of the shareholders.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines.

All Directors have formal letters of appointment with the Company, which set out the key terms and conditions of their appointment. Each Independent Non-executive Director was appointed for a term of three years.

Every Director will retire once every three years. In accordance with the Bye-laws of the Company, Mr. Chau Cheok Wa, Mr. Chiu King Yan, Mr. Wong Pak Ling Philip, Mr. Lam Kwan Sing and Mr. Lau Yau Cheung will retire and will offer themselves for re-election at the forthcoming annual general meeting. The biographies of the retiring Directors have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

Directors' training

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a comprehensive orientation package on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by meetings with senior management of the Company.

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with code provision A.6.5 of the CG Code. The Company has also sent information on external training courses and articles to Directors from time to time. A summary of training received by Directors during the year ended 31 December 2019 is set out below:

	Type of Continuous Professional Development	
Directors	**Attending seminars/ workshops/ conferences relevant to the business of the Company or directors' duties**	**Reading regulatory updates**
Executive Directors		
Mr. Lo Kai Bong (re-designated from Non-executive Director to Executive Director on 26 April 2019)	–	✓
Mr. Eric Daniel Landheer (resigned on 23 March 2020)	–	✓
Mr. Chiu King Yan (appointed on 26 April 2019)	–	✓
Non-executive Directors		
Mr. Chau Cheok Wa (appointed on 1 June 2019)	–	✓
Mr. Wong Pak Ling Philip (appointed on 1 June 2019)	–	✓
Dr. U Chio Ieong		✓
Independent Non-executive Directors		
Mr. Lam Kwan Sing (appointed on 14 June 2019)	–	✓
Mr. Lau Yau Cheung	✓	✓
Mr. Li Chak Hung	✓	✓

Note:

Mr. Wang, John Peter Ben (resigned on 12 April 2019)

Mr. Kuo Jen Hao (resigned on 26 April 2019)

Mr. Gerard Joseph McMahon (resigned on 14 June 2019)

Board meetings

Pursuant to code provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In addition, pursuant to code provision A.2.7, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

During the year ended 31 December 2019, the Company had held nine board meetings. In addition, the Chairman met the Independent Non-executive Directors once without the presence of other Directors.

Wherever possible, ample notice of the Board meetings was given, and Board papers were provided in advance to Directors to enable them to prepare for the meetings. The Company Secretary (or her delegate(s)) keeps full records of the Board meetings.

Board and committee attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meetings during the year ended 31 December 2019 are as follows:

	No. of meetings attended/held					
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**Corporate Governance Committee meeting**	**Annual general meeting**
						(Note 9)
Executive Directors						
Mr. Eric Daniel Landheer	7/9	–	–	–	–	1/1
Mr. Lo Kai Bong *(Note 1)*	9/9	–	–	–	–	1/1
Mr. Chiu King Yan *(Note 2)*	6/6	–	–	–	–	1/1
Mr. Wang, John Peter Ben *(Note 3)*	2/2	–	–	–	–	–
Non-executive Directors						
Mr. Chau Cheok Wa *(Note 4)*	0/5	–	–	–	–	–
Mr. Wong Pak Ling Philip *(Note 5)*	2/5	–	–	–	–	–
Dr. U Chio Ieong	6/9	–	–	–	–	0/1
Mr. Kuo Jen Hao *(Note 6)*	3/3	–	–	–	–	–
Independent Non-executive Directors						
Mr. Lam Kwan Sing *(Note 7)*	3/5	2/2	–	1/1	1/1	–
Mr. Lau Yau Cheung	7/9	3/3	3/3	4/4	–	1/1
Mr. Li Chak Hung	7/9	3/3	–	–	1/1	1/1
Mr. Gerard Joseph McMahon *(Note 8)*	4/4	1/1	3/3	3/3	–	1/1
Average Attendance Rate	**75%**	**100%**	**100%**	**100%**	**100%**	**86%**

Notes

(1) Mr. Lo Kai Bong was re-designated from Non-executive Director to Executive Director and appointed as Deputy Chairman on 26 April 2019.

(2) Mr. Chiu King Yan was appointed as Executive Director on 26 April 2019. Six Board meetings were held after 26 April 2019.

(3) Mr. Wang, John Peter Ben resigned as Executive Director on 12 April 2019. Two Board meetings were held on or before 12 April 2019.

(4) Mr. Chau Cheok Wa has been appointed as Non-executive Director with effect from 1 June 2019. Five Board meetings were held on or after 1 June 2019. No annual general meeting was held after 1 June 2019.

(5) Mr. Wong Pak Ling Philip has been appointed as Non-executive Director with effect from 1 June 2019. Five Board meetings were held on or after 1 June 2019. No annual general meeting was held after 1 June 2019.

(6) Mr. Kuo Jen Hao resigned as Non-executive Director on 26 April 2019. Three Board meetings were held on or before 26 April 2019.

(7) Mr. Lam Kwan Sing was appointed as Independent Non-executive Director, the Chairman of Remuneration Committee and Corporate Governance Committee and a member of Audit Committee and Nomination Committee on 14 June 2019. Five Board meetings, two Audit Committee meetings, one Remuneration Committee meeting and one Corporate Governance Committee meeting were held on or after 14 June 2019.

(8) Mr. Gerard Joseph McMahon resigned as Independent Non-executive Director, the Chairman of Remuneration Committee and Corporate Governance Committee and a member of Audit Committee and Nomination Committee on 14 June 2019. Four Board meetings, one Audit Committee meeting, three Nomination Committee meetings and three Remuneration Committee meetings were held on or before 14 June 2019.

(9) The annual general meeting was held on 31 May 2019. No special general meeting was held during the year ended 31 December 2019.

Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2019.

Securities dealings 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 2019.

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company.

Delegation by the Board

Management functions

The Board delegates day-to-day operations of the Group to management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The ultimate responsibility for the day-to-day management of the Company is delegated to the Executive Directors and the management.

The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of senior management and assuming responsibility for major decisions, significant transactions and corporate governance. The Board also reviews and approves the Company's annual budget and business plans, which serve as important benchmarks in assessing and monitoring the performance of the management.

The management, under the leadership of the Executive Directors, is responsible for implementing the strategies and plans established by the Board. To ensure effective discharge of the Board's responsibilities, the management submits monthly, quarterly and annual operations reports to the Board. The Directors have full and ready access to the management on the Company's business and operations.

Board committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to committees, which review and make recommendations to the Board in specific areas. Chairmen and members of the committees are set out in the section headed "Corporate Information" on page 142 of this annual report.

Each committee has its defined terms of reference and has power to decide on matters within its terms of reference. The Board committees' terms of reference have been posted on the Company's website at www.saholdings.com.hk under the section headed "Corporate Governance".

Each committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense, where necessary.

(1) Audit Committee

The Audit Committee is made up of three Independent Non-executive Directors. As at the date of this annual report, the members of the Audit Committee are Mr. Li Chak Hung (chairman), Mr. Lam Kwan Sing and Mr. Lau Yau Cheung. They all possess appropriate professional qualifications and expertise required by Rule 3.21 of the Listing Rules. The role of the Audit Committee is to (a) monitor external auditor's work, appointment and remuneration, (b) review the Group's financial statements and published reports, (c) provide advice and comments thereon to the Board and (d) review and supervise the financial reporting system, risk management and internal control systems of the Group.

The detailed duties and powers of the Audit Committee are set out in the committee's terms of reference, which align with the requirements of the CG Code and the guidelines issued by the Hong Kong Institute of Certified Public Accountants.

The members of the Audit Committee met three times during the year ended 31 December 2019 and:

(a) reviewed the Group's financial results and reports;
(b) reviewed the internal control and risk management systems of the Company;
(c) reviewed the internal audit function of the Company and approved the Group's internal audit plan;
(d) reviewed the continuing connected transactions of the Company; and
(e) approved the remuneration of external auditor.

(2) Nomination Committee

The Nomination Committee is made up of two Independent Non-executive Directors. As at the date of this annual report, the members of Nomination Committee are Mr. Lau Yau Cheung (chairman) and Mr. Lam Kwan Sing. It reviews the Board's size and composition and advises the Board on Director appointment.

The members of the Nomination Committee met three times during the year ended 31 December 2019 and:

(a) reviewed the structure, size, composition and diversity of the Board;
(b) reviewed the board diversity policy of the Company;
(c) assessed the independence of Independent Non-executive Directors;
(d) recommended to the Board on re-election of Directors;
(e) recommended to the Board on the re-designation and appointment of Directors; and
(f) reviewed director nomination policy and recommended to the Board on the amendments to the terms of reference of the Nomination Committee.

(3) Remuneration Committee

The Remuneration Committee is made up of two Independent Non-executive Directors. As at the date of this annual report, the members of Remuneration Committee are Mr. Lam Kwan Sing (chairman) and Mr. Lau Yau Cheung. It reviews the remuneration packages of the Executive Director and senior management as well as guidelines on salary revision and bonus distribution to the Group's employees.

The members of the Remuneration Committee met four times during the year ended 31 December 2019 and:

(a) reviewed the remuneration of Directors and senior management of the Company;
(b) reviewed the Company's policy and structure for the remuneration of all Directors and senior management;
(c) recommended to the Board on the remuneration packages of the Executive Directors and senior management and evaluation system for the performance of Executive Directors;
(d) reviewed the performance, constitution and terms of reference of the Remuneration Committee; and
(e) reviewed the remuneration packages offered to the Directors appointed/re-designated during the year.

When considering remuneration of the Executive Directors and senior management, the committee considers a number of factors, including salaries paid by comparable companies, job responsibilities, and individual and company performance. Details of remuneration of the Directors, chief executive and senior management are set out in notes 13 and 37 to the consolidated financial statements.

(4) Corporate Governance Committee

The Corporate Governance Committee was formed to assist the Board to perform corporate governance functions. It is made up of two Independent Non-executive Directors. As at the date of this annual report, the members of the Corporate Governance Committee are Mr. Lam Kwan Sing (chairman) and Mr. Li Chak Hung.

The Board has delegated the following corporate governance duties to the Corporate Governance Committee:

(a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
(b) review and monitor the training and continuous professional development of Directors and senior management;
(c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
(e) review the Company's compliance with the code and disclosure in the corporate governance report.

The members of the Corporate Governance Committee met once during the year ended 31 December 2019 and reviewed matters, among others, the Company's compliance with the CG Code and training and continuous professional development of Directors and senior management.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013 which sets out the approach by the Company to achieve diversity on the Board. The Company considers diversity can be achieved from different gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience and length of service. All Board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

The Nomination Committee is in charge of implementing the Board Diversity Policy and reports annually on Board appointment process in the corporate governance report.

Director Nomination Policy

The Board adopted a director nomination policy (the "Director Nomination Policy") in December 2018 which sets out the criteria and process in the nomination and appointment of Directors of the Company. The Director Nomination Policy applied to ensure the Board has a balance of skills, experiences and diversity of perspectives appropriate to the Company as well as the Board continuity and appropriate leadership at Board level.

A summary of the Director Nomination Policy is set out below:

Criteria adopted for selection and recommendation for directorship

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

Nomination process

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

As delegated by the board, the Nomination Committee will, in addition to conducting regular review on the structure, size and composition of the Board, it will also conduct regular review on the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

Dividend Policy

The Board adopted a dividend policy in December 2018 which sets out the principle and guidelines by the Company to apply declaration, payment or distribution dividends to the shareholders.

The Board will review this policy as appropriate from time to time.

Company Secretary

The Company Secretary supports the Board and Board committees and facilitates good information flow between them and the Company's management. During the year ended 31 December 2019, the Company has engaged Ms. Ho Siu Pik of Tricor Services Limited, an external service provider as its Company Secretary. Ms. Ho has been the Company Secretary of the Company since December 2017. Ms. Ho's main contact person at the Company is Mr. Yip Ho Chi, Finance Director. All Directors have access to the Company Secretary's advice and services.

During the year ended 31 December 2019, the Company Secretary has complied with the training requirement of the Listing Rules.

Directors' and Auditor's Responsibilities for Accounts

The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019. The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining the necessary internal control system, ensuring that the Group's financial statements are free from material misstatement, applying the appropriate accounting policies and making reasonable accounting estimates. The responsibilities of external auditor are set out in the Independent Auditor's Report on pages 66 to 69 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2019, the Group paid and committed to pay to its external auditors, Messrs. Deloitte Touche Tohmatsu, approximately HK$4,677,000 (2018: HK$4,028,000) for audit services and approximately HK$1,660,000 (2018: HK$1,539,000) for non-audit services. The non-audit services mainly included interim review and advisory services on risk management and internal control systems, and environmental, social and governance reporting.

Risk Management and Internal Control

The Board acknowledged its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has established an internal audit function and has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control assessment report are submitted to the Audit Committee at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems for 2019, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are adequate and effective.

The Board, through the Audit Committee, had also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, and considers that they are adequate.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules in relation to the handling of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Whistleblowing Policy

The Group is committed to carrying out its business with the highest possible standards of professionalism, honesty, integrity and ethics. A whistleblowing policy is in place to create an anonymous channel for the employees, guests and business partners to confidentially raise any concern on potential misconduct relating to the Group to the Audit Committee and the Board and all of the cases will be independently investigated in strictest confidence to protect the whistleblowers' identities.

Constitutional Documents

During the year ended 31 December 2019, there was no change in the Company's constitutional documents.

Shareholders' Rights

Right to convene special general meeting

Pursuant to the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half (1/2) of the total voting rights of all of them, may themselves convene a meeting in accordance with the provision of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

The written requisition requiring a special general meeting to be called must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Under Section 79 of the Companies Act, shareholders may by written request include a resolution in a general meeting. The request must be made by shareholders holding in aggregate not less than one-twentieth (1/20) of the total voting rights of those shareholders having the right to vote at the general meeting or not less than one hundred (100) shareholders. The written requisition must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Right to put enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders and investors may contact the Company and the Board and send their enquiries or requests to the following:

Address: Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
(For the attention of Mr. Chiu King Yan, Executive Director)

Email: info@saholdings.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. Shareholders' information may be disclosed as required by law.

Procedures for nomination of Directors for election

Under Clause 88 of the Company's Bye-laws, shareholders are entitled to elect a person to be a Director at a general meeting or at any special general meeting by following the requirement set out in said bye-law. The procedures for nomination of Directors for election are available on the Company's website at www.saholdings.com.hk.

Communication with Shareholders

The Company considers the annual general meeting ("AGM") an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed. The Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2019 AGM and were on hand to answer questions.

The website of the Company at www.saholdings.com.hk also provides a medium to make information of the Group available to shareholders. Shareholders may refer to the "Shareholders' Communication Policy" posted on the Company's website for further details.

Introduction

As an ongoing commitment to generating long-term value for our stakeholders, Summit Ascent Holdings Limited and its subsidiaries (the "Group" or "we") have incorporated the principles of sustainable development into our business operation to help save the environment and support the development of the community. Thus, the Group prepared this Environmental, Social and Governance ("ESG") report to provide our stakeholders with the information of our ESG policies, initiatives, and performance.

As our major business operation is Tigre de Cristal, the integrated resort in Vladivostok, the Russian Federation, this ESG report covers the ESG information of Tigre de Cristal for the year ended 31 December 2019 ("FY2019" or the "Reporting Period"), in accordance with the framework, reporting principles and the "comply or explain" provisions as set out in Appendix 27 – Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of the Main Board Listing Rules issued by the Hong Kong Exchanges and Clearing Limited.

Sustainability Highlights in 2019

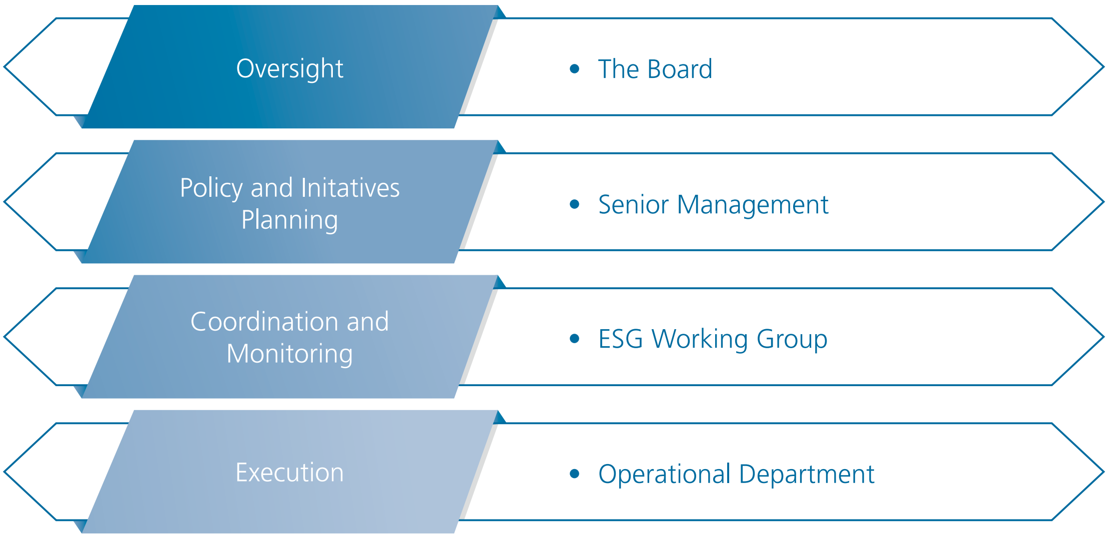
We have been actively enchancing our ESG performance and have invested resources in various areas of our operation. In FY2019, we have made some sustainability achievements which are highlighted as follows:

1. **62%** local procurement
2. **5%** average reduction in diesel consumption
3. **zero** case of corruption
4. **zero** work-related fatality
5. **sponsorship** programme for Disabled Children
6. **20%** average saving in water consumption

ESG Governance

The Group is dedicated to aligning ESG governance with the strategic development and embedding ESG considerations in its business decision making and daily operation. To this end, the Group has established a governance framework to manage ESG matters in operation, and the Board is responsible for leading the governance and the development of the Group's ESG management approach, strategies, priorities, and objectives. The Board delegates the senior management with authorities and responsibilities of developing, implementing and monitoring sustainable development policies and initiatives across business operations.

To better facilitate ESG management, the senior management has formed an ESG working group, which is represented by the Head of Internal Audit of the Group, in collaboration with Finance Director of G1 Entertainment LLC in the Russian Federation. The structure of ESG management is illustrated in the chart below:



The ESG working group is responsible for coordinating with different departments to collect and analyse ESG-related operational data, promoting and monitoring the implementation of ESG strategies and initiatives, reviewing stakeholders' feedback in daily operation as well as reporting key ESG issues to the senior management and the Board. The operational departments, such as Human Resources, Construction and Facility Management, Surveillance and Security, Hotel and Catering, Casino Operation departments, are responsible for implementing ESG initiatives in their daily operations.

On top of the ESG management structure, the Group has established the risk management and internal control systems to identify, evaluate, monitor and manage ESG risks and opportunities such as customer data protection and ethical business behaviour. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems. The results of risk management and internal control review are reported to the Board regularly. For more details, please refer to the "Risk Management and Internal Control", a sub-section of "Corporate Governance Report".

Stakeholder Engagement

The concerns and needs of our stakeholders provide us with information and directions to develop and polish our sustainability strategy. We have engaged with the Group's major stakeholders on an ongoing basis to understand the diverse and often neglected opinions and expectations along the value chain.

Varying methods have been adopted to engage the stakeholders to identify current and emerging issues that they are most concerned about regarding the operations of the Group. Communication channels are established for stakeholder groups for collecting concerns about the impact we have on ESG issues. Maintaining communication with stakeholders assists the collection of feedback about our sustainability strategy, and hence we can improve on material ESG issues. The following list summarises the methods of communication between stakeholders and us.

Stakeholder Group	Communication Methods
Shareholders	• Annual General Meetings • Annual and Interim Reports • Company's Website • Press Releases
Employees	• Staff Meetings • Speak Up Sessions • Staff Care Activities • Newsletter and Mobile App • Staff Training • Whistleblowing Channels
Customers	• Feedbacks • Satisfaction Surveys • Customer Service Hotline • Daily Contacts
Suppliers	• Quotation and Tendering Processes • Direct Communication Line for Suppliers • Supplier Evaluation Mechanism
Community	• Community Services • Online Social Media • Local Press Releases

Materiality Assessment

Through maintaining ongoing stakeholder engagement via the aforementioned channels, as well as industry benchmarking on peers, we were able to identify material ESG issues that the Group should focus on in regard to sustainability development. Based on the above methods, we have developed a list of material and relevant ESG issues for the purpose of the disclosure.

Material ESG issues are those key concerns of both the Group and stakeholders while relevant ESG issues are those related to the Group's operations, and it is necessary to disclose how the Group deals with those issues in accordance with the ESG Reporting Guide. The purpose of materiality assessment for our reporting framework is to identify the relevant ESG issues which can accurately reflect the ESG impact of the Group, and prioritize the ESG issues to understand their respective materiality. Such list has subsequently been submitted to the senior management for confirmation to ensure the categorisation of material and relevant ESG issues are consistent with the priorities given by the Group and the stakeholders.

In FY2019, we identified 9 material and 9 relevant ESG issues, and they are shown as follows.

Material ESG Issues

ENVIRONMENTAL

- Air emissions
- Use of energy and water

SOCIAL

- Connecting our people
- Workplace health and safety
- Talent development
- Customer security and food safety
- Customer satisfaction
- Responsible gaming
- Business ethics

Relevant ESG Issues

ENVIRONMENTAL

- Waste management
- Sewage management
- Biodiversity

SOCIAL

- Equal opportunities
- Talent retention
- Anti-child and anti-forced labour
- Data privacy
- Supply chain management
- Impact on local community

Environment

As an integrated resort, Tigre de Cristal ("TdC") utilises energy and water, as well as produces air emissions and wastes continuously throughout the Reporting Period for creating the ultimate guest experience. As a responsible corporate, the Group is dedicated to minimising all energy and water consumption, and thus, the Group has developed and implemented a series of policies and measures to monitor and reduce our consumptions and emissions constantly.

During the Reporting Period, the Group was not aware of any material non-compliance cases against local environmental laws and regulations.

Air emissions

We take an active role in minimising our air emissions and complying with all relevant legal requirements. The law in Russia related to air emissions is Federal Law No. 96-FZ on the Protection of Atmospheric Air. According to the above law, air emissions should be controlled under regulatory emission standards. The Group has established various measures as described below.

For instance, in FY2019, the Group purchased a piece of special equipment and assigned a trained technician to conduct the annual adjustment of gas burners at the central boiler, as a properly adjusted burner allows the equipment to operate more efficiently, thereby reducing power consumption as well as the need for maintenance.

Indoor air quality

Since the opening of TdC in October 2015, the Group has been paying great attention to the indoor air quality for the health of our customers and employees. We have, therefore, been performing regular air quality checks and have taken timely actions to prevent air contaminants from accumulating. For instance, smoking is strictly prohibited within our property with an exemption in the designated smoking areas to reduce the related health risks arising from cigarette smoking such as respiratory diseases.

Vehicle emissions

We are aware of the air emissions generated from our motor vehicles for transportation services provided to our customers and employees. During the Reporting Period, the emission amount of nitrogen oxides, sulphur oxides, particulate matter and carbon dioxide equivalent arising from the vehicles are shown in the table below.

	Air Emission from Vehicles only[1]		
	FY2019	FY2018	Variance
Nitrogen oxides	**6,673.5 kg**	6,471.6 kg	+3.1%
Sulphur oxides	**7.1 kg**	7.1 kg	-0.5%
Particulate matter	**476.6 kg**	457.1 kg	+4.3%
Carbon emission equivalent[2] (tCO_2e)	**1,213.7**	1,216.9	-0.3%

1 The amount of air pollutants was calculated with reference to the emission factors in the "Reporting Guidance on Environmental KPIs" published by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

2 Carbon emissions from vehicles were calculated based on the "Greenhouse Gas Protocol" published by World Resources Institute and World Business Council on Sustainable Development, "Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange, "Guidelines to Account for and Report on Greenhouse Gas Emission and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department, "Greenhouse Gas Reporting – Conversion Factors 2019" published by Department of Business, Energy and Industrial Strategy of the United Kingdom Government, and "Development of The Electricity Carbon Emission Factors – Baseline Study for Russia" by European Bank for Reconstruction.

The Group is dedicated to reducing the vehicle's emissions to improve air quality; hence we have chosen the vehicles that meet the European Emission Standards and used only "Green ECO" type of gas for our vehicles. In FY2019, we have purchased a Toyota Alphard with a hybrid engine for higher fuel consumption efficiency, and we also plan to purchase an additional five similar model of vehicles in the coming years.

In addition, the Group has arranged shuttle buses picking up commuting employees, therefore limiting the use of private vehicles. In order for the bus routes to run smoothly, we have strategically designed the bus schedules to avoid rush hours to ensure optimum trip duration as well as fuel efficiency.

Use of energy and water

To ensure efficient use of energy and water in order to mitigate the Group's environmental impacts and to conserve natural resources, the Group has adopted the following principles in daily operations:

- Resource usage should be strictly monitored, and any unnecessary consumption should be identified and improved as soon as possible;
- Awareness of the environmental impact of using each type of resources should be raised among our employees and guests; and
- Resource-saving measures, technologies and equipment should be deployed and regularly reviewed for their applicability.

To put principles into practise, we have developed and implemented a series of resource-saving measures in different aspects of our business operation to reduce energy and water consumption:

- An electrical heater has been installed on the hot water line to heat water in spring and autumn. The energy consumption of the new electrical heater is more efficient than that of the previous liquefied petroleum gas ("LPG") heater;
- The insulation of the foyer area has been improved by replacing glass doors with framed aluminium doors. The replacement of glass doors has solved the problem of cold air going through door gaps during winter, which would require more heat to maintain a suitable indoor temperature. Besides, we have also strengthened the insulation of the revolving door to reduce heat loss during winter;
- Normal light bulbs have been replaced with light-emitting diode ("LED") lighting, a highly energy-efficient lighting technology, on our property to reduce energy consumption;
- A key card power switch has been installed in each guest room to facilitate energy saving when the room is not in use, as well as automatic daylight switch at carriage porch which helps save electricity for lighting;

- A Building Management System has been in place to monitor both power and water usage regularly, to evaluate the resource-saving initiatives, and to identify sources of excessive resource consumption such as facilities not in use and idle areas with full lighting;

- Water-friendly housekeeping practices have been promoted to avoid unnecessary towel and bedsheet changes while maintaining a high hygiene standard;

- Water-friendly laundry practices have been promoted to avoid excessive usage of water on washing uniforms and guest laundry;

- Auto-sense faucets have been installed in washrooms to control water outflow;

- Relevant signage has been placed in guest rooms to communicate the impacts of unnecessary washing of towels on the environment to our guests; and

- In-house training sessions have been organised for employees to maintain water usage at an optimum level for both water reservation and business operation.

Aside from the above, the Group consumed municipal water in our operations, and there was no significant issue in sourcing water that is fit for purpose during the Reporting Period.

Resource consumption

We evaluate carbon emissions generated during our operations and examine opportunities to reduce the climate change-related impacts to our business operations. In FY2019, the amount of our resource consumption and carbon emissions were as below:

Total consumption

Type of resources	**FY2019**	FY2018	Variance
Petrol	**148,543.9 L**	134,417.1 L	+10.5%[3]
Diesel	**305,856.9 L**	323,477.4 L	-5.5%
LPG	**513,521.0 kg**	484,542.0 kg	+6.0%[4]
Electricity	**10,456,596.0 kWh**	10,522,991.8 kWh	-0.6%
Water	**49,378.0 m^3**	62,357.0 m^3	-20.8%

Intensity[5]

Type of resources	**FY2019**	FY2018	Variance
Petrol	**4.5 L/m^2**	4.1 L/m^2	+10.5%[3]
Diesel	**9.27 L/m^2**	9.8 L/m^2	-5.5%
LPG	**15.6 kg/m^2**	14.7 kg/m^2	+6.0%[4]
Electricity	**316.9 kWh/m^2**	318.9 kWh/m^2	-0.6%
Water	**1.5 m^3/m^2**	1.9 m^3/m^2	-20.8%

Total carbon emissions[6] (tCO_2e)

	FY2019	FY2018	Variance
Scope 1[7]	**1,213.7**	1,216.9	-0.3%
Scope 2[8]	**11,626.0**	11,612.0	+0.1%
Total (Scope 1 & 2)	**12,839.7**	12,818.7	+0.2%
Intensity[5]	**0.4**	0.4	+0.2%

3 The increase on petrol consumption is attributable to the enhanced transportation services provided to guests.

4 The increase on LPG consumption is attributable to the increase of meals sold to guests from our restaurants.

5 The unit of intensity is a unit of consumption or generation per square metre of floor area of our property.

6 Carbon emissions were calculated based on the "Greenhouse Gas Protocol" published by World Resources Institute and World Business Council on Sustainable Development, "Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange, "Guidelines to Account for and Report on Greenhouse Gas Emission and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department, "Greenhouse Gas Reporting – Conversion Factors 2019" published by Department of Business, Energy and Industrial Strategy of the United Kingdom Government, and " Development of The Electricity Carbon Emission Factors – Baseline Study for Russia" by European Bank for Reconstruction.

7 According to the "Greenhouse Gas Protocol", Scope 1 of carbon emissions refers to the direct emissions from operations that are owned or controlled by the company.

8 According to the "Greenhouse Gas Protocol", Scope 2 of carbon emissions refers to the energy indirect emissions resulting from the generation of purchased electricity, heating, cooling and steam consumed within the company.

Waste management

During the Reporting Period, 1,540.4 tonnes (FY2018[9]: 1,711.2 tonnes) of non-hazardous wastes were produced and handled which consist of food waste, general waste, cooking oil and plastic, and no significant hazardous waste was identified due to our business nature. As the current Russian laws relating to waste management such as "Federal Law No. 89-FZ on Production and Consumption Waste" mainly focuses on regulating hazardous waste management and the Group has not produced any significant types of hazardous waste, there is no other local law considered as material in this respect.

The Group separates waste into two categories, food and non-food. A categorisation system has been developed for each type of waste to then report to The Federal Service for Supervision of Use of Natural Resources. During the Reporting Period, the Group transferred all wastes including bio-waste to licensed third-party contractors that were regulated by the state – the Regional State Unitary Enterprise Primorsky Ecological Operator.

Despite the fact that there were no significant and relevant legal requirements, we have still integrated "Reduce", "Reuse" and "Replace" principles into our operations, especially for food waste due to the size of our food and beverage business. To avoid ordering excessive food, we strive to improve our procurement planning process continuously. For example, we have deployed an interface between the Point of Sale System in our restaurants and the Material Control System for procurement to allow accurate consumption monitoring to control our purchases and minimise food waste.

We have explored the opportunity to collaborate with a local farm, to recycle some of our food waste to animal feeding. During the Reporting Period, the Group signed a contract with a farm from August to December to transfer 41 tonnes of food waste to that farm for livestock feed.

The Group's operations do not include the production of a material amount of hazardous wastes, except for battery wastes, including one-use alkaline batteries contain various hazardous materials such as heavy metals and acids. Nonetheless, the Group has collected all used batteries and delivered them to one of the dedicated "drop off sites" in the city.

Furthermore, although the recycling business in Vladivostok has not yet been fully established, we have been continuously and actively seeking recycling partners to utilise our discarded resources instead of disposing directly to landfill. For example, in FY2019, we started to reuse worn out towels, including small towels and rags.

Moreover, we have launched other initiatives such as the deployment of electronic communication platform to reduce printed materials, installation of recycling facilities in our properties, as well as various staff and guest education programmes for better waste management. We have also adopted waste sorting in our operations to separate cooking oil, food waste and construction waste to ensure they are properly collected and handled by relevant licensed contractors.

9 The non-hazardous wastes data in FY2018 is restated.

Sewage management

During the Reporting Period, we discharged 45,103 m^3 (FY2018: 38,164 m^3) of sewage in accordance with the regulatory requirements of the Russian Federation such as Water Code of the Russia Federation no. 74-FZ. The Water Code requires all natural persons and legal entities to protect water bodies from contamination and prohibits the discharge of wastewater which may pollute the water bodies.

To control the impact of the sewage discharged from our operation, the Group has been actively involved in the establishment of a sewage treatment plant with the local government. We have also closely monitored our sewage discharges and identified opportunities to enhance the sewage treatment process. The Group has been conducting monthly analysis on wastewater for compliance with acceptable indicators.

In addition to wastewater, a centralized grease tank has been modified to reduce oil pollution into our sewage system. Also, treatment facilities have been installed to prevent the detergents from laundry, and potential engine oil and sand from both the construction sites and the parking areas from being discharged into the environment without proper treatment.

Biodiversity

Environmental management of the development project

We were aware that our gaming and resort development project in Vladivostok required the removal of trees in certain parts of our site. To mitigate the impact, we developed a plan for an annual tree plantation which has been executed since FY2017. Based on the plan, we have planted more than 150 cedar trees in FY2019 to restore the environment and maintain biodiversity.

We continually develop the landscaping of the property and execute plans for tree plantation in line with our commitment to keeping the areas as green as possible, together with building up grass embankments to avoid any soil erosion.

We have also continued the clean-up of areas around Lot 8 to ensure all construction-related items stored outdoors were handled in accordance with the proper practice of the Russian Federation and minimise environmental impacts.

"Save the Tiger" campaign

We understand the importance of protecting endangered animals as the extinction of many animal species poses a great threat to the natural equilibrium, causing ecological disasters such as further extinctions and proliferation of certain species. Hence, we have adopted a female Siberian tiger named Cristal in order to provide our support for conserving this endangered tiger species. She has been housed at a private zoo and we are dedicated to providing a healthy and pleasant living environment for her.

Human Resources

Connecting our people

In order to build a strong bonding among our employees and ensure their understanding of the Group's missions and values, the Group has established the following communication channels and has supported the following activities:

- Quarterly staff meetings with the senior management to communicate the business performance of the operation and quarterly work plans;
- Comment boxes to provide employees with a channel to give feedback on the Group's operation;
- Summer corporate event for the employees, friends and family, "Beach clean-up" with over 200 employees participated;
- Mobile social apps such as Telegram and Instagram for sharing of information with employees;
- Technical advisory and support for employees during working hours via telephone and e-mail;
- Financial support to our employees in a mass participation sports event, "Vladivostok International Marathon", a total of 29 employees took part in the race;
- Financial support to our employees in a mass participation sports event, "Hero Race", a total of 60 employees took part in the race;
- Financial support to our dragon boat team that participated in the city race on behalf of the Group, with 12 employees participated in the competition;
- New Year Staff Party for the Group's employees in January 2019 and social media contest to encourage a diverse lifestyle and promote employee well-being as well as work-life balance;
- Spring corporate event "Cedar day" for our employees and their families as a part of "Let's bring cedar back to Primorye" social action;
- Trip to Safari park for our employees' children on the occasion of the Children's day. 242 employees, including 113 children, participated in the event;
- Pidan Mountain hike for the employees and their families. 114 employees participated in the event;
- Selected employees were rewarded with online shop gift certificates, and their photos were displayed on the Group recognition board; and
- During FY2019, we continued to recognize outstanding employees every quarter through our recognition program "Employee of the Quarter". This year, we have improved the program and added the following nominations so that more employees could have a chance to win:
    - Team player
    - Go the extra mile
    - Problem solver/Innovator
    - Customer service
    - Revenue Generator

Workplace health and safety

The Group has a long-standing commitment to maintaining a healthy and safe working environment for our people as well as meeting and exceeding the regulatory requirements as prescribed in the Labour Code of the Russian Federation No. 197-FZ and Federal Law No. 181-FZ on the Fundamentals of Occupational Safety and Health. These laws require employers to ensure the rights of employees to safe working conditions and meet the regulatory requirements of occupational safety and health such as terms of employment contract, safety of buildings, facilities and equipment, training on safe methods and techniques for work, safety rating of working conditions, handling of dangerous tasks, etc.

We have developed and implemented the following workplace health and safety principles and measures:

- None of the employees, including the management, can take any actions to put our people's safety at risk;
- Employees are required to take the responsibilities for ensuring the workplace safety and strictly comply with the workplace health and safety requirements of our internal policy as well as laws and regulations;
- Our management is responsible for ensuring that the working conditions follow the relevant sanitation and hygiene standards such as Russian National Standards (GOST), Industry Specific Standards (OST) and Sanitary Norms and Regulations (SanPin);
- Employees are obligated to complete relevant training on workplace safety as required by laws and regulations before taking up their job duties. For the purpose of better-quality training, we have made a video about instructions on workplace health and safety for waiters, cooks, stewards and housekeepers;
- Workplace safety risk assessment and analysis should be conducted on a regular basis to identify and address areas of higher safety risks;
- Employees should be provided with adequate protective equipment and sanitary clothes as necessary for their job duties; and
- All work injuries and accidents, if any, should be investigated and reported in a timely manner.

With the above principles and measures, the Group has not identified any case of significant non-compliance with the aforementioned laws and regulations in Russia related to workplace and safety during the Reporting Period.

Talent development

The skills and knowledge of our talents are of vital importance to the sustainable growth of the Group. Hence, we have developed structured corporate and departmental training programmes covering a wide range of subjects, including leadership skills, mentoring techniques, management approaches and language skills.

We conduct performance appraisal annually and develop a training plan for the coming year based on the improvement areas of employees identified through the appraisal as well as the operational needs. Each of our departments is required to set training targets and develop their professional training programmes based on training needs. During the Reporting Period, we identified the needs for enhancing the problem-solving skills and interpersonal skills of our staff and will arrange for more training courses relating to those topics to match with the improvement areas and operational needs of the Group.

To ensure our employees have a thorough understanding of the Group as well as their relevant responsibilities, we conduct induction training for all new joiners in order to help them understand the Group's structure, history, values, the interaction between departments, general internal policies and the importance of themselves in the growth of our organization. During FY2019, we conducted the Induction program 25 times, and 276 new joiners took part in it.

Furthermore, starting from 2017, we have cooperated with an oversea integrated resort to organise an exchange programme for employees of the two resorts to share their experience, develop new skills and establish professional networks.

In order to build a supportive culture, we have developed a one-to-one Mentorship Programme. Under this Mentorship Programme, we assign a senior or a supervisor to each new hire as a mentor who is responsible for providing advice and guidance on daily tasks, problem-solving and other career issues.

Other than internal training, we also encourage our employees to attend external professional training programmes and obtain relevant qualifications for career development. Accordingly, we sponsor employees who attend external training in relation to their job duties as considered appropriate. During the Reporting Period, we have supported 152 employees in participating in external professional training. Also, employees who are enrolled in part-time courses in higher educational institutes accredited by the Russian Federation are entitled to additional paid leave.

Some of our selected training sessions provided during FY2019 are as below:

- 84 employees completed the training for Managers called "Adult conversations about people management", "Algorithm of solving problems", "How to find root causes of problems", "How to manage using emotional intelligence", "Jedi techniques for getting the job done" and "Making effective management decisions";

- 146 employees completed the training for Supervisors called "Art of goal setting", "Conflict resolution", "Algorithm of solving problems", "How to find root causes of problems", "How to manage using emotional intelligence", "Staff motivation", "Training for supervisors" and "Understand myself – understand others";

- 37 employees completed the training called "Guest Service-Guest Relations" conducted by the Company's internal trainers;

- Our dealers completed a 3-month course of Chinese language with special functional terminology and a textbook designed for the Group. At the end of the course, 18 dealers passed the final test and received certifications;

- 63 employees completed a 3-month course of English language;

- Launched a case-study program on an online platform, and 690 courses were completed by our employees.

Based on the results of FY2019 annual performance appraisal, we have identified some areas for improvement for our employee. To tackle this, we have developed a training plan for FY2020 with highlights as follows:

- Managers are required to complete the training "Emotional Intelligence in Management" and participate in a business simulation;

- Supervisors and Specialists are expected to develop their skills during the training called "Feedback", "Stress management" and participate in a business simulation;

- An overall 300 employees are scheduled to complete various of training.

Equal opportunities

The Group is committed to maintaining a fair workplace and observing local regulatory requirements related to equal opportunities of employees which is the Labour Code of the Russian Federation No. 197-FZ. The Labour Code requires employers to ensure equality of opportunities such as promotion, professional training, retraining and professional development, implementing labour rights and remuneration of employees. Also, the Labour Code specifies the prohibition of dismissing of employees who are temporarily disabled, pregnant, single mother or women having children under 3 years old.

In order to promote equal opportunities in the workplace, the Group has developed a number of standard operating procedures to govern human resources management. These procedures articulate systematic and objective approaches to govern different areas of human resources management including employment, dismissal, remuneration determination, performance evaluation, working hours, paid leaves, as well as other benefits to prevent employees from discrimination or unfair treatment due to age, gender, pregnancy, family background, race, skin colour, etc. We also encourage internal recruitment and provide our people with equal opportunities to develop their careers according to their interest and strengths.

During the Reporting Period, we have not identified any case of significant non-compliance with the Labour Code.

Talent retention

The Group offers competitive remuneration packages to attract and retain the best people and regularly reviews the remuneration packages of employees to make necessary adjustments based on prevailing market conditions and our business performance. Our remuneration packages consist of basic salary, bonus, overtime pay, daily travelling allowance for business trips, regional premium payment for employees in the Far East region of Russia, long-term service award, contributions to employees' provident fund and a share option scheme for qualified directors and employees of the Group.

Our remuneration packages are determined in accordance with the Labour Code of the Russian Federation No. 197-FZ. The Labour Code requires employers to set the wage rate based on the qualifications of employees as well as the difficulties and conditions of the work, and the wage rate should not be less than the statutory minimum wage. The Labour Code also specifies that the overtime work should be compensated by means of providing additional time-off or the rates prescribed by the law and that premium for night work should not be less than the minimum requirement. According to the Labour Code, the salary must be paid in the currency of the Russia Federation and at least bi-weekly. In order to ensure compliance with regulatory requirements, we have established a standard operating procedure of remuneration based on the relevant laws and regulations in Russia to provide detailed and clear guidance.

Moreover, we have employed a legal advisor in Moscow to provide legal consultancy service and have established an in-house legal department. Whenever there is any legal inquiry, the human resources department can consult the legal advisor and the in-house legal department. Hence, we have not identified any case of significant non-compliance with the Labour Code during the Reporting Period.

The Group emphasises "work-life balance" of employees so we have granted our local Russian staff 36 calendar days of annual leave, in addition to public holidays and paid leave specified by the Labour Code of the Russian Federation, as well as granted early release on the eve of public holidays. Moreover, it is our policy to prohibit employees from working two consecutive shifts in order to ensure our employees are provided with enough rest time for the sake of their physical and mental health.

Apart from the above, we have provided medical insurance for our permanent employees so that they can receive healthcare services and emergency medical assistance. In addition, we have provided financial support for our employees in times of need, such as during severe illness and bereavement, to help them overcome hardships.

In terms of policy enhancement, we have reviewed and updated our Employee Handbook and have established the below new policies during FY2019:

- Policy on employee transfer
- Policy on social guarantees and compensations
- Policy on employee relocation benefits and compensations
- Policy on employment of foreign nationals
- Policy on document management

Anti-child and anti-forced labour

The Group prohibits any child and/or forced labour in any of our operation. We do not employ any child who is below the age set by the local labour law requirements as well as relevant hotel and casino regulations. Likewise, we forbid any forced labour by means of physical punishment, abuse, involuntary servitude, peonage or trafficking. We make sure that each of our employees voluntarily signs the employment contract and accepts employment conditions under the protection of the local labour legislation such as the Labour Code of Russian Federation. Also, prior to each employment, our Human Resources department will check the personal information provided by candidates to ensure we meet the local labour law requirements.

Furthermore, it is our highest priority to abide by the Labour Code in the Russia Federation, which aims to eliminate child labour and forced labour. The Labour Code stipulates that employment is allowed if a person reaches 16 years of age and prohibits any kind of forced labour, including working under direct threat to life and health without the provision of protection facilities. With the abovementioned policy implemented by us, during the Reporting Period, the Group has not identified any cases of material non-compliance with the Labour Code.

Business Operation

Customer security and food safety

The Group strives to provide a safe and hygienic environment to our guests as well as to comply with local laws and regulations such as Federal Law No. 184-FZ on Technical Regulation and Federal Law No. 162-FZ on standardization in the Russian Federation which stipulate the safety standards of food production, operation, storage and transportation process. Therefore, we have established the principles as follows:

- To maintain sound physical security and food safety management system and ensure the effective implementation of our internal policies related to these areas;
- To adopt Hazard Analysis and Critical Control Points (HACCP) principles into our daily food safety management;
- To assign personnel dedicated to food safety matters of the Group and performance of food safety controls;
- To provide adequate emergency support for customers including 24-hour clinical services, first aid, life-saving equipment and ambulance services; and
- To organise training regularly to remind our employees of the importance of physical security and food safety as well as to promote the best practices.

Due to the effective implementation of the above principles, we did not identify any case of significant non-compliance with the relevant laws and regulations during the Reporting Period.

Case Study – Crisis management to global health and safety issue

We have developed a set of Crisis Management Plan outlining all process that we will use to respond to any situations that would negatively affect our business operations so that we can respond quickly once notice any health and safety issues.

For example, when there is an outbreak of contagious disease, we would follow the procedures according to Stage 2 (human-to-human) pandemic:

- Become familiar with all stages of the Pandemic Preparedness and Response Plan;
- Compile a list of key contacts;
- Review preliminary communications;
- Stockpile pandemic supplies;
- Review HR pandemic policies and procedures;
- Educate and train personnel;
- Implement stringent hygiene procedures (masks, hand washing, cough etiquette);
- Monitor employee health;
- Implement policies for alternative work arrangements (where applicable);
- Request contact information from guests and visitors in affected areas, if directed by local authorities;
- Review and update communications; and
- Follow directions from local authorities regarding quarantine procedures and temperature screenings.

Our Environmental, Health & Labour Safety Manager would be in contact with Health Authorities of the Primorye region to provide us with any update concerning the disease.

All doctors present in our clinic on the property are trained accordingly by their employer with a confirmation letter.

The Group would prepare a stock of necessary pandemic supplies for our employees and guests. Antibacterial lamps with air circulation would be set up in places with heavier foot traffic such as the kitchen, reception, main gaming floor and hotel corridors. When necessary, Thermal Image Cameras could be placed at both guest and employee entrances for additional screening by the Security Officer.

All employees implementing such measures would have been properly training to handle this situation for them to be familiar with the procedures on handling a potential case.

The Group would make sure that all Management and employees are on constant alert and that we are ready for any further actions required depending on the information about the status change.

Customer satisfaction

To maintain a high quality of customer service, the Group has established a set of customer service policies to provide guidelines to our employees based on their functions and duties, on areas such as handling customers' enquires, compliant management and standard service procedures, etc. We have also developed extensive training programmes for our frontline staff to equip them with appropriate service manner along with communicating our expectation of their service quality. In addition, we collect customers' feedback and follow up on their opinions in accordance with our internal protocol on a timely basis. The results are subsequently communicated to relevant employees as a part of their development and performance evaluation processes.

During the Reporting Period, we have also implemented a concept "Quality Circle" and developed "Cristal Standards" to set a high standard of service delivery for our employees. We have held regular meetings to evaluate the progress of our quality objectives and communicate with department heads who are accountable for measuring the performance of their teams and ensuring adherence to the Cristal Standards.

Responsible gaming

Tigre de Cristal holds a gaming license to conduct gaming business in the IEZ, under Federal Law No. 244-FZ on The State Regulation of Activities Associated with the Organisation of and Carrying out Gambling and on Amending Individual Legislative Acts of the Russian Federation. Under the law, online gambling is forbidden, and the gambling activities must be conducted within the designated areas with necessary security guards and the companies have to possess the minimum net assets, capital, satisfy and other requirements such as reporting requirement.

In order to comply with the law requirements, we have implemented a range of measures in our operations. For example, we have security and compliance department to monitor and safeguard our properties and to ensure it is operated in accordance with the law. We have also assigned a dedicated team to verify our revenue on a daily basis for the purpose of the accuracy of information used for reporting to the government authority. In addition, our senior management monitors the financial position of the Group every month to ensure the stability and healthiness of its financial condition.

Furthermore, although there are no regulatory requirements for gaming operators in the region about controlling problematic gambling, the Group, as a responsible company, strives to promote responsible gaming through initiatives such as forbidding underage visitors to our casino, monitoring of gaming floor to identify customers with abnormal behaviour, as well as creating and promoting the responsible gaming slogan of "Winner Knows When To Stop" to build the awareness of customers.

We have no significant non-compliance with the laws and regulations related to gaming operations during the Reporting Period.

Business ethics

It is our policy to adhere to local and national laws and regulations, especially Federal Law No. 273-FZ on Anti-corruption and Federal Law No. 115-FZ on Countering the Legalisation of Illegal Earnings (Money Laundering) and the Financing of Terrorism in the Russian Federation. These laws aim at eradicating corruption, money laundering and financing of terrorism. Federal Law No. 115-FZ requires the companies to keep a record of certain requisite information about customers and corresponding transactions such as the nature, date, and amount of transaction. Moreover, under Federal Law No. 273-FZ on Anti-corruption, companies are required to establish an internal compliance program which should consist of the following elements:

- Designating responsibility for prevention of bribery offences;
- Cooperating with law enforcement authorities;
- Developing and implementing standards and procedures designed to ensure ethical business conduct;
- Adopting a code of ethics for all employees;
- Determining procedures for identifying, preventing and resolving conflicts of interest; and
- Preventing the use of false documents.

In order to achieve the highest standards of business ethics and ensure compliance with the relevant laws and regulations, we have implemented an effective ethics management mechanism. We regularly assess our risks related to corruption and money laundering throughout our business processes, and implement appropriate internal controls such as transaction detection, information recording, transaction suspension and freezing, internal control enforcement inspection, etc., to ensure we mitigate risks to an acceptable level.

We have also cooperated with relevant authorities in order to prevent unethical business behaviour across the Group and to spot any suspicious activities. Our staff, guests and suppliers can report any potential misconduct they observe in our operation through an anonymous whistleblowing channel. All cases reported will be independently investigated and corrective actions will be taken where necessary.

In addition, we have established standard operating procedures as well as the Code of Business Conduct and Ethics, which provide clear guidelines regarding internal controls over anti-corruption, anti-money laundering as well as handling conflict of interest, to communicate our expectation to all of our employees. The relevant training on business ethics and anti-money laundering are organised and conducted regularly to ensure the employees are well aware of the procedures. We have also employed a legal advisor in Moscow to provide legal consultancy service and have established an in-house legal department. Whenever there is any legal inquiry relating to anti-corruption or money laundering, we can consult the legal advisor and the in-house legal department.

As a result of our continuous effort, we have no significant non-compliance with the laws and regulations related to anti-corruption or money laundering during the Reporting Period.

Data privacy

The Group is committed to protecting customers' data privacy, and we have established standard procedures for data collection and handling based on the Federal Law of the Russian Federation. During the Reporting Period, the Group has not identified any case of significant non-compliance with data privacy laws in Russia such as Federal Law No. 152-FZ on Data Protection and Federal Law No. 149-FZ on Information and Information Technologies and Information Protection. The purpose of the laws is to protect the citizens' right in the course of processing their data.

Personal data holders have the right to decide on the provision of personal data and consent to the processing of data unless the exemptions specified by the laws. Therefore, we request minimal personal information as required by law for our activities, and access to this information is restricted to authorised personnel with dedicated roles and responsibilities related to the purpose of data collection. Our employees are also required to sign an agreement to protect confidential information when they are hired by us. With respect to data security, the Group has established information security policies and has deployed various measures including closed-circuit television, physical locks, firewall and prohibition of the use of unauthorised computer equipment and software to protect our servers from cyber-attack and unauthorised access.

Supply chain management

The Group seeks to select environmentally and socially responsible suppliers and therefore, apart from the quality of goods, services and suppliers' reputation, our supplier evaluation criteria also focus on their ESG performance such as waste management practices, volunteer programmes and employee training development. Our selection priority goes to suppliers that have been certified by the International Organisation for Standardisation (ISO) standards on environmental protection and social responsibility such as ISO 14001 and ISO 26001.

As the Group does not tolerate any fraud and bribery in our supply chain, we have established a fair and transparent quotation and tendering process which requires to involve at least three suppliers (where possible) each time. We have also established a direct communication channel allowing suppliers to submit their offers for our consideration. Suppliers who meet our quality requirements of goods and services, as well as relevant environmental and social measures with the best price offer, will be selected. Once a supplier is selected, a response to the offer will be made as soon as possible.

Furthermore, the Group regularly evaluates suppliers' performance and requires them to take remedial measures once we are aware of any non-compliance with our requirements.

Society

Impact on local community

As a responsible corporate, the Group takes an active role in community investment and consistently makes positive contributions to our society.

In the economic perspective, our integrated resort has created more than 1000 jobs for locals in Vladivostok in FY2019. We have enforced a local procurement policy to support the business development of the city in which we operate by making 62% of our purchases from local suppliers in FY2019.

In the community perspective, the Group has launched a disabled child sponsorship programme since FY2017 to support the underserved children and render comprehensive assistance to local specialised childcare centres through the collective efforts of our employees. The programme has been continued in FY2019 to show our support to the local community.

In addition, since FY2017, our employees have joined the programme and formed a company volunteer team to provide services to the following two local non-profit institutions:

- Artyom City Boarding School for orphans, children without parental care, and physically challenged children, where we conducted the following events during FY2019:
  - "Handmade spring" master class on making foamiran flowers;
  - Easter cakes decorating master class on the occasion of Easter celebration;
  - "Autumn gifts" master class on making crafts out of vegetables and fruit;
  - Trip to "Chudesniy" zoo.
- Vladivostok Special Boarding School for aurally challenged children, where we participated in the following events during FY2019:
  - Schoolyard clean-up event;
  - City fishing tournament;
  - Concert dedicated to the International Day of persons with disabilities;
  - Master class on making New Year chocolate figures.

Apart from schools with special education needs, we hope to also explore more partnership or sponsorship opportunities in other parts of our local community. This, in turn, also helps our employee volunteers to give back to the community, which has provided the Group with numerous support throughout the years.

Aspect	KPI	Subject Area	Page
Environmental			
A1 Emissions	A1	Policies and compliance relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	38–43
	A1.1	Emissions types and data	41
	A1.2	Greenhouse gas emissions	38–39
	A1.3	Total hazardous waste	N/A
	A1.4	Total non-hazardous waste	42
	A1.5	Measures to mitigate emissions and results achieved	38–39
	A1.6	Measures to handle and reduce hazardous and non-hazardous wastes and results achieved	42–43
A2 Use of resources	A2	Policies on the efficient use of resources, including energy, water and other raw materials	39–41
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	41
	A2.2	Water consumption by type in total and intensity	39
	A2.3	Energy use efficiency initiatives and results achieved	39
	A2.4	Water efficiency initiatives and results achieved	39
	A2.5	Packing material used for finished products	N/A
A3 The environment and natural resources	A3	Policies on minimising the issuer's significant impact on the environment and natural resources	43
	A3.1	Significant impacts of activities on the environment and natural resources and the actions taken to manage them	43
Social			
Employment and labor practices			
B1 Employment	B1	Policies and compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	44–45
B2 Health and Safety	B2	Policies and compliance relating to providing a safe working environment and protecting employees from occupational hazards	45–46
B3 Development and Training	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	46–47
B4 Labour Standards Operating Practices	B4	Policies and compliance relating to preventing child and forced labour	48
B5 Supply Chain Management	B5	Policies on managing environmental and social risks of the supply chain	49–50
B6 Product Responsibility	B6	Policies and compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	51–53
B7 Anti-Corruption	B7	Policies and compliance relating to bribery, extortion, fraud and money laundering	52
Community			
B8 Community Investment	B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	54

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of the Company has pleasure in submitting their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 38 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 December 2019, including a description of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis using financial key performance indicators, are provided in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 15 of this annual report, which form part of this report.

The financial risk management objectives and policies of the Group are set out in note 32 to the consolidated financial statements.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations, and relationships with its employees, customers and suppliers and others that have a significant impact on the Group are set out in the Environmental, Social and Governance Report on pages 34 to 55 of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

Five-Year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 141 of this annual report.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$161,000 (2018: HK$200,000).

Share Capital

Details of the movements in shares of the Company during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements. Shares were issued during the year on placing 300,000,000 shares to independent third parties. Details about the issue of such shares are also set out in note 27 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 39 to the consolidated financial statements, respectively. As at 31 December 2019, no reserve was available for distribution to the owners of the Company (31 December 2018: Nil).

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Directors

The Directors during the year and up to the date of this report are:

Executive Directors	
Mr. Lo Kai Bong *(Deputy Chairman)*	(re-designated from Non-executive Director to Executive Director on 26 April 2019)
Mr. Eric Daniel Landheer	(resigned on 23 March 2020)
Mr. Chiu King Yan	(appointed on 26 April 2019)
Mr. Wang, John Peter Ben *(Deputy Chairman)*	(resigned on 12 April 2019)
Non-executive Directors	
Mr. Chau Cheok Wa *(Chairman)*	(appointed on 1 June 2019)
Mr. Wong Pak Ling Philip	(appointed on 1 June 2019)
Dr. U Chio Ieong	
Mr. Kuo Jen Hao *(Chairman)*	(resigned on 26 April 2019)
Independent Non-executive Directors	
Mr. Lam Kwan Sing	(appointed on 14 June 2019)
Mr. Lau Yau Cheung	
Mr. Li Chak Hung	
Mr. Gerard Joseph McMahon	(resigned on 14 June 2019)

REPORT OF THE DIRECTORS

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Chau Cheok Wa, Mr. Wong Pak Ling Philip and Mr. Lam Kwan Sing, having been appointed as Directors since the date of the last annual general meeting, will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Clauses 87(1) and (2) of the Company's Bye-laws, Mr. Chiu King Yan and Mr. Lau Yau Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the Company has received annual confirmation from each of the Independent Non-executive Directors concerning his independence to the Company and considered that each of the Independent Non-executive Directors is independent to the Company.

Independent Non-executive Directors, Mr. Lau Yau Cheung and Mr. Li Chak Hung were appointed for a three-year term expiring on 30 October 2021 and Mr. Lam Kwan Sing was appointed for a three-year term expiring on 13 June 2022, which will be automatically renewed for consecutive terms of three years.

Brief biographical details of the Directors as at the date of this report are set out on pages 16 to 20 of this annual report.

Change of Information on Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors of the Company since the Company's last published interim report and up to the date of this annual report are set out below:

Name of Director	Details of Changes
Mr. Li Chak Hung	– Was appointed as an independent non-executive director of Alpha Professional Holdings Limited, a company listed on the Hong Kong Stock Exchange, with effect from 18 October 2019; and – Ceased to act as an independent non-executive director of DreamEast Group Limited, a company listed on the Hong Kong Stock Exchange, with effect from 20 December 2019.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

As at 31 December 2019, none of the Directors or their respective associates had any interest in a business, which competes or may compete, either directly or indirectly with the business of the Company pursuant to the Listing Rules.

Directors' Interests in the Shares, Underlying Shares and Debentures of the Company or Any Other Associated Corporations

As at 31 December 2019, 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 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)

Name of Director	Capacity/Nature of Interest	Number of ordinary shares held	Approximate % of total issued shares of the Company
Mr. Chau Cheok Wa	Interest of controlled corporations *(Note 2)*	446,308,464	24.74%
Dr. U Chio Ieong	Beneficial owner	40,906,000	2.26%
Mr. Eric Daniel Landheer	Beneficial owner	2,086,000	0.11%
Mr. Li Chak Hung	Beneficial owner	400,000	0.02%

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

Name of Director	Number of underlying shares held pursuant to share options	Approximate % of total issued shares of the Company
Mr. Eric Daniel Landheer	10,200,000	0.56%
Mr. Lau Yau Cheung	1,000,000	0.05%
Mr. Li Chak Hung	1,000,000	0.05%

Notes:

1. As at 31 December 2019, the total number of issued shares of the Company was 1,803,777,836.

2. Suncity Group Holdings Limited ("Suncity"), a company listed on the Hong Kong Stock Exchange, is the beneficial owner of 49,302,000 shares and is also interested in 397,006,464 shares through its wholly-owned subsidiary, Victor Sky Holdings Limited. As at 31 December 2019, Suncity was 74.87% owned by Fame Select Limited, which is 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 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 31 December 2019, 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

Particulars of the Company's Share Option Scheme are set out in note 28 to the consolidated financial statements.

Movements of share options granted under the Share Option Scheme during the year are set out below:

Category of Participants	As at 1 January 2019	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2019	Date of grant	Exercise price (HK$)	Exercise period (Note)
Directors								
Mr. Eric Daniel Landheer	2,300,000	–	–	–	2,300,000	1 September 2016	1.99	2
	7,900,000	–	–	–	7,900,000	13 December 2018	0.98	3
Mr. Lau Yau Cheung	1,400,000	(400,000)	–	–	1,000,000	13 December 2018	0.98	3
Mr. Li Chak Hung	1,400,000	(400,000)	–	–	1,000,000	13 December 2018	0.98	3
Mr. Kuo Jen Hao	12,000,000	–	–	(12,000,000)	–	13 December 2018	0.98	3
Mr. Wang, John Peter Ben	12,000,000	(5,000,000)	–	(7,000,000)	–	13 December 2018	0.98	3
Mr. Gerard Joseph McMahon	1,400,000	(400,000)	–	(1,000,000)	–	13 December 2018	0.98	3
Employees	1,292,000	–	–	–	1,292,000	1 September 2016	1.99	2
	18,560,000	(3,200,000)	–	(1,950,000)	13,410,000	13 December 2018	0.98	3
Consultants	5,812,000	–	–	–	5,812,000	1 September 2016	1.99	2
	14,400,000	(6,000,000)	(8,400,000)	–	–	13 December 2018	0.98	3
Total	78,464,000	(15,400,000)	(8,400,000)	(21,950,000)	32,714,000			

Notes:

1. 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.

2. 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.

3. The share options granted on 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023.

4. During the year ended 31 December 2019, no share options were granted under the Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.53.

Equity-Linked Agreements

Other than the 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 year ended 31 December 2019 or subsisted at the end of the year.

Substantial Shareholders' Interests in the Shares and Underlying Shares

As at 31 December 2019, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest of 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)*

Name	Capacity/Nature of interest	No. of ordinary shares held	No. of underlying shares held	Approximate % of total issued shares of the Company
Suncity	Beneficial owner	49,302,000	–	2.73%
	Interest of controlled corporations *(Note 2)*	397,006,464	–	22.00%
Victor Sky Holdings Limited	Beneficial owner	397,006,464	–	22.00%
Fame Select Limited	Interest of controlled corporations *(Note 2)*	446,308,464	–	24.74%
Mr. Chau Cheok Wa	Interest of controlled corporations *(Note 2)*	446,308,464	–	24.74%
Mr. Cheng Ting Kong	Interest of controlled corporations *(Note 2)*	446,308,464	–	24.74%
OPG Holdings LLC	Interest of controlled corporations *(Note 3)*	105,402,000	–	5.84%
Old Peak Asia Fund Ltd.	Interest of controlled corporations *(Note 4)*	105,402,000	–	5.84%

Notes:

1. As at 31 December 2019, the total number of issued shares of the Company was 1,803,777,836.

2. Suncity, a company listed on the Hong Kong Stock Exchange, is the beneficial owner of 49,302,000 shares and is also interested in 397,006,464 shares through its wholly-owned subsidiary, Victor Sky Holdings Limited. As at 31 December 2019, Suncity was 74.87% owned by Fame Select Limited, which is 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 held by Suncity.

3. OPG Holdings LLC is interested in 105,402,000 shares through its wholly-owned subsidiaries, Old Peak Group Ltd. and Old Peak Ltd.

4. Old Peak Asia Fund Ltd. is interested in 105,402,000 shares through its wholly-owned subsidiary, OP Master Fund Ltd.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Major Customers and Suppliers

In 2019, revenue generated from the Group's five largest customers accounted for less than 30% of the total revenue for the year.

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers.

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued shares) had an interest in these major customers or suppliers.

Continuing Connected Transactions

The following transactions between certain connected parities (as defined in the Listing Rules) and the Company are ongoing for which relevant announcements had been made by the Company in accordance with Chapter 14A of the Listing Rules.

Amendments to the Management Services Agreement in relation to the gaming and resort development project in Russia

On 20 January 2015, Oriental Regent Limited ("Oriental Regent") entered into a management services agreement (the "Management Services Agreement") with Tiga Gaming Incorporated ("TGI"), pursuant to which Oriental Regent agreed to receive from TGI certain services, including installing electronic gaming machines and other equipment, reviewing and analyzing the performance of the equipment and repair and maintenance of the equipment etc. for the casino Tigre de Cristal for a term of three years commencing from 20 January 2015, and has been extended automatically for further periods of three years until 19 January 2021.

On 22 March 2016, Oriental Regent and TGI entered into a Supplemental Agreement (the "Supplemental Agreement"), pursuant to which Oriental Regent and TGI agreed to amend certain provisions of the Management Services Agreement.

Oriental Regent is a subsidiary of the Company. Firich Investment Limited ("Firich"), which owns 25% of the total number of issued shares of Oriental Regent, is a substantial shareholder of Oriental Regent and hence is a connected person of the Company. Firich is a wholly owned subsidiary of Firich Enterprises Co., Ltd., which is a controlling shareholder of TGI. Therefore, TGI is a connected person of the Company at the subsidiary level of the Company. As such, the transactions contemplated under the Management Services Agreement as amended by the Supplemental Agreement constituted continuing connected transactions (the "Continuing Connected Transactions") of the Company under Chapter 14A of the Listing Rules.

The annual caps in respect of the Management Services Agreement for the years ended 31 December 2018 and 2019 and the year ending 31 December 2020 are HK$95,000,000 respectively. For the year ended 31 December 2019, there was no transaction between TGI and Oriental Regent under the Management Services Agreement.

The Continuing Connected Transactions have been reviewed by Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the Continuing Connected Transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Further details of the transactions are set out in the announcements of the Company dated 20 January 2015 and 22 March 2016.

Significant related party transactions entered into by the Group during the year ended 31 December 2019, which do not constitute connected transactions under the Listing Rules, are disclosed in note 37 to the consolidated financial statements.

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company, a permitted indemnity provision for the benefit of the Directors was in force throughout the year ended 31 December 2019 and is currently in force as of the date of this report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lo Kai Bong
Deputy Chairman and Executive Director

Hong Kong, 23 March 2020

Deloitte. 德勤

TO THE SHAREHOLDERS OF SUMMIT ASCENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 140, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue from Gaming Operations	
We identified the revenue from gaming operations as a key audit matter due to its significance to the consolidated financial statements. As discussed in note 5 to the consolidated financial statements, revenue generated from gaming operations amounted to HK$482,233,000 for the year ended 31 December 2019 representing over 90% of the total revenues of the Group.	Our procedures in relation to the revenue from gaming operations included: • Evaluating and testing the controls over the recognition of gaming operations revenues; • Re-performing cash counts, on a selection basis, to check the controls are carried out as planned; • Performing analytical review and trend analysis to identify any irregular or unexplained revenues; and • Tracing samples of revenue transactions from gaming operations throughout the year to source documents, recalculating the gaming wins and losses and agreeing to the amount recorded for revenue.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor’s report is Mr. Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue from gaming and hotel operations	5	**532,816**	463,150
Other income	6	**9,640**	5,749
Other gains and losses	8	**13,558**	4,989
Gaming tax		**(13,602)**	(13,134)
Inventories consumed		**(13,299)**	(13,291)
Marketing and promotion expenses		**(17,665)**	(16,177)
Employee benefits expenses		**(158,257)**	(166,288)
Depreciation and amortisation		**(99,278)**	(115,537)
Other expenses	9	**(115,249)**	(108,716)
Finance costs	10	**(31,701)**	(36,462)
Share of losses of a joint venture		**–**	(119)
Profit before taxation		**106,963**	4,164
Income tax expense	11	**(112)**	(108)
Profit and total comprehensive income for the year	12	**106,851**	4,056
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**81,998**	7,611
Non-controlling interests		**24,853**	(3,555)
		106,851	4,056
		HK cents	HK cent
Earnings per share	16		
Basic		**5.09**	0.51
Diluted		**5.07**	0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, operating right and equipment	17	**1,408,519**	1,460,566
Right-of-use assets	18	**6,782**	–
Long-term prepayments and other non-current assets	19	**31,849**	16,687
Intangible assets		**420**	115
		1,447,570	1,477,368
Current assets			
Inventories	20	**3,003**	2,802
Trade and other receivables	21	**61,657**	45,287
Bank balances and cash	22	**860,698**	479,822
		925,358	527,911
Current liabilities			
Contract liabilities, trade and other payables	23	**61,557**	76,266
Lease liabilities	24	**1,966**	–
Loans from non-controlling shareholders of a subsidiary	25	**223,214**	–
		286,737	76,266
Net current assets		**638,621**	451,645
Total assets less current liabilities		**2,086,191**	1,929,013
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary	25	**–**	257,892
Liabilities for value-added tax ("VAT") arrangements	26	**44,641**	44,537
Lease liabilities	24	**5,137**	–
		49,778	302,429
Net assets		**2,036,413**	1,626,584

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	27	**45,094**	37,209
Reserves		**1,599,294**	1,213,456
Equity attributable to owners of the Company		**1,644,388**	1,250,665
Non-controlling interests		**392,025**	375,919
Total equity		**2,036,413**	1,626,584

The consolidated financial statements on pages 70 to 140 were approved and authorised for issue by the Board of Directors on 23 March 2020 and are signed on its behalf by:

Lo Kai Bong
DIRECTOR

Chiu King Yan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	37,209	1,286,885	119,003	(229,218)	1,213,879	394,000	1,607,879
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	7,611	7,611	(3,555)	4,056
Deemed distribution to non-controlling shareholders *(Note 25)*	–	–	–	–	–	(14,526)	(14,526)
Recognition of equity-settled share-based payments	–	–	29,175	–	29,175	–	29,175
Forfeiture/cancellation of share options (restated) *(Note)*	–	–	(95,309)	95,309	–	–	–
At 31 December 2018 (restated) and 1 January 2019 *(Note 3)*	37,209	1,286,885	52,869	(126,298)	1,250,665	375,919	1,626,584
Profit and total comprehensive income for the year	–	–	–	81,998	81,998	24,853	106,851
Ordinary shares issued *(Note 27)*	7,500	295,500	–	–	303,000	–	303,000
Transaction costs attributable to issue of new shares	–	(6,367)	–	–	(6,367)	–	(6,367)
Deemed distribution to non-controlling shareholders *(Note 25)*	–	–	–	–	–	(8,747)	(8,747)
Exercise of share options	385	21,387	(6,680)	–	15,092	–	15,092
Forfeiture/cancellation of share options	–	–	(13,089)	13,089	–	–	–
At 31 December 2019	**45,094**	**1,597,405**	**33,100**	**(31,211)**	**1,644,388**	**392,025**	**2,036,413**

Note: Refer to Note 3, the accounting policy on "share-based payments", for details regarding the restatement due to the change in accounting policy for share options forfeited after the vesting date or are still not exercised at the expiry date.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**106,963**	4,164
Adjustments for:			
Depreciation and amortisation of property, operating right, equipment, right-of-use assets and intangible assets		**99,278**	115,537
Finance costs		**31,701**	36,462
Loss on disposal/written off of property, operating right and equipment		**6,235**	133
Loss on written-off of intangible assets		**24**	38
Bank interest income		**(8,415)**	(3,864)
(Reversal of) impairment losses recognised on other receivables, deposits and prepayments		**(594)**	442
Gain on disposal of interest in subsidiaries		**(180)**	–
Share-based payments expense		**–**	29,175
Loss on deemed disposal of interest in a joint venture		**–**	659
Share of losses of a joint venture		**–**	119
Imputed interest income from loan to a joint venture		**–**	(101)
Operating cash flows before movements in working capital		**235,012**	182,764
Increase in trade and other receivables		**(16,556)**	(7,007)
(Decrease) increase in contract liabilities, trade and other payables		**(2,617)**	20,529
(Increase) decrease in inventories		**(201)**	660
Decrease in amount due to a non-controlling shareholder of a subsidiary		**–**	(1,302)
Cash generated from operation		**215,638**	195,644
Income tax paid		**(112)**	(108)
Net cash from operating activities		**215,526**	195,536
INVESTING ACTIVITIES			
Payment for property, operating right and equipment		**(48,427)**	(27,185)
Deposits paid for purchase of property, operating right and equipment		**(18,316)**	(3,154)
Return of VAT refunded under VAT arrangements		**(9,924)**	(10,446)
Payment for intangible assets		**(391)**	(57)
Interest received		**8,415**	3,864
VAT refunded under VAT arrangements		**657**	969
Proceeds from disposal of property, operating right and equipment		**535**	–
Proceeds from disposal of subsidiaries	29	**180**	–
Net cash inflow from acquisition of a subsidiary	30	**–**	1,445
Net cash used in investing activities		**(67,271)**	(34,564)
FINANCING ACTIVITIES			
Repayment of loans from non-controlling shareholders of a subsidiary		**(71,576)**	(68,463)
Transaction costs attributable to issue of new shares		**(6,367)**	–
Repayment of lease liabilities/obligations under finance leases		**(2,037)**	(1,205)
Interest paid for lease liabilities		**(768)**	(91)
Proceeds from issue of ordinary shares		**303,000**	–
Proceeds from exercise of share options of the Company		**15,092**	–
Net cash from (used in) financing activities		**237,344**	(69,759)
Net increase in cash and cash equivalents		**385,599**	91,213
Cash and cash equivalents at 1 January		**479,822**	400,208
Effect of foreign exchange rate changes		**(4,723)**	(11,599)
Cash and cash equivalents at 31 December, represented by bank balances and cash		**860,698**	479,822

1. GENERAL

Summit Ascent Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are the operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (the "IEZ Primorye") in the Russian Federation. The principal subsidiaries and their activities are set out in note 38.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 *Leases* (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 9.10%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	9,294
Lease liabilities discounted at relevant borrowing rates	7,122
Add: Extension options reasonably certain to be exercised	1,693
Less: Recognition exemption – short-term leases	(308)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	8,507
Lease liabilities as at 1 January 2019	8,507
Analysed as	
Current	2,074
Non-current	6,433
	8,507

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 *Leases* (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	8,507
Represented by:	
– Leasehold lands	4,851
– Office	2,749
– Warehouse	907
	8,507

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 *Leases* (continued)

As a lessor (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current Assets			
Right-of-use assets	–	8,507	8,507
Current Liabilities			
Lease liabilities	–	2,074	2,074
Non-current Liabilities			
Lease liabilities	–	6,433	6,433

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New or revised standards and interpretations that have been issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company ("Directors") anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New or revised standards and interpretations that have been issued but not yet effective (continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interest in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (typically include settling a customer's wager, providing rooms and food and beverage services to the customers on a discounted or complementary basis and points earned under the Group's customer loyalty program), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price) (continued)

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

For revenue contracts that include discounted or complimentary products and services provided by the Group to customers, the Group allocates the relative stand-alone selling price of each product and service to the respective revenue type. Cost of the respective products or services provided by the Group are recorded as an expense.

For revenue transactions that entitles a customer to earn points under the Group's customer loyalty programs, the Group allocates the estimated stand-alone selling price of the points earned to the loyalty program liability. Such amount is deferred as loyalty program liability in other payables until redemption occurs. Upon redemption of the loyalty program points for products and services provided by the Group, the amount deferred of each product or service provided by the Group is allocated to the respective revenue type.

For the rooms and food and beverage services provided for which the control of services is transferred over time and at a point in time, respectively, revenue is recognised when the customer obtains the control of the completed services and the Group has present right to payment and the collection of the consideration is probable.

Gaming tax

The Group is required to make certain variable and fixed payments to the tax authority in the Russian Federation based on the number of tables and slot machines in its possession. These expenses are reported as "gaming tax" in the consolidated statement of profit or loss and other comprehensive income and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office and that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of HKFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and the Russian Federation State Pension Fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary difference on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individually group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, operating right and equipment

Properties, operating right and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, operating right and equipment (continued)

Ownership interests in leasehold land and building (continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, operating right and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, operating right and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, operating right and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, operating rights and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, operating rights and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, operating rights and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, operating rights and equipment, right-of-use assets and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Debtors with significant outstanding or credit-impaired were assessed individually. Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics and days past due.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables and loans from non-controlling shareholders of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition/substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 percent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in the share-based compensation reserve will be transferred to share capital and share premium. In previous year, when the share options are forfeited/cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will continue to be held in such reserve. On 1 January 2019, the Directors determined that such amount will be transferred to accumulated losses as it is considered more relevant to the users of the consolidated financial statements. As a result of this change in accounting policy, the Group has made adjustments for the year ended 31 December 2018 and balances at 31 December 2018, which decreased share-based compensation reserve and accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses (unless the services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. The lease on land plots from a third party was originally with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be extended upon expiry to match the estimated useful life of the buildings on the land plot of 30 years.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The Group applies the HKFRS 9 simplified approach to measuring ECL, using a lifetime expected loss allowance for all trade receivables. The Group determines the allowance based on specific customer information, historical experience with the customer, current industry and economic data and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. A provision of ECL for trade receivables is recorded when the Group believes it is probable the recoverable amount of the receivables will be less than their carrying amounts.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in notes 21 and 32 respectively.

Useful lives and depreciation and impairment of property, operating right and equipment and right-of-use assets

The Group determines the estimated useful lives and related depreciation charges for its property, operating right and equipment. This estimate is based on the historical experience of the actual useful lives of property, operating right and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. The property of the Group mainly comprises a hotel and entertainment complex, which is situated on land plots in the Russian Federation with an estimated useful live of 30 years taking into account the renewal option detailed under the heading "Critical judgments in applying accounting policies" above.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Useful lives and depreciation and impairment of property, operating right and equipment and right-of-use assets (continued)

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amount of property, operating right and equipment and right-of-use assets was HK$1,408,519,000 and HK$6,782,000 (2018: HK$1,460,566,000 and nil), net of accumulated depreciation and amortisation of HK$388,722,000 and HK$2,358,000 (2018: HK$307,573,000 and nil), respectively. No impairment on property, operating right and equipment and right-of use asset has been recognised for the year ended 31 December 2019 (2018: Nil).

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	2019	2018
	HK$'000	HK$'000
Revenue from gaming and hotel operations:		
– Gaming operations	**482,233**	419,341
– Hotel operations	**50,583**	43,809
	532,816	463,150

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.

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**8,415**	3,864
Rental income	**511**	837
Imputed interest income from loan to a joint venture	**–**	101
Others	**714**	947
	9,640	5,749

7. 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 2018 and 2019, all revenue is derived from customers patronising in the Group's property located in the Russian Federation.

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Exchange gains, net	**19,043**	6,261
Reversal of (impairment losses) recognised on other receivables, deposits and prepayments	**594**	(442)
Gain on disposal of interest in subsidiaries	**180**	–
Loss on disposal/written-off of property, operating right and equipment	**(6,235)**	(133)
Loss on written-off of intangible assets	**(24)**	(38)
Loss on deemed disposal of interest in a joint venture	**–**	(659)
	13,558	4,989

9. OTHER EXPENSES

	2019 HK$'000	2018 HK$'000
Travel agency expenses	**18,728**	13,755
Security expenses	**15,806**	14,939
Repair and maintenance expenses	**12,815**	9,078
Utilities and fuel	**7,656**	6,935
Motor vehicle expenses	**4,559**	4,205
Auditors' remuneration		
– Audit services	**4,677**	4,028
– Non-audit services	**1,660**	1,539
Insurance expenses	**3,377**	4,560
Overseas travel expenses	**3,285**	3,668
Share-based compensation benefits to consultants	**–**	6,797
Minimum lease payments under operating leases	**–**	2,802
Others	**42,686**	36,410
	115,249	108,716

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Imputed interest on loans from non-controlling shareholders of a subsidiary	**26,335**	30,294
Imputed interest on VAT arrangements	**4,598**	6,077
Interest on lease liabilities/obligations under finance leases	**768**	91
	31,701	36,462

11. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Russian tax, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently.

Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to be reviewed by the authorities in respect of taxes are three calendar years preceding the year of review. Under certain circumstances such review may cover longer periods.

The tax charged for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	HK$'000
Profit before taxation	**106,963**	4,164
Tax at the domestic income tax rate of 20% *(Note)*	**21,393**	833
Tax effect of expenses not deductible for tax purpose	**70,739**	66,607
Tax effect of income not taxable for tax purpose	**(102,744)**	(79,984)
Tax effect of share of losses of a joint venture	**–**	24
Tax effect of deductible temporary difference not recognised	**29**	(10)
Tax effect of tax losses not recognised	**10,818**	13,091
Tax effect of utilisation of tax losses previously not recognised	**(140)**	(296)
Others	**17**	(157)
Income tax expense for the year	**112**	108

Note: The Russian corporate tax rate is used as it is the domestic tax in the jurisdiction where the operation of the Group is substantially based.

11. INCOME TAX EXPENSE (continued)

At the end of the reporting period, the Group has unused tax losses of HK$30,062,000 (2018: HK$25,107,000) and HK$522,336,000 (approximately RUB3,875,110,000) (2018: HK$473,393,000 (approximately RUB3,469,730,000)) available under Hong Kong Profits Tax and Russian corporate tax respectively for offset against future profits. No deferred tax assets have been recognised on such tax losses for both years due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

12. PROFIT FOR THE YEAR

	2019 **HK$'000**	2018 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remunerations *(Note 13)*	**4,537**	17,891
Salaries, wages, bonus and other benefits, excluding Directors	**124,103**	114,769
Contributions to retirement benefits schemes, excluding Directors	**29,617**	26,336
Share-based compensation benefits, excluding Directors and consultants	**–**	7,292
Total employee benefits expenses (including Directors' emoluments)	**158,257**	166,288
Amortisation of intangible assets	**62**	62
Depreciation of property, operating right and equipment	**96,858**	115,475
Depreciation of right-of-use assets	**2,358**	–
Total depreciation and amortisation	**99,278**	115,537
Share-based compensation benefits to consultants	**–**	6,797

13. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

	Year ended 31 December 2019												
	Non-executive Director and Chairman	Former Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Directors		Former Executive Director and Deputy Chairman	Non-executive Directors		Independent Non-executive Directors			Former Independent Non-executive Director	
	Chau Cheok Wa	Kuo Jen Hao	Lo Kai Bong	Eric Daniel Landheer	Chiu King Yan	Wang, John Peter Ben	U Chio Ieong	Wong Pak Ling Philip	Lau Yau Cheung	Li Chak Hung	Lam Kwan Sing	Gerard Joseph McMahon	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note i)	*(Note ii)*	*(Note iii)*	*(Note iv)*	*(Note v)*	*(Note vi)*		*(Note vii)*	*(Note viii)*	*(Note viii)*	*(Note ix)*	*(Note x)*	
Fees	–	–	817	–	817	51	–	210	144	144	92	76	2,351
Other emoluments													
Salaries and other benefits	–	–	–	2,168	–	–	–	–	–	–	–	–	2,168
Contributions to retirement benefits schemes	–	–	–	18	–	–	–	–	–	–	–	–	18
Total emoluments	–	–	817	2,186	817	51	–	210	144	144	92	76	4,537

	Year ended 31 December 2018											
	Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director	Non-executive Directors		Independent Non-executive Directors			Former Independent Non-executive Directors			
	Kuo Jen Hao	Wang, John Peter Ben	Eric Daniel Landheer	Lo Kai Bong	U Chio Ieong	Gerard Joseph McMahon	Lau Yau Cheung	Li Chak Hung	Tsui Yiu Wa, Alec	Pang Hing Chung, Alfred	Tyen Kan Hee, Anthony	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Note iii)	*(Note xi)*	*(Note x)*	*(Note viii)*	*(Note viii)*	*(Note x)*	*(Note viii)*	*(Note viii)*	
Fees	–	180	–	–	–	42	24	24	126	100	140	636
Other emoluments												
Salaries and other benefits	–	–	2,151	–	–	–	–	–	–	–	–	2,151
Contributions to retirement benefits schemes	–	–	18	–	–	–	–	–	–	–	–	18
Share-based compensation benefits	5,015	5,015	3,301	–	–	585	585	585	–	–	–	15,086
Total emoluments	5,015	5,195	5,470	–	–	627	609	609	126	100	140	17,891

13. DIRECTORS' EMOLUMENTS (continued)

Notes:

(i) Chau Cheok Wa has been appointed as a Non-executive Director and the Chairman of the Board of Directors of the Company with effect from 1 June 2019.

(ii) Kuo Jen Hao has resigned as a Non-executive Director and the Chairman of the Board of Directors of the Company with effect from 26 April 2019.

(iii) Lo Kai Bong had been appointed as a Non-executive Director of the Company on 12 December 2018. With effect from 26 April 2019, he has been re-designated to an Executive Director and has been appointed as the Deputy Chairman of the Board of Directors of the Company.

(iv) With effect from 23 March 2020, Eric Daniel Landheer resigned as the Executive Director of the Company.

(v) Chiu King Yan has been appointed as an Executive Director with effect from 26 April 2019.

(vi) Wang, John Peter Ben has resigned as an Executive Director and the Deputy Chairman of the Board of Directors of the Company with effect from 12 April 2019.

(vii) Wong Pak Ling Philip has been appointed as a Non-executive Director with effect from 1 June 2019.

(viii) With effect from 31 October 2018, Pang Hing Chung, Alfred and Tyen Kan Hee, Anthony have resigned from their positions as Independent Non-executive Directors of the Company and Lau Yau Cheung and Li Chak Hung have been appointed as Independent Non-executive Directors of the Company.

(ix) Lam Kwan Sing has been appointed as an Independent Non-executive Director with effect from 14 June 2019.

(x) With effect from 28 September 2018, Tsui Yiu Wa, Alec has resigned as an Independent Non-executive Director of the Company and Gerard Joseph McMahon had been appointed as an Independent Non-executive Director of the Company who subsequently resigned with effect from 14 June 2019.

(xi) U Chio Ieong has been appointed as a Non-executive Director of the Company with effect from 7 September 2018.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year. In addition, no emolument was paid to Directors as an inducement to join for both years.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The Non-executive Directors' emoluments shown above were for their services as directors of the Company. The Independent Non-executive Directors' emoluments shown above were for their services as directors of the Company.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one director (2018: three directors), details of whose remuneration as a director are set out in note 13. Details of the total remuneration for the year of the other four highest paid employees (2018: two employees) are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**4,494**	2,397
Discretionary and performance related incentive payments	**1,333**	526
Contributions to retirement benefits schemes	**20**	19
Share-based compensation benefits	**–**	4,007
	5,847	6,949

Their emoluments fell within the following bands:

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**2**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1

The Group usually determines and pays discretionary bonuses to employees (including Directors) around March each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the employees during the current financial year in relation to performance for the preceding year.

In addition, neither emoluments as an inducement to join nor a compensation for the loss of office was paid to the Directors and five highest paid employees for both years.

15. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	HK$'000
Profit for the purposes of basic and diluted earnings per share	**81,998**	7,611

	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,610,336**	1,488,378
Effect of dilutive potential ordinary shares: Share options issued by the Company	**7,323**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,617,659**	1,488,378

The computation of diluted earnings per share for the year ended 31 December 2018 did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares for the period.

17. PROPERTY, OPERATING RIGHT AND EQUIPMENT

	Buildings, operating right and leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Gaming equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2018	1,519,273	134,305	76,789	9,859	1,318	1,741,544
Additions	1,692	3,874	17,427	2,743	1,449	27,185
Disposal/Written-off	–	(538)	(45)	(7)	–	(590)
At 31 December 2018	1,520,965	137,641	94,171	12,595	2,767	1,768,139
Additions	2,599	20,903	17,688	2,663	7,728	51,581
Disposal	–	(11,662)	(9,991)	(826)	–	(22,479)
At 31 December 2019	1,523,564	146,882	101,868	14,432	10,495	1,797,241
DEPRECIATION						
At 1 January 2018	93,725	67,122	26,773	4,935	–	192,555
Provided for the year	55,785	42,729	14,230	2,731	–	115,475
Disposal/Written-off	–	(439)	(15)	(3)	–	(457)
At 31 December 2018	149,510	109,412	40,988	7,663	–	307,573
Provided for the year	57,422	16,557	21,307	1,572	–	96,858
Disposal	–	(7,496)	(8,098)	(115)	–	(15,709)
At 31 December 2019	206,932	118,473	54,197	9,120	–	388,722
CARRYING VALUES						
At 31 December 2019	**1,316,632**	**28,409**	**47,671**	**5,312**	**10,495**	**1,408,519**
At 31 December 2018	1,371,455	28,229	53,183	4,932	2,767	1,460,566

17. PROPERTY, OPERATING RIGHT AND EQUIPMENT (continued)

Operating right represents the right to conduct business in the IEZ Primorye, one of the five integrated entertainment zones in the Russian Federation for gaming activities. Although the right was awarded by the Administration of the Primorye Region, the Russian Federation for an indefinite period, the Directors determine its estimated useful life as 30 years and accordingly, the right is amortised over 30 years. The building mainly includes the hotel and entertainment complex situated on land plots from a third party with a lease term of 14 years. Taking into account the Russian legislation and a legal opinion as advised by an external legal counsel, the management expected that the lease terms could be renewed upon expiry or the land plots could be acquired by the Group if the land lease is not extended, to reflect the estimated useful life of the buildings of 30 years.

The above items of property, operating right and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings, operating right and leasehold improvements	3–30 years
Furniture, fixtures and equipment	2–20 years
Gaming equipment	2–7 years
Motor vehicles	3–7 years

18. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Office HK$'000	Warehouse HK$'000	Total HK$'000
As at 1 January 2019				
Carrying amount	4,851	2,749	907	8,507
As at 31 December 2019				
Carrying amount	5,041	1,283	458	6,782
For the year ended 31 December 2019				
Depreciation charge	343	1,466	549	2,358
Expense relating to short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16				485
Total cash outflow for leases				3,290

18. RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases various leasehold lands, office and warehouse for its operations. Lease contracts are entered into for fixed term of 1 year to 14 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Extension and termination options

The Group has extension options in the lease for one of the leasehold lands. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the Group and not by the respective lessors. The lease on land plots under a medium-term lease from a third party was originally with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be extended upon expiry to match the estimated useful life of the buildings on the land plot of 30 years.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options in which the Group is not reasonably certain to exercise and (ii) termination options in which the Group is not reasonably certain not to exercise is summarised below:

	Lease liabilities recognised as at 31 December 2019 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Office – Hong Kong	1,309	4,823

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there is no such triggering event.

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

	2019 HK$'000	2018 HK$'000
Long-term prepayments	**13,533**	13,533
Deposits for purchase of property, operating right and equipment	**18,316**	3,154
	31,849	16,687

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

20. INVENTORIES

Inventories consist of retail products, food and beverage items and certain general operating supplies, which are stated at the lower of cost or net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

21. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**8,032**	29,852
Prepayments	**30,768**	14,465
Other receivables and deposits *(Note)*	**23,456**	2,221
Less: Allowance	**(599)**	(1,251)
	53,625	15,435
	61,657	45,287

Note: This includes an amount due from an employee of a substantial shareholder of the Company amounting to HK$21,003,000 (2018: HK$Nil) and represents the sum collected from patrons on behalf of the Group. They are unsecured, interest bearing and repayable on demand.

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$27,769,000.

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 16 days (31 December 2018: 10 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. The amount has been fully settled subsequent to 31 December 2019 and was received on behalf of the Group by an employee of a substantial shareholder of the Company.

21. TRADE AND OTHER RECEIVABLES (continued)

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 2019 and 31 December 2018 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from patrons as at 31 December 2019 and 31 December 2018 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 2019 and 31 December 2018. No impairment allowance was provided due to the low probability of default of those receivables based on the short credit period and the fact that the customers are still active in the Group's property located in the Russian Federation.

Allowance of HK$599,000 and HK$1,251,000 as at 31 December 2019 and 31 December 2018 respectively represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

Further details of impairment assessment of trade and other receivables for both years are set out in note 32.

22. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranges from 0.001% to 2.40% (2018: 0.001% to 2.65%) per annum.

23. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**453**	233
Payable in respect of transfer of connection right to local electricity supply network	**12,895**	11,403
Liabilities for VAT arrangements *(Note 26)*	**10,603**	9,283
Outstanding gaming chips	**2,078**	23,980
Gaming tax payables	**1,108**	1,113
Accruals and other payables	**34,420**	30,254
	61,557	76,266

23. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES (continued)

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

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Within 30 days	**408**	185
31–90 days	**–**	7
Over 90 days	**45**	41
	453	233

The Group mainly has two types of liabilities related to contracts with customers which are included in the above: (1) outstanding chips liabilities for gaming chips in the customers' possession amounting to HK$2,078,000 (31 December 2018: HK$23,980,000); and (2) loyalty programs liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK$1,403,000 (31 December 2018: HK$1,006,000). 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.

24. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**1,966**
Within a period of more than one year but not more than two years	**205**
Within a period of more than two years but not more than five years	**766**
Within a period of more than five years	**4,166**
	7,103
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,966)**
Amount due for settlement after 12 months shown under non-current liabilities	**5,137**

25. 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 pro rata proportion of the additional capital amount of US$137,691,000 (equivalent to HK$1,071,236,000) in total as required by Oriental Regent to continue to fund the gaming and resort project in the Russian Federation by way of ordinary shareholder convertible loan (the "Loan") as contemplated under the investment and shareholders agreement dated 23 August 2013. A total of HK$428,494,000 was contributed by the other shareholders of Oriental Regent. The Loan is non-interest bearing, unsecured and due to mature after 3 years from the date of the agreement, which shall automatically renew for another term of three years. No repayment at all time shall be made by Oriental Regent unless there are sufficient free cash flows generated from its operations to make the repayment. The Loan can only be converted into new shares of Oriental Regent at the option of Oriental Regent at such conversion price(s) and ratio(s) as Oriental Regent shall agree with the shareholders of Oriental Regent at the relevant time. The conversion period is from the date on which the payment for the entire principal amount of the Loan was made by the shareholders to the day immediately prior to the repayment date. The loan is discounted at an effective interest rate calculated at 11.28% per annum at inception.

In May 2019, the board of directors of Oriental Regent resolved to early repay part of the Loan with a total principal amount of US$23,000,000 (approximately equivalent to HK$178,940,000) (2018: US$22,000,000 (approximately equivalent to HK$171,160,000)) to its shareholders on a pro-rata basis to their respective loans. The portion attributed to the non-controlling interests of Oriental Regent of US$9,200,000 (approximately equivalent to HK$71,576,000) (2018: US$8,800,000) (approximately equivalent to HK$68,463,000)) was settled during the year. The difference between the carrying amount of the portion of the Loan repaid to the non-controlling interests and the repayment sum of HK$8,747,000 (2018: HK$14,526,000) was recognised as deemed distribution to equity participant and attributable to and included in non-controlling interests.

26. 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 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, a provision of RUB436,211,000 (approximately HK$55,244,000) (2018: RUB478,666,000 (approximately HK$53,820,000)) is 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 is calculated by using an effective interest rate of 8.47% (2018: 8.56%) per annum. Accordingly, approximately RUB83,721,000 (approximately HK$10,603,000) (31 December 2018: RUB83,027,000 (approximately HK$9,283,000)) of such provision is presented as current and included in other payables (Note 23) as such amount is under the aforesaid assessment within the next twelve months and is expected to be returned to the tax authority upon final assessment, with the remainder of RUB352,490,000 (approximately HK$44,641,000) (31 December 2018: RUB395,639,000 (approximately HK$44,537,000)) presented as non-current.

27. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	3,200,000,000	80,000
Issued and fully paid:		
At 1 January 2018 and 31 December 2018	1,488,377,836	37,209
Ordinary shares issued	300,000,000	7,500
Exercise of share options	15,400,000	385
At 31 December 2019	1,803,777,836	45,094

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

On 25 July 2019, the Company entered into a shares placing agreement ("Placing Agreement") with a securities firm ("Placing Agent") pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 300,000,000 new shares ("Placing Share(s)") of the Company of HK$0.025 each at a price of HK$1.01 per Placing Share to not less than six investors who are independent third parties (the "Placing"), pursuant to the general mandate granted to the Directors at the 2019 annual general meeting of the Company. Further details of the Placing are set out in the Company's announcement dated 25 July 2019.

Completion of the Placing took place on 19 August 2019 pursuant to the terms and conditions of the Placing Agreement. The 300,000,000 Placing Shares represent approximately 19.95% and 16.63% of the issued share capital of the Company immediately before and after the completion of the Placing. The net proceeds of the Placing are approximately HK$296,633,000. Proceeds of HK$7,500,000, representing the par value of the shares issued, were credited to the share capital of the Company and the remaining proceeds of HK$289,133,000 net of share issue expense were credited to the share premium account.

28. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

Pursuant to an extraordinary general meeting held on 7 July 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") and the termination of the previous share option scheme adopted on 11 July 2002.

Under the 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 (the "Participant(s)") share options to subscribe for the shares, subject to the terms and conditions stipulated therein. The purpose of the Scheme is to recognise the contribution of the Participants who have made or may make to the Company, to provide them with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the shares in issue as at the date of the adoption of the Scheme, provided that the Company seeks approval from shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme (and under any other scheme of the Company) shall not exceed 30% of the shares in issue from time to time. The maximum entitlement of each Participant under the Scheme in any 12-month period is 1% of the shares in issue from time to time.

As at 31 December 2019, the number of shares in respect of the options granted and remained outstanding under the Scheme was 32,714,000 (2018: 78,464,000), representing 1.81% (2018: 5.27%) of the total number of issued shares of the Company.

The period within which an option may be exercised will be determined by the Directors at its absolute discretion but no option may be exercised later than 10 years from the date on which the option is granted. The minimum period for which an option must be held before it can be exercised is determined by the Directors upon the grant of an option.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The Scheme will be valid and effective for a period of ten years from the adoption date until 6 July 2021.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company: (continued)

Movements of the Company's share options held by the Directors, employees and consultants of the Group during the year ended 31 December 2019 are set out below:

	Number of share options							
Category of Participants	As at 1 January 2019	Exercised	Lapsed	Cancelled	As at 31 December 2019	Date of grant	Exercise price HK$	Notes
Director	2,300,000	–	–	–	2,300,000	1 September 2016	1.99	iii
Directors	36,100,000	(6,200,000)	(20,000,000)	–	9,900,000	13 December 2018	0.98	iv
Employees	1,292,000	–	–	–	1,292,000	1 September 2016	1.99	iii
Employees	18,560,000	(3,200,000)	(1,950,000)	–	13,410,000	13 December 2018	0.98	iv
Consultants	5,812,000	–	–	–	5,812,000	1 September 2016	1.99	iii
Consultants	14,400,000	(6,000,000)	–	(8,400,000)	–	13 December 2018	0.98	iv
Total	78,464,000	(15,400,000)	(21,950,000)	(8,400,000)	32,714,000			
Exercisable at the end of the year					32,714,000			
Weighted average exercise price (HK$)	1.101	0.98	0.98	0.98	1.27			

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company: (continued)

Movements of the Company's share options held by the Directors, employees and consultants of the Group during the year ended 31 December 2018 are set out below:

Category of Participants	Number of share options: As at 1 January 2018	Granted	Exercised	Lapsed	As at 31 December 2018	Date of grant	Exercise price HK$	Notes
Director	2,300,000	–	–	–	2,300,000	1 September 2016	1.99	iii
Directors	–	36,100,000	–	–	36,100,000	13 December 2018	0.98	iv
Employees	1,292,000	–	–	–	1,292,000	1 September 2016	1.99	iii
Employees	–	18,560,000	–	–	18,560,000	13 December 2018	0.98	iv
Consultants	24,500,000	–	–	(24,500,000)	–	10 July 2013	1.73	ii
Consultants	5,812,000	–	–	–	5,812,000	1 September 2016	1.99	iii
Consultants	–	14,400,000	–	–	14,400,000	13 December 2018	0.98	iv
Total	33,904,000	69,060,000	–	(24,500,000)	78,464,000			
Exercisable at the end of the year					78,464,000			
Weighted average exercise price (HK$)	1.802	0.98	–	1.73	1.101			

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company: (continued)

Notes:

(i) The vesting period of the share options is from the date of grant until the commencement of the exercise period. Once vested, each option gives the holder of the right to subscribe for one ordinary share of the Company.

(ii) The share options granted on 10 July 2013 are divided into 4 tranches exercisable from 31 October 2013, 31 October 2014, 31 October 2015 and 31 October 2016 respectively to 9 July 2018.

(iii) On 1 September 2016, (1) a total of 9,404,000 share options (the "Previously Granted Options") granted by the Company on 9 December 2014 to its employees and consultants (the "Grantees") under the Scheme, which had not been exercised or lapsed since they were granted, were cancelled; and (2) a total of 9,404,000 new share options (the "Replacement Share Options") were granted to the Grantees under the Scheme in replacement of the Previously Granted Options.

The Replacement Share Options are treated as modified options since the terms of such options were modified by changing the exercise period and reducing the exercise prices of the Previously Granted Options from HK$4.218 to HK$1.99.

The Replacement 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.

(iv) On 13 December 2018, the Company granted a total of 69,060,000 share options to certain directors, employees and consultants of the Group to subscribe for shares of the Company with an exercise price of HK$0.98, under the Scheme with no vesting conditions. The options are exercisable from 13 December 2018 to 12 December 2023.

(v) During the year ended 31 December 2019, no share options were granted under the Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.53.

The fair value was calculated using the Binomial model with inputs into the model as follows:

	Share options grant date 13 December 2018
Share price at date of grant	HK$0.98
Exercise price	HK$0.98
Expected volatility	57.5%
Expected life	5 years
Risk-free rate	2.237%
Expected dividend yield	0%

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company: (continued)

The expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

For the year ended 31 December 2019, the Group recognised a total expense of HK$Nil (2018: HK$29,175,000) in respect of share options granted by the Company. During the year ended 31 December 2019, 8,400,000 (2018: Nil) and 21,950,000 (2018: 24,500,000) share options were cancelled and lapsed, respectively.

29. DISPOSAL OF SUBSIDIARIES

On 28 June 2019, the Company entered into a share purchase agreement with an independent third party pursuant to which the Company agreed to dispose of the entire equity interest in Colour Castle Limited and its subsidiary for cash consideration of HK$180,000. The disposal was completed on the same date and resulted in a gain on disposal of approximately HK$180,000. The said disposal did not have any material impact on the Group.

	HK$'000
Net liabilities disposed of	(310)
Waiver of amount due to immediate holding company	310
Gain on disposal	180
Total cash consideration	180

Cash inflow arising on disposal amounted to HK$180,000 and represented cash consideration received.

30. ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2018, the Group acquired the remaining 50% interest in Oriental Winner Limited ("Oriental Winner") from the joint venture partner for HK$5,000 and accordingly, Oriental Winner becomes a wholly-owned subsidiary of the Group. The shortfall between the fair value and the Group's carrying amount of the Group's interest in Oriental Winner before the business combination of HK$659,000 were recognised in the profit or loss as a loss on deemed disposal of the previously held interest in Oriental Winner as a joint venture. Assets acquired and liabilities recognised at the acquisition were bank balances and cash of HK$1,450,000, other receivables of HK$7,000 and other payable of HK$34,000 and no goodwill nor bargain purchase arose on the acquisition. Cash inflow on acquisition amounted to HK$1,445,000, being cash and cash equivalent balances acquired less the consideration paid.

The acquisition did not contribute significantly to the Group's revenue and profit for the year ended 31 December 2018. Had the acquisition of Oriental Winner been completed on 1 January 2018, the total revenue and profit of the Group for the year ended 31 December 2018 would not be different significantly.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, net of debts (which include loans from non-controlling shareholders of a subsidiary disclosed in note 25) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through raising of new capital as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
At amortised cost	**891,447**	510,569
Financial liabilities		
At amortised cost	**302,843**	350,680

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, trade and other receivables, trade and other payables, lease liabilities and loans from non-controlling shareholders of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, receivables and payables of the Group are denominated in foreign currencies and certain subsidiaries of the Company have foreign currency revenue and purchases, which expose the Group to foreign currency risk. Approximately 48% (2018: 41%) of the Group's gross revenue before rebate are denominated in currencies other than the functional currency of the group entity making the revenue. The Group currently does not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2019	2018
	HK$'000	HK$'000
Assets		
United States dollars ("US$")	**266,467**	271,670
Russian Rubles ("RUB")	**92,198**	59,552
Liabilities		
US$	**225,113**	282,438
RUB	**82,135**	66,565

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to RUB against HK$, the functional currency of the relevant group entity.

Considering the HK$ is pegged with the US$, management is of the opinion that the currency exposure arising from these transactions is not significant to the Group. As a result, the profit and equity of the Group are unlikely to be materially sensitive to movement in HK$/US$ exchange rates.

The following table details the Group's sensitivity to a 30% (2018: 30%) increase and decrease in HK$ against the relevant foreign currency. 30% (2018: 30%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 30% (2018: 30%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RUB strengthen 30% (2018: 30%) against HK$. For a 30% (2018: 30%) weakening of RUB against HK$, there would be an equal and opposite impact on the profit and equity and balances below would be negative.

	2019 **HK$'000**	2018 HK$'000
Profit (loss) for the year	**2,415**	(1,683)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances. The management considers the cash flow interest rate risk in relation to variable-rate bank balances is insignificant and therefore no sensitivity analysis on such risk has been prepared.

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2018 and 31 December 2019, the financial assets' carrying amounts best represent the maximum exposure to credit risk.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for other receivable because these consist of a large number of miscellaneous receivables with common risk characteristics that are representative of the counterparties' abilities to pay all amounts due in accordance with the contractual terms. Debtors with significant outstanding balances or credit-impaired as at 31 December 2018 and 31 December 2019 were assessed individually.

The Directors have also assessed all available forward looking information, including but not limited to expected growth rate of the industry and changes in regulatory and economic environment, and concluded that there is no significant increase in credit risk.

There were no additional impairment allowance during the year ended 31 December 2019 for debtors that were assessed individually. Allowance for other receivables of HK$599,000 (31 December 2018: HK$1,251,000) represents certain amounts that the Directors considered uncollectible. For the amount due from an employee of a substantial shareholder of the Company, the Directors make periodic individual assessment on the recoverability of the amount based on historical settlement records, past experience, and supportive forward-looking information. The Directors assessed the ECL for these amounts are insignificant and thus no loss allowance was recognised.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Other than concentration of credit risk on liquid funds which are deposited with banks with good reputation, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019							
Trade and other payables	**–**	**24,385**	**–**	**–**	**–**	**24,385**	**24,385**
Lease liabilities	**9.10**	**2,598**	**762**	**2,285**	**10,237**	**15,882**	**7,103**
Liabilities for VAT arrangement	**8.47**	**10,603**	**10,603**	**31,809**	**14,792**	**67,807**	**55,244**
Loans from non-controlling shareholders of a subsidiary	**11.28**	**237,367**	**–**	**–**	**–**	**237,367**	**223,214**
		274,953	**11,365**	**34,094**	**25,029**	**345,441**	**309,946**
At 31 December 2018							
Trade and other payables	–	38,968	–	–	–	38,968	38,968
Liabilities for VAT arrangement	8.56	9,283	9,283	27,849	22,194	68,609	53,820
Loans from non-controlling shareholders of a subsidiary	11.28	–	307,126	–	–	307,126	257,892
		48,251	316,409	27,849	22,194	414,703	350,680

32c. Fair value measurement of financial instruments

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

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payable of the transfer of connection right HK$'000 *(Note 23)*	**Lease liabilities HK$'000**	**Loans from non-controlling shareholders of a subsidiary HK$'000 *(Note 25)***	**Total HK$'000 *(Note 32)***
At 1 January 2019	**11,403**	**8,507**	**257,892**	**277,802**
Financing cash flows	**–**	**(2,805)**	**(71,576)**	**(74,381)**
Unrealised exchange gain	**–**	**–**	**1,816**	**1,816**
Foreign exchange translation	**1,492**	**633**	**–**	**2,125**
Interest expenses	**–**	**768**	**26,335**	**27,103**
Deemed distribution to non-controlling shareholders *(Note 25)*	**–**	**–**	**8,747**	**8,747**
At 31 December 2019	**12,895**	**7,103**	**223,214**	**243,212**

	Other payable of the transfer of connection right HK$'000 *(Note 23)*	Obligations under finance leases HK$'000	Loans from non-controlling shareholders of a subsidiary HK$'000 *(Note 25)*	Total HK$'000 *(Note 32)*
At 1 January 2018	13,753	1,029	281,535	296,317
Financing cash flows	–	(1,296)	(68,463)	(69,759)
Foreign exchange translation	(2,350)	176	–	(2,174)
Interest expenses	–	91	30,294	30,385
Deemed distribution to non-controlling shareholders *(Note 25)*	–	–	14,526	14,526
At 31 December 2018	11,403	–	257,892	269,295

34. RETIREMENT BENEFIT PLAN

Defined contribution plan

Hong Kong

The Group participates in the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee, which contribution is matched by the employees.

Russian Federation

The Group is required to contribute for the range of 0% to 30% of payroll costs to the Russian Federation State Pension Fund depending on the annual gross remuneration of the staff, to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$29,635,000 (2018: HK$26,354,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2019 and 2018, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

35. OPERATING LEASE COMMITMENTS (comparative information under IAS 17)

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2018 HK$'000
Land plots, warehouse and offices	2,802

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for these leases as stated in notes 18 and 24.

35. OPERATING LEASE COMMITMENTS (comparative information under IAS 17) (continued)

The Group as lessee (continued)

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	3,100
In the second to fifth years inclusive	5,128
Over five years	1,066
	9,294

Operating lease payments represent rental paid or payable by the Group for the land plots, warehouse and its office premises. The leases are negotiated for 14 years for the land plots and 2 years for office space. In addition, the rentals are fixed for the leases.

36. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**23,729**	1,776

37. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties during the year:

	2019 HK$'000	2018 HK$'000
Transaction with a joint venture:		
Imputed interest income on loan	–	101
Transactions with a subsidiary of a non-controlling shareholder of a subsidiary:		
Marketing fee expenses	**981**	528
Revenue from gaming and hotel operations	–	117
Transaction with non-controlling shareholders of a subsidiary:		
Imputed interest expense on loan	**26,335**	30,294
Transactions with a related company controlled by a substantial shareholder:		
Service fee income	**232**	–
Service fee expenses	**113**	–

Details of the balances with the related parties have been disclosed in the consolidated statement of financial position on pages 71 and 72 and notes 21 and 25.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year, which is included in "Total employee benefits expenses (including Directors' emoluments)" in note 12, were as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	**8,022**	5,710
Post-employment benefits	**37**	37
Share-based payments	–	19,094
	8,059	24,841

Certain shares of the Company were issued to key management upon exercise of shares options granted to them under the Scheme as disclosed in note 28.

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

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital		Proportion of ownership/ effective interest held by the Company				Principal activities
					Directly		Indirectly		
			2019	2018	**2019**	2018	**2019**	2018	
Summit Ascent Russia Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**100%**	100%	**–**	–	Investment holding
Summit Ascent Services Limited	Hong Kong	Hong Kong	**1 ordinary share**	1 ordinary share	**100%**	100%	**–**	–	Provision of administrative services
Oriental Regent	Hong Kong	Hong Kong	**140,000 ordinary shares**	140,000 ordinary shares	**–**	–	**60%**	60%	Investment holding
G1 Entertainment	Russian Federation	Russian Federation	**Charter capital of RUB1,190,795,312**	Charter capital of RUB1,190,795,312	**–**	–	**60%**	60%	Operation of hotel and gaming business in the IEZ Primorye in the Russian Federation
EZ Transport Limited Liability Company *(Note i)*	Russian Federation	Russian Federation	**Charter capital of RUB20,000**	Charter capital of RUB20,000	**–**	–	**30.6%**	30.6%	Provision of bus services in the Russian Federation
Oriental Winner	Hong Kong	Hong Kong	**10,000 ordinary shares**	10,000 ordinary shares	**–**	–	**100%**	100%	Trade and travel related business
Color Castle Limited *(Note ii)*	BVI	Hong Kong	**N/A**	1 ordinary share of US$1	**–**	100%	**–**	–	Investment holding
Worth Apex Limited *(Note ii)*	Hong Kong	Hong Kong	**N/A**	1 ordinary share	**–**	100%	**–**	–	Investment holding

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Notes:

(i) Despite the Group indirectly holds less than 50% of the effective equity interest of the subsidiary, the Group considers to have control over the subsidiary through Oriental Regent as Oriental Regent holds more than 50% of the equity interest of EZ Transport Limited Liability Company.

(ii) Color Castle Limited and Worth Apex Limited were disposed of during the year ended 31 December 2019, and details of which are disclosed in note 29.

None of the subsidiaries had issued any debt securities at the end of the year.

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation or establishment and operations	Proportion of equity interest/ voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
Oriental Regent and its subsidiaries	Hong Kong	**40%/43%**	40%/43%	**24,853**	(3,555)	**392,025**	375,919

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests, on a group consolidation basis is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Oriental Regent

	2019	2018
	HK$'000	HK$'000
Current assets	**200,720**	227,029
Non-current assets	**1,444,120**	1,475,969
Current liabilities	**615,000**	74,423
Non-current liabilities	**49,778**	689,266
Equity attributable to owners of Oriental Regent	**588,037**	563,390
Non-controlling interests	**392,025**	375,919

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Oriental Regent (continued)

	2019 HK'000	2018 HK'000
Revenue	**532,816**	463,150
Expenses	**(481,691)**	(480,400)
Profit (loss) for the year	**61,720**	(9,419)
Profit (loss) and total comprehensive profit (expense) for the year attributable to:		
– owners of the Company	**36,867**	(5,864)
– non-controlling interests	**24,853**	(3,555)
	61,720	(9,419)
Net cash inflow from operating activities	**205,671**	199,996
Net cash outflow from investing activities	**(73,095)**	(38,647)
Net cash outflow from financing activities	**(180,195)**	(172,456)
Effect of foreign exchange rate changes	**2,993**	(11,599)
Net cash outflow	**(44,626)**	(22,706)

Note: The amounts are presented on the basis of the Group and reflected the fair value adjustments on property, operating right, and equipment, goodwill and additional post-acquisition depreciation charge resulted from the acquisition of Oriental Regent.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Unlisted investments in subsidiaries *(Note i)*	**180,778**	96,448
Advance to subsidiaries *(Note ii)*	**696,563**	803,696
	877,341	900,144
Current assets		
Other receivables, deposits and prepayments	**435**	383
Amounts due from subsidiaries	**–**	263
Bank balances and cash	**719,258**	288,421
	719,693	289,067
Current liability		
Other payables	**3,033**	2,157
Net current assets	**716,660**	286,910
Net assets	**1,594,001**	1,187,054
Capital and reserves		
Share capital *(Note 27)*	**45,094**	37,209
Reserves *(Note iii)*	**1,548,907**	1,149,845
Total equity	**1,594,001**	1,187,054

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note i: **Unlisted investments in subsidiaries**

	2019 HK$'000	2018 HK$'000
Unlisted interests, at cost *(Note a)*	–	–
Deemed capital contribution *(Note b)*	180,778	96,448
	180,778	96,448

Notes:

(a) The balances are presented as zero when rounded to the nearest thousand for both years.

(b) Deemed capital contribution represented the imputed interest on the interest-free advances provided to subsidiaries.

Note ii: **Advance to subsidiaries**

ECL for advance to subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.

Note iii: **Movements in the Company's reserves**

	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,286,885	119,003	(243,736)	1,162,152
Loss and total comprehensive expense for the year	–	–	(41,482)	(41,482)
Recognition of equity-settled share-based payments	–	29,175	–	29,175
Forfeiture/cancellation of share options (restated) *(Note 3)*	–	(95,309)	95,309	–
At 31 December 2018 (restated) and 1 January 2019	1,286,885	52,869	(189,909)	1,149,845
Profit and total comprehensive income for the year	–	–	95,222	95,222
Ordinary shares issued	295,500	–	–	295,500
Transaction costs attributable to issue of new shares	(6,367)	–	–	(6,367)
Exercise of share options	21,387	(6,680)	–	14,707
Forfeiture/cancellation of share options	–	(13,089)	13,089	–
At 31 December 2019	**1,597,405**	**33,100**	**(81,598)**	**1,548,907**

40. EVENTS AFTER REPORTING PERIOD

With effect from 20 February 2020, as part of the efforts to contain the COVID-19 coronavirus outbreak, the Russian government implemented a temporary entry ban for Chinese nationals, including passport holders from Hong Kong and Macau, which had an adverse impact on the Group's visitation in early 2020, particularly in the rolling chip business. The Group has developed a diverse customer base and the Directors believed that the business is not overly reliant on one feeder market or gaming segment. In addition, the winter period is historically the low season and the impact has not been as pronounced as it would have been if the crisis occurred during the peak summer months. The Directors considered that it is impossible to quantify the impact to our overall business due to factors like the length of the border closures and temporary drop in flight connectivity.

	2015 HK$'000 (Restated)	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Results					
Turnover					
– Continuing operations	–	323,286	470,821	463,150	**532,816**
– Discontinued operations	18,832	29	–	–	**–**
	18,832	323,315	470,821	463,150	**532,816**
Profit (loss) before income tax expense					
– Continuing operations	(83,206)	(7,963)	(9,851)	4,164	**106,963**
– Discontinued operations	(2,159)	2,607	–	–	**–**
	(85,365)	(5,356)	(9,851)	4,164	**106,963**
Income tax expense					
– Continuing operations	–	–	(109)	(108)	**(112)**
– Discontinued operations	–	–	–	–	**–**
	–	–	(109)	(108)	**(112)**
Profit (loss) for the year					
– Continuing operations	(83,206)	(7,963)	(9,960)	4,056	**106,851**
– Discontinued operations	(2,159)	2,607	–	–	**–**
	(85,365)	(5,356)	(9,960)	4,056	**106,851**
Profit (loss) attributable to					
– Owners of the Company	(85,365)	559	13,778	7,611	**81,998**
– Non-controlling interests	–	(5,915)	(23,738)	(3,555)	**24,853**
	(85,365)	(5,356)	(9,960)	4,056	**106,851**
Assets and liabilities					
Total assets	843,710	2,050,393	2,006,311	2,005,279	**2,372,928**
Total liabilities	(5,467)	(419,482)	(398,432)	(378,695)	**(336,515)**
	838,243	1,630,911	1,607,879	1,626,584	**2,036,413**
Equity attributable to owners of the Company	838,243	1,196,068	1,213,879	1,250,665	**1,644,388**
Non-controlling interests	–	434,843	394,000	375,919	**392,025**
	838,243	1,630,911	1,607,879	1,626,584	**2,036,413**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Kai Bong *(Deputy Chairman)*[1]
Mr. Eric Daniel Landheer[2]
Mr. Chiu King Yan[3]
Mr. Wang, John Peter Ben *(Deputy Chairman)*[4]

Non-executive Directors

Mr. Chau Cheok Wa *(Chairman)*[5]
Mr. Wong Pak Ling Philip[5]
Dr. U Chio Ieong
Mr. Kuo Jen Hao *(Chairman)*[6]

Independent Non-executive Directors

Mr. Lam Kwan Sing[7]
Mr. Lau Yau Cheung
Mr. Li Chak Hung
Mr. Gerard Joseph McMahon[8]

AUDIT COMMITTEE

Mr. Li Chak Hung *(Chairman)*
Mr. Lam Kwan Sing[7]
Mr. Lau Yau Cheung
Mr. Gerard Joseph McMahon[8]

REMUNERATION COMMITTEE

Mr. Lam Kwan Sing *(Chairman)*[7]
Mr. Lau Yau Cheung
Mr. Gerard Joseph McMahon *(Chairman)*[8]

NOMINATION COMMITTEE

Mr. Lau Yau Cheung *(Chairman)*
Mr. Lam Kwan Sing[7]
Mr. Gerard Joseph McMahon[8]

CORPORATE GOVERNANCE COMMITTEE

Mr. Lam Kwan Sing *(Chairman)*[7]
Mr. Li Chak Hung
Mr. Gerard Joseph McMahon *(Chairman)*[8]

COMPANY SECRETARY

Ms. Ho Siu Pik

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STOCK CODE

102 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.saholdings.com.hk

[1] Re-designated from Non-executive Director to Executive Director and appointed as Deputy Chairman on 26 April 2019
[2] Resigned on 23 March 2020
[3] Appointed on 26 April 2019
[4] Resigned on 12 April 2019
[5] Appointed on 1 June 2019
[6] Resigned on 26 April 2019
[7] Appointed on 14 June 2019
[8] Resigned on 14 June 2019