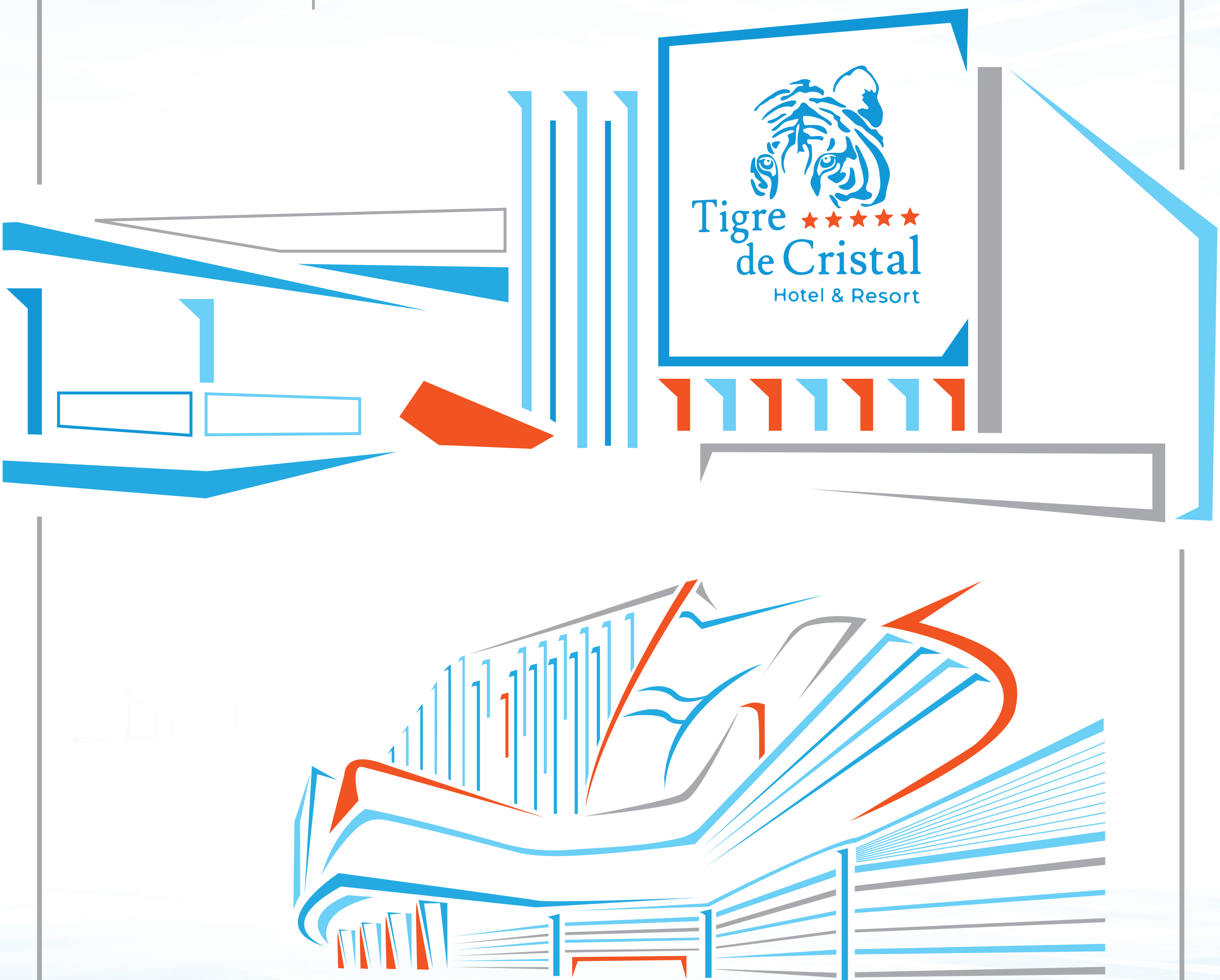
凱升控股有限公司

Summit Ascent Holdings Limited

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

ANNUAL REPORT 2021



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HIGHLIGHTS

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

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

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

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

Business Review

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

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

The features of Tigre de Cristal are as follows:

- Approximately 36,000 square metres of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- The finest luxury 5-Star hotel in the Russian Far East with 121 rooms and suites, which was named "Russia's Best Casino Hotel 2021" by World Casino Awards and "Russia's Leading Resort 2018" by World Travel Awards;
- Fine dining in 2 restaurants, Western and Pan-Asian cuisines including hot pot, and 3 casual bars;
- Virtual golf zone, and a private club with karaoke rooms;
- A Tigre de Cristal branded shop;
- A high-end diamond and luxury watch boutique "DOMINO" and a Montblanc outlet; and
- A brand-new VIP Salon.

Impact of the Coronavirus Disease 2019 (the "COVID-19") Pandemic

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's first gaming and hotel property, known as Tigre de Cristal, is domiciled in the Russian Federation. Various travel and entry restrictions in the Russian Federation and the neighboring countries remain in place, which understandably have an adverse effect on the visitation of Tigre de Cristal and a negative impact on its rolling chip business in particular. We are currently unable to determine when certain of these measures will be lifted though the development of vaccines against COVID-19 is making progress. The Russian government is swinging into action to launch mass vaccination programme against COVID-19 by using its own vaccines to help chart a way out of the crisis in the hope that its economy will bounce back to life going forward. The staff in Tigre de Cristal has started to receive the free vaccination since the beginning of February 2021. Taking into account the continual negative impact of the COVID-19 pandemic, particularly restrictions on international travel and the economic uncertainties, the Company decided to postpone the Phase II development of Tigre de Cristal (the "TdC Phase II") which currently aiming for an opening no earlier than 2025.

Management has worked diligently to monitor the potential implications of the pandemic on the business and assessed the Group's working capital requirements as well as its projects under development. In 2021, Tigre de Cristal continued to focus on the local market in the mass table and electronic gaming segments and generated a positive Adjusted EBITDA of HK$40.9 million, compared to a negative Adjusted EBITDA of HK$14.7 million in 2020 when Tigre de Cristal suspending its gaming operations for about 3 months temporarily until 15 July 2020 according to the respective measures recommended by the Russian government.

The Russia-Ukraine Conflict

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

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

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

Fair Value Losses on Derivative Financial Instruments

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

For the year ended 31 December 2021, the Group recognised net fair value losses on derivative financial instruments of HK$149.1 million (2020: net gains of HK$86.0 million), mainly attributable to the convertible bonds held by the Group and issued by Suntrust Home Developers, Inc. ("Suntrust") in 2020, a company incorporated in the Philippines with its shares listed on The Philippine Stock Exchange, Inc. and a 51% owned subsidiary of Suncity Group Holdings Limited ("Suncity", stock code: 1383), a company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited.

Subscription of the 2020 Convertible Bonds

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

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

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

Short Term Loan to a Fellow Subsidiary

On 23 February 2021, Suntrust as borrower entered into a loan agreement (the "Loan Agreement") with the Group as lender, pursuant to which the Group has provided a loan in the principal amount of US$120 million (the "Loan") to Suntrust. The Loan is unsecured, interest-bearing at 6% per annum and should be matured after three months from the date of the disbursement of the Loan, which is extendable not more than three months. The Loan was advanced to Suntrust on 18 May 2021.

As the continual impact of COVID-19 has affected the progress of the pre-construction stage of the TdC Phase II, including design, procurement of construction materials, tendering and associated payments, part of the net proceeds from the Rights Issue to the extent of US$60 million originally intended for use in the TdC Phase II (the "Original Portion for TdC") is not required for immediate use by the Group for the moment. The Group proposed to change the use of proceeds from the Rights Issue and deployed the Original Portion for TdC as part of the Loan, which can generate interest income to the Group.

The entering into of the Loan Agreement, the Loan and all other transactions contemplated thereunder were approved at the special general meeting of the Company held on 20 April 2021, details of which are disclosed in the Company's announcements dated 23 February and 20 April 2021, and the Company's circular dated 26 March 2021.

Subscription of the 2021 Convertible Bonds

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

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

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

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

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

Use of Proceeds and Further Changes

(1) The placing of new shares under general mandate

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

(2) The Rights Issue

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

Use of proceeds from the Rights Issue	Planned amount to be used	Actual amount utilised up to 31 December 2020	Change in use of proceeds in 2021	Actual amount utilised in 2021	Unutilised amount as at 31 December 2021	
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	
The 2020 Subscription	**847.0**	**(847.0)**	**52.0**	**(52.0)**	**–**	*Note 1*
The Loan and the 2021 Subscription	**–**	**–**	**465.0**	**(465.0)**	**–**	*Note 2*
TdC Phase II, including but not limited to,						
Procurement of construction materials	311.5	–	(125.1)	–	186.4	
Construction of buildings/ facilities	100.8	–	(100.8)	–	–	
Interior fit-out	189.1	–	(189.1)	–	–	
	601.4	**–**	**(415.0)**	**–**	**186.4**	*Note 3*

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

Notes:

1. The overspending was due to the exchange difference.

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

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

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

Changes of Directors

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

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

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

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

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

Outlook

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

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

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

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

Financial Review

Adjusted EBITDA of Tigre de Cristal

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

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

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

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

		2021	2020
		HK$'000	HK$'000
Gross revenue from rolling chip business		–	52,171
Less: Rebates		–	(33,815)
Revenue from rolling chip business		–	18,356
Revenue from mass table business		**113,560**	81,799
Revenue from electronic gaming business		**134,795**	102,769
Net revenue from gaming operations		**248,355**	202,924
Revenue from hotel operations		**17,164**	8,314
Total revenue from gaming and hotel operations		**265,519**	211,238
Add:	Other income	**2,307**	1,097
Less:	Other gains and losses	**(1,941)**	(6,146)
	Gaming tax	**(4,759)**	(5,230)
	Inventories consumed	**(10,726)**	(7,141)
	Marketing and promotion expenses	**(11,492)**	(7,794)
	Employee benefits expenses	**(110,113)**	(120,079)
	Other expenses	**(87,846)**	(80,624)

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

Revenue and Segment Reporting

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

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

Gaming Operations

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

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

Rolling chip business

Our rolling chip business primarily targets foreign players. The table below sets forth the key performance indicators of our rolling chip business in 2021 and 2020.

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

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

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

Mass table business

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

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

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

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

Electronic gaming business

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

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

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

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

Hotel Operations

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

Other Income, Other Gains and Losses

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

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

Staff Costs and Operating Expenses

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

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

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

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

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

Finance Costs

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

Gaming Tax

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

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

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

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

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

Income Tax Expense

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

No provision for taxation in Hong Kong has been made as the Group has no assessable profit in 2021 and 2020. As at 31 December 2021, the Group had unused tax losses of HK$31.1 million (31 December 2020: HK$31.9 million) available under Hong Kong Profits Tax for offset against future profits.

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. As for non-gaming revenues, the Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%.As at 31 December 2021, the Group had unused tax losses of approximately HK$589.5 million (31 December 2020: approximately HK$559.6 million) available under Russian corporate tax and all losses may be carried forward indefinitely. The Group believes that these unrecognised tax losses are adequate to offset any adjustments related to uncertain tax matters that might be proposed by the Russian tax authorities.

The Group is subject to the Philippine withholding tax of 20% on the gross interest income generated from the 2020 CB and the Loan, amounted to HK$10.7 million and HK$7.0 million respectively for the year ended 31 December 2021 (2020: Nil).

Loss/Profit Attributable to Owners of the Company

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

Final Dividend

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

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

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

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

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

Charge on Assets

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

Exposure to Fluctuations in Exchange Rates

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

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

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

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

Capital Commitment

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

Contingent Liabilities

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

Employees

As at 31 December 2021, total number of employees employed by the Group was 994 (2020: 1,081). Currently, more than 97% of our full-time employees are local Russian citizens (2020: 97%). The Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs, the Company has a share option program in place and occasionally may grant shares options to directors, employees and consultants of the Group as incentives.

Anti-Money Laundering Policy

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Lo Kai Bong (aged 42)
Deputy Chairman and Executive Director

Mr. Lo had been a Non-executive Director of Summit Ascent Holdings Limited (the "Company" and together with its subsidiaries, the "Group") 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 certain subsidiaries of the Company. Mr. Lo is currently an executive director 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. Mr. Lo has been involved in the business development of Suncity's overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of Suncity and is experienced in the gaming industry. Mr. Lo has also been appointed as a director and the chairman of Suntrust Home Developers, Inc (stock code: SUN, "Suntrust") since May 2021 and October 2021 respectively, a company listed on The Philippine Stock Exchange, Inc. and an indirect non-wholly owned subsidiary of Suncity.

Mr. Lo is the brother-in-law of Mr. Chiu King Yan, an Executive Director of the Company. Mr. Lo has obtained a Bachelor of Arts degree from The University of Winnipeg in Canada.

Mr. Chua Ming Huat David (aged 59)
Executive Director and Chief Executive Officer

Mr. Chua has been appointed as Executive Director and Chief Executive Officer of the Company with effect from 1 May 2021. He is a Malaysian who has lived and worked in Hong Kong in various roles since 1987. He is currently the chairman of Travellers International Hotel Group, Inc., the developer and operator of Resorts World Manila (stock code: RWM), which was listed on The Philippine Stock Exchange, Inc. until its voluntary delisting on 21 October 2019. Mr. Chua has also been appointed as the president and a director of Suntrust since May 2021.

Mr. Chua was a director of Global Ferronickel Holdings, Inc. (stock code: FNI) from June 2016 to July 2020, a company listed on The Philippine Stock Exchange, Inc.. He also served as an independent director of CIMB Investment Bank Berhad, Malaysia from February 2015 to January 2017. Mr. Chua was the chief operating officer of Genting Berhad (stock code: 3182, "Genting") from September 2006 to February 2007, a company listed on Bursa Malaysia and the president of Genting Hong Kong Limited (stock code: 678) from May 2007 to January 2015, a company listed on the Hong Kong Stock Exchange. He was also a director of Norwegian Cruise Line Holdings Ltd. (stock code: NCLH) from July 2011 to March 2015, a company listed on the New York Stock Exchange. Prior to joining Genting, Mr. Chua held various positions in the investment banking business in Hong Kong, Singapore and Malaysia for over 20 years. He had also served as a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. Mr. Chua possesses a Bachelor of Arts degree in Political Science and Economics from Carleton University, Ottawa, Canada.

Mr. Chiu King Yan (aged 44)
Executive Director

Mr. Chiu has been an Executive Director of the Company since April 2019. He is the company secretary and chief financial officer of Suncity. Mr. Chiu is a director of certain subsidiaries of the Company. Mr. Chiu has over 20 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 is currently an independent non-executive director of ICO Group Limited (stock code: 1460) and Hailiang International Holdings Limited (stock code: 2336), both companies are listed on the Hong Kong Stock Exchange.

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 ("HKICPA") and a fellow member of the Association of Chartered Certified Accountants ("ACCA") 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. Lam Kwan Sing (aged 52)
Independent Non-executive Director

Mr. Lam has been an Independent Non-executive Director of the Company since 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 over 23 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 (stock code: 1367), and is also an independent non-executive director of Aceso Life Science Group Limited (stock code: 474, formerly known as Hao Tian Development Group Limited), both of which are listed on the Hong Kong Stock Exchange. In addition, Mr. Lam is a director of China Natural Resources Inc. since 2003 (stock code: CHNR), a company listed on NASDAQ. Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong.

Mr. Lau Yau Cheung (aged 61)
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 has over 27 years of experience in business strategies and corporate finance and 7 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 was an independent non-executive director and chairman of the board of the directors of Sandmartin International Holdings Limited (stock code: 482) from August 2017 to August 2021, an independent non-executive director of Walderly International Holdings Limited (stock code: 607, now known as Fullshare Holdings Limited) from September 2005 to August 2006, and an executive director of APAC Resources Limited (stock code: 1104) from April 2004 to October 2007, 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. Mr. Lau holds a bachelor's degree in commerce from the University of Toronto in Canada.

Mr. Li Chak Hung (aged 57)
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 has over 30 years' experience in accounting, auditing, taxation and financial management. Mr. Li is currently an independent non-executive director of Asiasec Properties Limited (stock code: 271) and Alpha Professional Holdings Limited (stock code: 948), and he was an independent non-executive director of Sandmartin International Holdings Limited (stock code: 482) from September 2016 to August 2021 and DreamEast Group Limited (stock code: 593) from October 2004 to December 2019, all of these companies are listed on the Hong Kong Stock Exchange. Mr. Li is graduated from The Chinese University of Hong Kong and holds a Bachelor's Degree of Business Administration. He is a practising Certified Public Accountant of HKICPA and a Fellow of The Taxation Institute of Hong Kong.

Senior Management

Mr. Stylianos Tsifetakis (aged 50)
Chief Operating Officer – Russian Operations

Mr. Tsifetakis has joined the Group in a senior management capacity since September 2014. Mr. Tsifetakis has over 22 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 52)
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 (stock code: 8198, now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange, from June 2009 to October 2013. Before this, he had been serving as an executive director, finance director and company secretary of Sandmartin International Holdings Limited (stock code: 482), a company listed on the Hong Kong Stock Exchange from March 2000 to June 2009. 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 ACCA in the United Kingdom and HKICPA.

CORPORATE GOVERNANCE REPORT

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 E.1.2 (which has been renumbered as code provision F.2.2 with effect from 1 January 2022) during the year ended 31 December 2021. Details of the deviation from the code provision E.1.2 is explained in the section "Communication with Shareholders".

The Board of Directors

Composition of the Board

As at 31 December 2021, the board of directors of the Company (the "Board") has six members, consisting of three Executive Directors, Mr. Lo Kai Bong (Deputy Chairman), Mr. Chua Ming Huat David (Chief Executive Officer) and Mr. Chiu King Yan, 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 20 to 23 of this annual report.

The Independent 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 appointments. 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. Chiu King Yan 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.

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

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 (which has been renumbered as code provision C.1.4 with effect from 1 January 2022) 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 2021 is set out below:

Directors	Type of Continuous Professional Development Reading regulatory updates
Executive Directors	
Mr. Lo Kai Bong	✔
Mr. Chua Ming Huat David (appointed on 1 May 2021)	✔
Mr. Chiu King Yan	✔
Independent Non-executive Directors	
Mr. Lam Kwan Sing	✔
Mr. Lau Yau Cheung	✔
Mr. Li Chak Hung	✔

Note:

Mr. Chau Cheok Wa (resigned on 1 December 2021)
Mr. Wong Pak Ling Philip (resigned on 2 December 2021)
Dr. U Chio Ieong (resigned on 6 December 2021)

Board meetings

Pursuant to code provision A.1.1 (which has been renumbered as code provision C.5.1 with effect from 1 January 2022), 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 (which has been renumbered as code provision C.2.7 with effect from 1 January 2022), 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 2021, the Company held eight board meetings. In addition, the Chairman met the Independent Non-executive Directors once without the presence of other Directors.

Whenever 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 2021 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 5)*	**Special general meeting** *(Note 5)*
Executive Directors							
Mr. Lo Kai Bong	8/8	–	–	–	–	0/1	2/2
Mr. Chua Ming Huat David *(Note 1)*	5/6	–	–	–	–	1/1	1/1
Mr. Chiu King Yan	8/8	–	–	–	–	1/1	1/2
Non-executive Directors							
Mr. Chau Cheok Wa *(Note 2)*	2/7	–	–	–	–	0/1	0/2
Mr. Wong Pak Ling Philip *(Note 3)*	6/8	–	–	–	–	0/1	0/2
Dr. U Chio Ieong *(Note 4)*	0/8	–	–	–	–	0/1	0/2
Independent Non-executive Directors							
Mr. Lam Kwan Sing	7/8	2/2	1/1	2/2	1/1	1/1	2/2
Mr. Lau Yau Cheung	8/8	2/2	1/1	2/2	–	1/1	2/2
Mr. Li Chak Hung	8/8	2/2	–	–	1/1	0/1	2/2
Average Attendance Rate	**75%**	**100%**	**100%**	**100%**	**100%**	**45%**	**61%**

Notes:

(1) Mr. Chua Ming Huat David was appointed as Executive Director and Chief Executive Officer on 1 May 2021. Six Board meetings were held on or after 1 May 2021.

(2) Mr. Chau Cheok Wa resigned as Non-executive Director and Chairman of the Board on 1 December 2021. Seven Board meetings were held on or before 1 December 2021.

(3) Mr. Wong Pak Ling Philip resigned as Non-executive Director on 2 December 2021. Eight Board meetings were held on or before 2 December 2021.

(4) Dr. U Chio Ieong resigned as Non-executive Director on 6 December 2021. Eight Board meetings were held on or before 6 December 2021.

(5) The annual general meeting was held on 28 May 2021. Two special general meetings were held on 20 April 2021 and 16 November 2021.

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 2021.

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 Model Code and the Code of Securities Dealings throughout the year ended 31 December 2021.

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 158 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 twice during the year ended 31 December 2021 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;
(e) considered and recommended to the Board on the resignation and appointment of external auditor; and
(f) 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 once during the year ended 31 December 2021 and:

(a) reviewed the structure, size, composition and diversity of the Board;
(b) reviewed the board diversity policy and the director nomination policy of the Company;
(c) assessed the independence of Independent Non-executive Directors; and
(d) recommended to the Board on re-election of Directors.

(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 Directors 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 twice during the year ended 31 December 2021 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; and
(d) reviewed the performance, constitution and terms of reference of the Remuneration Committee.

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 by band are set out in notes 13, 14 and 39 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 CG Code and disclosure in the corporate governance report.

The members of the Corporate Governance Committee met once during the year ended 31 December 2021 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 December 2018 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 2021, 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 2021, 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 2021. 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 76 to 80 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2021, the Group paid and committed to pay to its external auditor approximately HK$3,860,000 (2020: HK$3,257,000) for audit services and approximately HK$1,334,000 (2020: HK$1,570,000) for non-audit services. The non-audit services mainly included interim review and the review of financial information of the Group for inclusion in the Company's circulars.

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 prioritises 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 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 2021, 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 2021, 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") and other special general meetings ("SGMs") important events, as they provide opportunities 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 and SGMs is encouraged and welcomed. The Board Committees' chairmen (or their delegates), being all the Independent Non-executive Directors, attended the 2021 AGM and the SGMs and were on hand to answer questions. The Company's auditor also attended the 2021 AGM.

Pursuant to code provision E.1.2 (which has been renumbered as code provision F.2.2 with effect from 1 January 2022), the chairman of the board should attend the AGM. Mr. Chau Cheok Wa, the former Chairman of the Board, was unable to attend the 2021 AGM due to his other business commitment. The Board has arranged for Mr. Chiu King Yan, an Executive Director of the Company, who is well versed in all business activities and operations of the Group, to attend and chair the AGM on behalf of Mr. Chau Cheok Wa and to respond to questions from the shareholders of the Company. The Company will continue to optimise planning and procedures of AGMs by exploring the use of technology, and to minimise the impact of any future unpredictable episode and facilitate the Chairman of the Board to attend future AGMs of the Company.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Mission

As an ongoing commitment to generating long-term value for our stakeholders, Summit Ascent Holdings Limited (the "Company") and its subsidiaries (the "Group" or "we") have incorporated the principles of sustainable development into our business operation to help protect the environment and support the development of our 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.

The Group's major business operation is Tigre de Cristal ("TdC"), an integrated resort destination in the Primorye Integrated Entertainment Zone, Vladivostok, the Russian Federation. The reporting scope of this ESG report covers the ESG information of the Group for the year ended 31 December 2021 (the "Reporting Period"), in accordance with the framework, reporting principles and the "comply" provisions as set out in Appendix 27 – Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Vision

The Group is dedicated to aligning its ESG governance with 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 operational matters. The board of directors of the Company (the "Board") is responsible for leading the governance and developing the Group's ESG management approach, strategies, priorities, and objectives. The Board delegates the Group's senior management with the 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 the Finance Director and senior management of relevant business functions of the Group. The structure of ESG management is illustrated below:

The ESG working group is responsible for coordinating with different departments to collect and analyse ESG-related operational data, promote and monitor the implementation of ESG strategies and initiatives, review stakeholders' feedback in daily operation, and report 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 and Casino Operation departments, are responsible for implementing ESG initiatives in their daily operations.

Overseeing the ESG management structure, the Group has established both 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 and Materiality

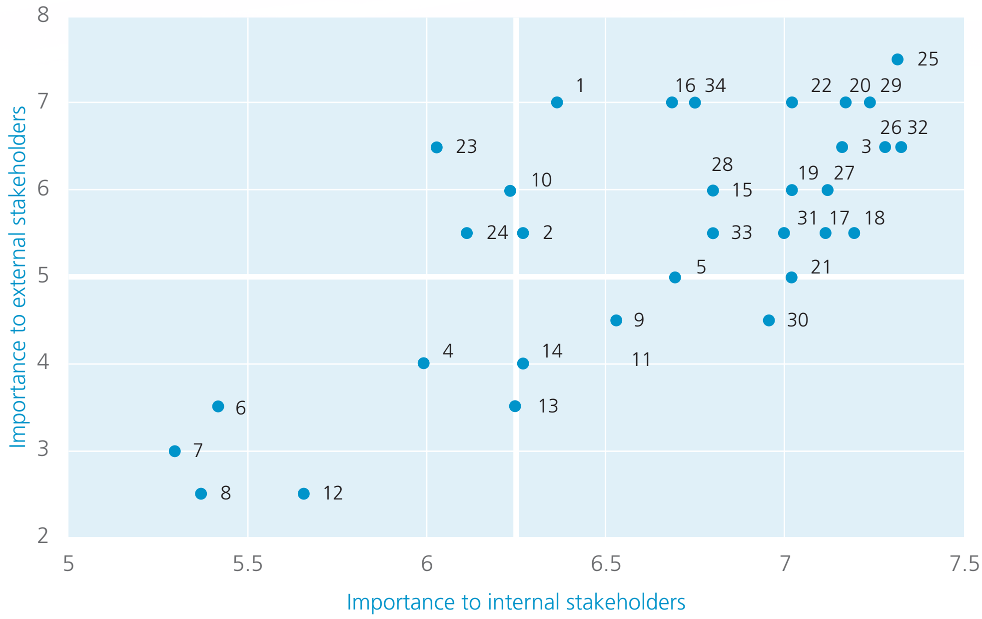
In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved to discuss and to review areas of attention which will help the business meet its potential growth and be prepared for future challenges.

The concerns and needs of our stakeholders provide us with information and directions to develop and enhance 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. Various methods have been adopted to engage our stakeholders to identify current and emerging issues that they are most concerned about regarding the operations of the Group. Communication channels have been established for stakeholder groups to collect concerns about the impact we have on ESG issues. Maintaining communication with stakeholders allows us to collect feedback about our sustainability strategy, and hence we can improve on material ESG issues. The following table summarises the methods of communication between stakeholders and the Group.

Stakeholder Group	Communication Methods
Shareholders	• Annual General Meetings • Annual and Interim Reports • Company's website • Press releases • Investor conference calls • Investor one-on-one meetings • Group meetings organised by sell-side brokers • Non-deal roadshows • Virtual site visits
Employees	• Staff meetings and polls • Staff information boards • Human Resource support via telephone and emails • Comment boxes • Staff care activities • Regular newsletter • Social media apps • Whistleblowing channels
Customers	• Feedback • 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

In the Reporting Period, a Group-wide assessment was conducted to collect responses from our key stakeholders regarding the materiality of ESG issues. Responses were collected via an online survey from various internal and external stakeholders. In the materiality assessment survey, our selected key stakeholders were invited to rate a list of ESG issues based on their relevance and importance to our Group's operations and development from our stakeholders' point of view. Through the assessment for our reporting framework, we were able to identify the material ESG issues that can accurately reflect the ESG impact of the Group and thus prioritise those ESG issues in our future sustainable development.

Materiality Matrix 2021



Number	Most Important Topics Identified (top right quadrant)
Operating practices	
25	Customer security and food safety
29	Data protection and privacy
32	Anti-corruption, bribery, extortion, fraud and money laundering mechanism
26	Customer service quality
27	Quality assurance of products and services
31	Advertising and labelling
28	Consumer welfare
Employment and labour practices	
20	Employee training and career development
22	The Group's response to the Coronavirus Disease 2019 (the "COVID-19") to protect employees
19	Occupational health and safety
18	Communication with employees
17	Diversity, equal opportunities and anti-discrimination
21	Labour standards
16	Employee remuneration and welfare
15	Recruitment and dismissal
Environmental	
3	Environmental compliance
5	Wastewater discharge
Community	
34	Community communication
33	Support for local community development
General	
1	Sustainability governance
2	ESG risk assessment

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on our ESG approach and performance via email at: info@saholdings.com.hk.

A. Environmental

As an integrated resort, the Group consumed energy and water, as well as produced air emissions and waste continuously throughout the Reporting Period to create the ultimate guest experience. As a responsible corporate, the Group is dedicated to minimizing all energy and water consumption. Thus, the Group has developed and implemented a series of policies and measures to monitor and reduce our consumption and emissions continuously.

Air Emissions

We take an active role in minimizing our air emissions and complying with all relevant legal requirements. The law related to air emissions includes the Russian 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.

Since 2020, a major overhaul of the gas boiler house was carried out, as well as a complete adjustment of gas equipment and gas burners by a service specialist, thereby reducing gas consumption, as well as emissions of combustion exhaust gas, namely nitrogen oxides, and carbon oxides.

Indoor air quality

Since the opening of TdC in October 2015, the Group has paid attention to air quality in all premises for the health of our customers and employees. Therefore, we conduct regular ventilation system laboratory tests and take timely measures to prevent the accumulation of pollutants in our ventilation engineering systems.

Since 2020, ozone-generating equipment was installed in the ventilation systems, which enabled purification, disinfection, and indoor air deodorization using ozone. Ozone is a powerful bactericidal agent, and it maintains an ecological balance by:

- Removing unpleasant odours such as smoke and fumes;
- Increasing oxygen in the premises; and
- Preventing the presence of pathogenic microorganisms, including moths, microbes, dust mites, parasite larvae, etc.

Since 2020, the number of times the Group's ventilation machines were disinfected increased from 2 times a year to 4 times a year, and we also began to treat the air in office premises with ozonizers on a daily basis.

There were no instances of non-compliance during the Reporting Period against environmental laws and regulations.

A1. Emissions

A1.1 Air Emissions

The Group operates a fleet of vehicles and uses liquefied petroleum gas ("LPG") to heat the resort. Their combustion generated several air emissions ("non-GHG"), including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("PM").

Air emissions (non-GHG) from the vehicles (petrol and diesel)	**2021**	2020
SOx (kg)	**7.84**	5.40
NOx (kg)	**6,234.46**	5,143.30
PM (kg)	**437.02**	367.60

Note: Emission factors for calculations on environmental parameters were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Hong Kong Stock Exchange, unless stated otherwise.

The Group has set a target of a 10% reduction in air emissions over the next 10 years.

A1.2 Greenhouse Gas (GHG) Emissions

GHG emissions were generated directly from the consumption of mobile fuel (i.e., petrol and diesel for group-owned vehicles) and air travel. Indirect GHG emissions were also generated from the consumption of purchased electricity and LPG heating systems.

During the Reporting Period, 6,461.62 tonnes of carbon dioxide equivalent (tCO_2e) GHG (mainly CO_2, CH_4 and N_2O) were emitted from the Group's operations regarding the direct (Scope 1) and energy indirect (Scope 2) GHG emissions (2020: 10,808.90 tCO_2e). The overall intensity of the GHG emissions was 0.20 tCO_2e/m^2 (2020: 0.30 tCO_2e/m^2), or 6.50 tCO_2e/employee (2020: 10.00 tCO_2e/employee). See below for the contribution of GHG emissions across scopes and activities during the Reporting Period.

Scope of GHG emissions	**Emission sources**	**GHG Emission** (in tCO_2e)	**Total GHG emission** (in %)
Scope 1 Direct emissions	Combustion of petrol for mobile sources	354.59	49.60%
	Combustion of diesel for mobile sources	882.95	
	Combustion of fuel in stationary sources (LPG)	1,893.22	
	Combustion of fuel in stationary sources (Diesel)	3.11	
	Release of refrigerants from the operation of equipment and systems	71.22	
Scope 2 Energy indirect emissions	Purchased electricity (Note 2)	3,257.98	50.42%
Assimilation	Assimilation of carbon dioxide through tree planting	(1.45)	(0.02%)
Total		6,461.62	100%

Note:

1. Emission factors for calculations on environmental parameters were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Hong Kong Stock Exchange, unless stated otherwise.

2. Emission factor of 0.3102 tCO_2e/MWh was used for purchased electricity in the Russian Federation (source: Country Specific Electricity Grid Greenhouse Gas Emission Factors 2021 published by Carbon Footprint in March 2022).

A1.3 Hazardous Waste

During the Reporting Period, the Group generated 3.16 tonnes of hazardous waste (oil contaminated cleaning materials, fluorescent lamps, used accumulators and batteries, used computers and building waste), which are transferred to specialised organizations for disposal.

Besides the above mentioned hazardous waste, cold element (antifreeze) in the air conditioning and ventilation system was replaced in the reporting period. In the process of replacement, 39,538 kg of waste of the 3rd hazard class according to the degree of environmental impact was transferred for disposal to a specialised organization.

A1.4 Non-hazardous Waste

During the Reporting Period, 921.02 tonnes (2020: 742.50 tonnes) of non-hazardous waste were generated and processed. This included food waste (which was donated to farmers), plastic, paper, cooking oil, domestic garbage and cartons.

Sewage Management

During the Reporting Period, the Group discharged 42,473 m^3 of sewage (2020: 31,922 m^3), an increase caused by the constant upgrading and use of the resort complex.

Water Code of the Russian Federation no. 74-FZ requires all natural persons and legal entities to protect water bodies from contamination. It prohibits the discharge of wastewater which may pollute water bodies.

In addition to wastewater, a centralised grease tank has been modified to reduce oil pollution into our sewage system. Monthly pressurised cleanings of grease pits and sewerage systems have been performed to minimise harmful waste and accumulation of fat deposits in the systems. In 2021, 318 m^3 of the fat mixture was pumped out of fat traps to reduce general harmful pollutants and prevent them from entering the environment.

A1.5 Measures to Mitigate Air and Greenhouse Gas Emissions

During the Reporting Period, the Group continued to endeavor to further reduce emissions. In 2021, the Group has purchased four vehicles of the Euro V class (under the European emission standards), thereby reducing the number of vehicles classed as the Euro IV. Also, The Group has kept utilizing the "Green ECO" grade of gas only. In addition, The Group targets to reduce emissions by 15% in 5 years due to the gradual replacement of old vehicles.

According to the regular development of Vladivostok and Artem in the Russian Federation, the Group is considering the possibility of purchasing electric buses; however, there are no suitable conditions in the local area yet (qualified maintenance, charging stations, weather conditions, etc. are all in development).

A1.6 Waste Handling and Reduction Initiatives

As the current Russian laws relating to waste management such as "Federal Law No. 89-FZ on Production and Consumption Waste" mainly focus 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 categorization system has been developed for each type of waste to 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 regulated by the Russian Federation – the Regional State Unitary Enterprise Primorsky Ecological Operator.

Even though there were no significant and relevant legal requirements, we have integrated the principles of "Reduce", "Reuse" and "Replace" 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 for animal feeding.

The Group's operations do not include the production of a material amount of hazardous wastes, except for battery wastes, including single-use alkaline batteries containing 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 landfills.

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

A2. Use of Resources

A2.1 Energy Consumption

During the Reporting Period, electricity consumption by the Group was 10,502.82 Megawatt-hour (MWh) (2020: 8,780.61 MWh). The total consumption of petrol and diesel was 464,172.95 litres (2020: 346,925.7 litres) equating to 4,833.19 MWh after conversion, and that of LPG was 627.51 tonnes (2020: 472.56 tonnes) equating to 8,729.32 MWh after conversion. The total amount of energy consumed was therefore an equivalent of 24,065.33 MWh (electricity, LPG, diesel and petrol combined), with an intensity 0.73 MWh/m^2, and 24.21 MWh/employee.

		Energy Consumption (MWh) 2021
Direct energy	Petrol & Diesel	4,833.19
	LPG	8,729.32
Indirect energy	Electricity	10,502.82
Total energy consumption		24,065.33

A2.2 Water Consumption

The total water consumption for the Group was 49,865 m^3 (2020: 29,828 m^3), with an intensity of 1.51 m^3/m^2 (2020: 0.90 m^3/m^2) and 50.17 m^3/employee (2020: 27.60 m^3/employee). Water was sourced from municipal tap water. No issues on sourcing water were identified during the Reporting Period.

A2.3 Energy Use Efficiency Initiatives

The Group has developed and implemented a series of resource-saving measures in different aspects of our business operations 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 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 entering the foyer area through door gaps during winter, thereby requiring more heat to maintain a comfortable indoor temperature. 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 an automatic daylight switch at the carriage porch which helps save electricity for lighting.

- A Building Management System has been put 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.

- The Building Management System was updated and adjusted for regular monitoring of electricity and water consumption, to better monitor and minimise energy consumption costs.

- The window vents in the guest rooms were improved with the replacement of sealing rubber bands in order to minimise heat loss in the hotel rooms and reduce heating costs.

The Group will consider the possibility to include/switch to renewable energy (solar/wind) in the future. However, solar energy is still under development for the current climate conditions.

The Group has set a target of a 10% reduction in energy consumption over the next 10 years.

A2.4 Water Use Efficiency Initiatives

- 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.

- Automatic sensor faucets have been installed in washrooms to control water overuse.

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

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

- Flushing and disinfection of the main water reservoirs in the complex, from where water is further consumed, were carried out in order to obtain the best possible water quality.

The Group will consider the possibility to reuse waste water within the resort complex. Currently within the existing engineering systems of water supply and sewerage, this procedure is not feasible.

The Group has set a target to water efficiency targets by reducing consumption by 10% over the next 10 years.

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.

A2.5 Packaging Material

During the Reporting Period, no significant packaging material was consumed due to the nature of our business.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group is aware that the gaming and resort development project in Vladivostok required the removal of trees in certain parts of the site. To mitigate the impact, we developed a plan for an annual tree plantation which has been executed since 2017. We continually develop the landscaping of the premises and adjacent areas around the TdC complex 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 to minimise environmental impacts.

For the Reporting Period, the Group continued the greening program of the surrounding area and planted 70 trees and 30 bushes, as well as landscaping of Lot 8 to lessen the impact of the resort complex on the environment.

"Save the Tiger" Campaign

We understand the importance of protecting endangered animals. The extinction of many animal species poses a great threat to the natural equilibrium, causing ecological disasters such as further extinctions and the proliferation of certain species. Hence, we have adopted a female Siberian tiger named Cristal to provide support to conserve 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.

In 2021, the Company organised a trip for staff to the zoo to visit Cristal and present a meat cake for her birthday.

A4. Climate Change

Although the Russian Federation is behind other countries in terms of recycling and environmentally friendly policies, the Group is not just fully complying with local legislation but exceeding it.

For example, the Group is looking into the possibility of switching to renewable energy sources and participating in government incentive schemes to further enhance our corporate responsibilities regarding climate change.

Example Actions

- Using this chance to switch to renewable energy
- Participating in government incentives

Physical Risks

Extreme weather events, such as snowstorms, heatwaves and falling water supplies may disrupt the operations of the resort.

However, the Group has not experienced any noticeable long-term of climate change on the Group's operations.

Opportunities

The Group has observed that the winter months are less severe. This may lower energy consumption for the Group in the long run.

Transition Risks

The Group acknowledges that transitioning to a lower-carbon economy may entail extensive policy, legal, technological, and market changes to address mitigation and adaptation requirements related to climate change.

Although the Russian Federation lags behind other Western countries in its advances in environmental technology and practices, the Group is not just fully complying but exceeding the current environmental legislation.

As new rules and regulations come into effect, the Group may see changes in its fuel and energy costs as costs may rise or fall due to increased taxation and environmental taxes.

B. Social

Employment and Labour Practices

The Group values its employees and are devoted to protecting employees' rights, treating them fairly and equally, supporting employees' career development and fostering a safe working environment.

Employment System and Labour Standards

The Group strives to provide a fair, respectful and inclusive work culture across all different aspects of employment, including but not limited to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination, and other benefits and welfare, are clearly stated.

Equal Opportunities

The Group is committed to maintaining a fair workplace and observing local regulatory requirements related to equal opportunities of employees, following 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, talent retraining, professional development, implementing labour rights and remuneration of employees. Also, the Labour Code specifies the prohibition of dismissing employees who are temporarily disabled, pregnant, single mothers, or women having children under three years old.

In order to promote equal opportunities in the workplace, the Group has developed a number of Standard Operating Procedures ("SOP") 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 interests and strengths.

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

Compensation and Benefits

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 the Russian Federation, 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 any overtime work should be compensated by means of providing additional time-off or the rates prescribed by the law and that the premium for night work should be at least 20% greater than the normal hourly payment for a day's work for every hour worked during night time. According to the Labour Code, the salary must be paid in the Russian Federation's currency and at least bi-weekly. In order to ensure compliance with regulatory requirements, we have established an SOP of remuneration based on the relevant laws and regulations in the Russian Federation to provide detailed and clear guidance.

The Group emphasises the "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.

To improve the work environment for staff, we started to provide dormitory accommodation within the Company's premises for non-local employees.

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

During the Reporting Period, we have reviewed and updated the following policies and SOPs:

- Internal Labour Rules and Regulations.
- Policy on Confidential Information.
- Policy on Employee Personal Data.
- Policy on Remuneration.
- Employment Relations Procedure.
- SOP for Voluntary Disclosure.

We have also developed new policies and SOPs:

- Policy on temporary transfer of employees to remote work.
- Policy on use of electronic signatures.
- Dormitory General SOP (was developed together with Housekeeping department).

The following human resource form templates have also been implemented:

- Order for annual leave.
- Order for business trip.
- Order for bonus.
- Order for employee transfer.
- Annual leave schedule.
- Staffing table.

B1. Employment

B1.1 Employment Figures

As of 31 December 2021, the Group had a total number of 994 (2020: 1,081) employees. See Figures 1–4 for the detailed composition of the Group's workforce.

Figure 1 Total Workforce by Employee Type

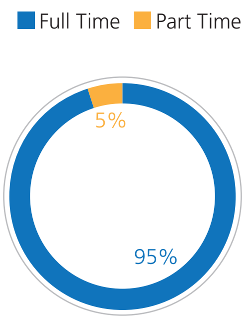


Figure 2 Total Workforce by Age

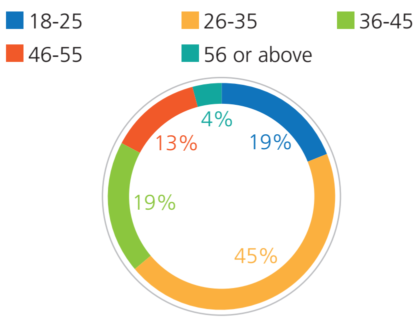


Figure 3 Total Workforce by Gender

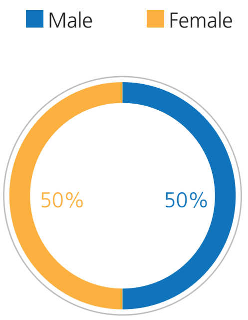
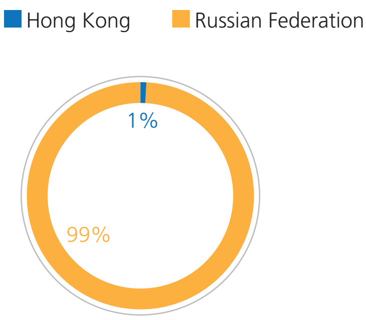


Figure 4 Total Workforce by Geographic Region



B1.2 Turnover Rate

A total of 379 employees left the Group during the Reporting Period, representing a turnover rate of 38.13% (2020: 34.70%) for the Group, as below:

Turnover rate by employee category	
Senior management	11.76%
Middle management	15.69%
Frontline and office staff	39.85%

Turnover rate by age group	
Aged 18–25	53.48%
Aged 26–35	39.29%
Aged 36–45	25.81%
Aged 46–55	28.00%
Aged 56 or above	41.86%

Turnover rate by gender	
Male	40.52%
Female	35.74%

Turnover rate by region	
Russian Federation	38.41%
Hong Kong	10.00%

B1.3 Employee Policies

In terms of employees' benefits and welfare, the Group ensures they are continually provided under all applicable laws and regulations. Employees are entitled to paid annual leave, sick leave, marriage leave, maternity leave, paternity leave, injury leave, compensation leave, etc. Additionally, employees are entitled to medical and dental insurance such that their well-being is protected. The Group strives to encourage employees to spend time with their families.

B2. Employee Health and Safety

The Group is committed to providing a healthy and safe workplace for all its employees. 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, the safety of buildings, facilities and equipment, training on safe methods and techniques for work, the safety rating of working conditions, handling of dangerous tasks, etc.

B2.1 Number and Rate of Work-related Fatalities/Lost Days Due to Work Injuries

	2021	2020	2019
Work-related fatalities	**0**	1	2
Injuries	**4**	1	2
Lost days	**102**	9	18

B2.2 Occupational Health and Safety Measures

During the Reporting Period, the Group has 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 responsibility for ensuring workplace safety strictly complies with the workplace health and safety requirements of our internal policy as well as laws and regulations;

- The Group's management is responsible for ensuring that 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 an instructional video on workplace health and safety for waiters, cooks, stewards, and housekeepers;

- Workplace safety risk assessment and analysis is conducted on a regular basis to identify and address areas of high safety risks;

- Employees are 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 the Russian Federation related to workplace health and safety during the Reporting Period.

In addition, annually, employees undergo training in:

– first aid provision;

– electrical safety; and

– safe work practices.

Also, employees involved in work with increased safety requirements with a high risk of danger undergo additional training in specialised centres. For example, this may include working at height using lifting machinery, control of lifting installation (elevating platforms) and self-propelled special machinery (tractor, loader), handling disinfectants, and safe ways to work with reduced hydrocarbon gas.

The Group has developed an action plan to localise the consequences of accidents at a hazardous facility (the gas-fired boiler house). The plan has been developed in order to plan the actions of the personnel of the organization and specialised services at various levels of the situation development. In accordance with the plan, training is held (monthly with the personnel of the boiler room, 2 times a year involving all involved services).

B3. Development and Training

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 programs covering a wide range of subjects, including leadership skills, mentoring techniques, management approaches, and language skills.

We annually conduct staff performance appraisals, and in 2021 we have updated appraisal forms for all employees and developed a new one for Table Gaming department.

Moreover, we have made our promotion system clearer and more transparent for new hires and developed career paths for operational positions. Each grade in the career path has a list of required knowledge, skills, and assessments to pass to move to the next grade.

Each department is required to set training targets and develop their professional training programs based on training needs. During the Reporting Period, we identified the need for enhancing our staff's problem-solving skills and interpersonal skills. We will arrange more training courses relating to these topics to match with the improvement areas and operational needs of the Group.

To ensure all our employees have a thorough understanding of the Group as well as their relevant responsibilities, we conduct induction training for all new joiners 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 the organization. During the Reporting Period, we conducted the induction program 24 times, of which 189 new joiners participated in.

Other than internal training, we also encourage our employees to attend external professional training programs and obtain relevant qualifications for career development. Accordingly, we sponsor employees who attend external training in relation to their job duties where considered appropriate. During the Reporting Period, we have supported 190 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 the Reporting Period are as below:

- 38 employees participated in the Sigma industrial business game.
- 17 management team members participated in the "Team development program".
- 18 employees completed the training, namely "Emotional intelligence: how to make friends with your emotions and brain", and "Feedback" conducted by our internal facilitators.
- 26 employees completed training on "About casino games and other things".
- 10 employees completed a Public Speaking training course.

B3.1 Percentage of Employee Trained

Gender	%	Employee Category	%
Male	58.67	Senior	100.00
Female	41.37	Middle	96.08
		Frontline/Office Staff	46.54

B3.2 Average Training Hours Completed per Employee

Gender	%	Employee Category	%
Male	8.35	Senior	55.47
Female	6.29	Middle	48.51
		Frontline/Office Staff	4.16

B4. Labour Standards

B4.1 Measures to Review Employment Practices to Avoid Child and Forced Labour

The Group prohibits any child and/or forced labour in any of our operations. We do not employ any child below the age of 18. Prior to each employment, the Human Resources department checks the candidates' personal information and documents to ensure they meet the local labour law requirements. Likewise, the Group forbids any forced labour using physical punishment, abuse, involuntary servitude, peonage, or trafficking. We ensure that each of our employees voluntarily signs the employment contract and accepts the employment conditions under the protection of local labour legislation such as the Labour Code of the Russian Federation. It is our highest priority to abide by the Labour Code in the Russian Federation, which aims to eliminate child labour and forced labour.

B4.2 Steps Taken to Eliminate Such Practices When Discovered

During the Reporting Period, there were no cases of non-compliance with the child and forced labour related laws and regulations.

Operating Practices

B5. Supply Chain Management

The Group seeks to select environmentally and socially responsible suppliers 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 programs, 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.

B5.1 Number of suppliers by geographical region

Region	Number of supplier(s)	Type of supplies
Russian Federation	350	Food & Beverage/Hotel supplies/Technical Supplies/Casino Supplies
Others	6	Food & Beverage/Hotel supplies/Technical Supplies/Casino Supplies/ Office supplies/Cleaning

B5.2 Engaging Suppliers Practices

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 involves at least three suppliers (where possible) each time. The Group has also established a direct communication channel allowing suppliers to submit their offers for our consideration. Suppliers who meet our quality requirements for goods and services, as well as all relevant environmental and social measures with the best price, 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 each and every supplier's performance and requires them to take remedial measures once the Group becomes aware of any non-compliance with our requirements.

An open channel is already established where suppliers are able to submit their offers via email which are later analysed by the Purchasing Team or other related departments and feedback is given where necessary and beneficial for further cooperation.

Also, the Purchasing department is constantly conducting market research via the internet to find out and engage new reliable and beneficial suppliers into the Company's supply chain operation.

There are several suppliers who directly seek meetings with the Purchasing Department. Meetings are always welcome and the relevant cooperation data are placed on the table during the meeting to consider further collaborative actions.

All potential suppliers are rigorously filtered with regards to financial stability, price, value for money (as this has to do with their quotations), payment terms, quality & safety, warranties, reliability, performance history, service & attitude, communication system, responsiveness, flexibility, agility, desire for business, delivery terms, risk, geographical location.

All collaborating suppliers, new and old, are monitored and reviewed throughout the duration of our cooperation. The results of this deliberation are reflected in the "Supplier's Selection & Evaluation" form. This is an official form that is reviewed and approved quarterly by the top management. Suppliers not able to meet the Company's norms and conditions are excluded from the supplier list.

All the purchases are exclusively executed considering the "Supplier's Selection & Evaluation" Form.

B5.3 Practices Used to Identify Environmental and Social Risks

The Group operates the "EGAIS" web platform which is provided and controlled by the government to ensure proper certification of all our beverage products.

- This way we can ensure the products' quality and, by extension, provide the best service to our guests.

- We constantly ensure license validation and accessibility to this software.

The Group run the "MC Material Control" program (software) which manages all products throughout the supply chain process: (Orders, Receiving process, Storage, Transfers, Production, Consumption)

- This way we can control stock and mitigate the need for extra additional orders to suppliers which could increase trucks' mileage and thereby increase emissions.

- This "Stock Control" ensures an uninterrupted business operation in case of extreme weather conditions and other factors which might not allow suppliers' access to our premises.

- We fully monitor and control the "expiration date" of all our products to ensure their adequacy into our supply chain, in order to provide a superior service to our guests and employees and avoid potential wastage.

- We constantly ensure this license is up to date and accessible to this software.

We run daily "HACCP" Procedures according to Federal regulations.

- This way we ensure the safety of products and their quality throughout the supply chain process.

- Storage conditions are part of our daily control as well, to ensure a products' quality and avoid potential wastage.

Our supply chain process is fully supported by electronic means. Therefore, no paper is used during the supply chain process.

The Group fully complies with Federal legislation throughout the supply chain process, as this concerns the suppliers' license and related financial interactions and obligations.

- Contracts with the suppliers are always in place to ensure proper compliance with our mutual obligations. This ensures and keeps a constructive and creative relationship with them.

- All financial and other related obligations with our suppliers are fulfilled on time so as to ensure proper supply chain sustainability, trust, and loyalty with suppliers.

We maintain a continuously controlled and organised delivery and receiving plan to avoid extensive supplier truck routes. This way we help to minimise carbon emissions from the trucks' operation.

B5.4 Practices Used to Promote Environmental Preferable Products and Services

We preferably choose to cooperate with local suppliers to reinforce their business and support the local community and reduce travelling distance.

We encourage our suppliers to strengthen and optimise their business, products, and services through an open communication channel where we exchange valuable suggestions on our needs with regard to our guests' and employees' optimum service.

We make visits to our suppliers at the beginning of our relationship to observe their premises and to locate potential environmental and social risks. This way we ensure future cooperation, stable relationships, and a proper and sustainable service.

A thorough "Suppliers' Evaluation" process takes place quarterly to review the supplier's conformity rate.

An agreement is set in place with our suppliers for them to keep sufficient stock in their stores with regards to our preferred products list. This way we can ensure a seamless delivery of our products, on time, to effectively support our operation on any unforeseen occasion.

In extremely hot and cold temperatures conditions during special weather periods, we control our supply chain process by checking the products' condition during the "receiving process" to prohibit substandard products from entering the Group's premises.

- This way the Group ensures appropriate quality products are served to our guests and employees.

- Furthermore, the receiving area's temperature is constantly measured and controlled in accordance with the relevant legislation and is not adversely affected by external weather conditions.

- Additionally, the Loading Bay has 2 separate entrances; a small one and a second, larger one. They are used accordingly to mitigate bi-directional temperature loss in extreme weather conditions.

We maintain a bi-directional information channel between customers, employees, the procurement team, and suppliers.

- This channel allows the exchange of information regarding products and services provided to our guests and employees, with the ultimate goal of upgrading those products and enhancing services.

The Group purchases products in bulk packaging, where applicable, to mitigate waste of packaging materials which, in turn, burden the environment.

We use certified cleaning products from world-leading companies in regard to protecting the environment and providing the ultimate service to our guests and employees.

In 2021, new rules regarding EGAIS were introduced by Order of the Federal Service Responsible for Alcohol Market Regulation No. 397 dated 17 December 2020. They are valid from 1 January 2021 and apply to all retail stores and catering establishments, covering strong alcohol, beer, cider, mead, poire, and other alcoholic beverages.

The deadline for sending the delivery data to the EGAIS has been reduced from three working days to one. However, the restriction is still valid only at the level of regulatory requirements, not technical ones. This means that the EGAIS does not reject documents because they were sent past the deadline.

The Group uses the CHESNYI ZNAK web platform, which is provided and controlled by the state, to ensure that all our tobacco products are properly certified.

- In this way, we ensure the quality of all products and, as a result, we provide the best service for our guests.

- We continue to control our stocks and reduce the need for additional orders from suppliers, which can increase the number of truck routes and have a corresponding environmental impact.

During the Reporting Period, the Group made several site visits to inspect food suppliers' premises and operations. Any suppliers that failed to meet the Group's standards were replaced.

B6. Product Responsibility

B6.1 Responsible Gaming

TdC holds a gaming license to conduct gaming business in the Integrated Entertainment Zone of the Primorye Region, under Federal Law No. 244-FZ of The State Regulation of Activities Associated with the Organisation of and Carrying out of Gambling Amending Individual Legislative Acts of the Russian Federation. Under the law, online gambling is forbidden, and gambling activities must be conducted within the designated areas with necessary security guards and precautions. Companies must possess the minimum net assets, capital, and satisfy other requirements such as the reporting requirement to retain their license.

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

Furthermore, although there are no regulatory requirements for gaming operators in the region to control problematic gambling, the Group, as a responsible company, strives to promote responsible gaming through initiatives such as forbidding underage visitors to our casino, monitoring the gaming floor to identify customers who exhibit abnormal behaviour, and creating and promoting the responsible gaming slogan of "Winner Knows When To Stop" to build awareness amongst customers. Therefore, we have no significant non-compliance with the laws and regulations related to gaming operations during the Reporting Period.

Due to the business nature, product labelling, health and safety, and advertising issues are not applicable to the Group. Nevertheless, the Group has engaged with its industrial partners, government agencies, customers, and other stakeholders to continuously promote responsible gaming practices. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided have been identified during the Reporting Period.

B6.2 Customer Satisfaction and Complaint Handling

To maintain the highest standards 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, in areas such as handling customers' enquires, complaint management, and standard service procedures. We have also developed extensive training programs for our frontline staff to equip them with the appropriate service skills along with communicating our expectations 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.

B6.3 Intellectual Property Rights

The trademark periods for and TIGRE DE CRISTAL been extended until 23 April 2032 and 26 December 2024, respectively, in the Russian Federation. In addition, the trademark TIGRE DE CRISTAL has been registered until 14 August 2027 in Macau, Japan, South Korea, North Korea, the Philippines, Laos, Singapore and Vietnam.

An internet marketing specialist tracks all references to our trademarks. Whenever violations of TdC's intellectual property rights are reported the information is submitted to the legal department and necessary measures are taken accordingly.

In cases of any unlawful trademark have use, the legal department will prepare and submit the complaint and prepare legal claims against the infringement.

B6.4 Quality Assurance

We have implemented a concept of "Quality Circle" and developed "Cristal Standards" to set a high standard of service delivery for our employees. We hold 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.

We value feedback from our business partners and guests. During the Reporting Period, we received and processed 282 reviews from our guests, and our Booking.com score increased from 8.6 to 9.3, Tripadvisor.com score increased from 4 to 4.5, Agoda score from 8.4 to 9, showing a positive trend.

The Group values all our guests' feedback to improve our services further and meet our guest's expectations. We continuously strive to improve our service standards for a better guest experience.

Every complaint and negative guest comment was duly registered and communicated to the managers of the departments concerned, with guests receiving comprehensive answers to all comments.

For 2022, a "Trust You" survey is planned to be undertaken and installed, automating the work process of guest comments, measuring the level of satisfaction from all online sites, increasing the response rate through an automatic template installed in the software, and uploading and generate reports related to measuring the level of customer satisfaction.

In 2022 the Group also plans to revise the staff training plan and engage external trainers to help increase the amount of feedback and increase the level of guest satisfaction.

B6.5 Consumer Data Protection and Privacy Policies

The Group understands the concerns on data protection and privacy management for all our stakeholders. It is committed to protecting customers' and internal data privacy under the fast-changing market conditions with security updates while complying with the applicable laws and regulations.

The Group has 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 the Russian Federation, 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' rights while processing their data.

The Group only collects personal data when necessary and when required by law to conduct normal business operations. All personal data holders have the right to decide on the provision of personal data and consent to data processing unless exemptions are specified by the laws and regulations. Our employees are also required to sign an agreement to protect confidential information when employed and are aware of the importance of complying with our internal guidelines on protecting personal data and confidential information. In addition, except for designated personnel, employees do not have access to personal data and confidential information that is irrelevant to their job duties.

With respect to data security, the Group has established information security policies. It has deployed various measures, including closed-circuit television, physical locks, firewalls, and the prohibition of the use of unauthorized computer equipment and software to protect our servers from cyber-attack and unauthorized access. In case of cyber-attacks, the Group has established crisis management procedures to immediately respond to the situation and implement suitable mitigations to protect our data and system. The Group will also actively upgrade our data security technologies and physical measures whenever possible to maintain the highest data security level.

Over the past year, the Group invested heavily in the introduction of Electronic Data System in business processes related to communication with government agencies. These changes also affected the network infrastructure – old equipment is gradually being replaced with modern technical solutions with additional security updates and patches.

The Group strives to continuously improve our data security system and our approach to managing customers, employees, and the Group's confidential data management to achieve maximum data protection.

B7. Anti-corruption

The Group's policy is to comply with all local and federal laws and regulations. Especially with the Russian Federal Law No. 115-FZ "On Countering the Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism". The Federal Law 115-FZ is aimed at protecting the rights and legitimate interests of citizens, society, and the state by creating a legal mechanism to counter the legalization (laundering) of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction.

In accordance with the Federal Law 115-FZ, the Group carries out transactions with cash or other property, and in accordance with Part 2 of Article 7 of the Law No. 115-FZ, it has developed strict Internal Control Rules, appointed special officials responsible for compliance with these Rules, and organised and implemented internal controls. It also conducts mandatory control of transactions with cash or other property, provided for in Art. 6 of the Law, carries out the identification of clients (representatives of clients and (or) beneficiaries, as well as beneficial owners), including taking reasonable and affordable in the current circumstances measures to determine the sources of funds or other property of clients, provided for by the Internal Control Rules of the Company.

There were no cases related to non-compliance with 115-FZ in the Reporting Period.

B8. Community Investment

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

From an economic perspective, our integrated resort has created more than 1,000 jobs for locals in Vladivostok. Due to the COVID-19 pandemic, in 2021 we faced staff shortage issues. According to one major job search website, the recruitment market has changed significantly. Previously, there were 3–4 relevant candidates per 1 employer. However, in 2021 the situation reversed now there is 1 candidate per 3 employers.

Hence, in 2021 we had to find new recruitment sources and change our recruitment strategy. We have updated our job posting concept, created an employer branding video, and used targeted advertising.

In 2021, our employee volunteer team continued to be a key component of our overall community engagement strategy providing emotional and financial support to the local non-profit institutions: Artyom Boarding school for orphans and children without parental care and physically challenged children; and Vladivostok Special Boarding School for aurally challenged children.

Despite the difficulties raised by the COVID-19 pandemic in 2021, the Group organised the following activities:

- Outdoor clean-up activities for both Artyom Boarding School and Vladivostok Special Boarding School.
- "Ready for action" fire safety activities for Artyom Boarding school where we explained fire prevention & safety rules to the children and demonstrated a fire extinguisher model and firefighting gear.
- "Journey to a fairy tale" master classes at "Shtykovskie Prudy" park for Artyom Boarding school.

Along with working with the above two special needs schools, the Group worked closely with higher educational institutions and other stakeholders, developing and participating in two professional retraining programs:

- "Talents for business" – 60 people completed this program in Vladivostok State University of Economics and Service, to master professional cooking. Five students are now working in our Company.
- "Gaming & Entertainment Specialist" – the Group developed a program based in Vladivostok State University of Economics and Service to cover three fields: hotel management, restaurant and food service, and event management.

In 2021, the Group also explored new volunteering opportunities. At the end of 2021, our volunteers went to the "Umka" animal shelter to help clean the area and walk dogs.

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 2021.

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 40 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 December 2021, 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 Management Discussion and Analysis on pages 3 to 19 of this annual report, which forms part of this report.

The financial risk management objectives and policies of the Group are set out in note 35 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 36 to 64 of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2021.

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 157 of this annual report.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$116,000 (2020: HK$192,000).

Share Capital

Details of the movements in shares of the Company during the year ended 31 December 2021 are set out in note 31 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 41 to the consolidated financial statements. As at 31 December 2021, no reserve was available for distribution to the owners of the Company (31 December 2020: 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 2021, neither the Company nor any of its subsidiaries have 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)*	
Mr. Chiu King Yan	
Mr. Chua Ming Huat David *(Chief Executive Officer)*	(appointed on 1 May 2021)

Non-executive Directors

Mr. Chau Cheok Wa *(Chairman)*	(resigned on 1 December 2021)
Mr. Wong Pak Ling Philip	(resigned on 2 December 2021)
Dr. U Chio Ieong	(resigned on 6 December 2021)

Independent Non-executive Directors

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

During the year ended 31 December 2021, Mr. Chau Cheok Wa resigned on 1 December 2021 as a Non-executive Director and Chairman of the Board, Mr. Wong Pak Ling Philip resigned on 2 December 2021 as a Non-executive Director and Dr. U Chio Ieong resigned on 6 December 2021 as a Non-executive Director. All of the resigned directors confirmed that they have no disagreement with the Board and there are no other matters in relation to their resignations that need to be brought to the attention of the shareholders of the Company.

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. The letters of appointment of Mr. Lau Yau Cheung and Mr. Li Chak Hung were renewed for a three-year term effective from 31 October 2021 to 30 October 2024. Mr. Lam Kwan Sing was appointed for a three-year term expiring on 13 June 2022.

Brief biographical details of the Directors as at the date of this report are set out on pages 20 to 22 of this annual report.

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

Save as disclosed in notes 20, 23, 24 and 39 to the consolidated financial statements headed "Derivative Financial Instrument", "Amounts Due From Fellow Subsidiaries", "Short Term Loan to a Fellow Subsidiary" and "Related Party Transactions – Transactions with fellow subsidiaries", respectively, until the resignation of Mr. Chau Cheok Wa as a Non-executive Director on 1 December 2021, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, 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 the Shares, Underlying Shares and Debentures of the Company or Any Other Associated Corporations

As at 31 December 2021, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and 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 of the Company held	Approximate % of total issued shares of the Company
Mr. Lo Kai Bong	Interest of controlled corporations *(Note 2)*	4,972,000	0.11%
Mr. Li Chak Hung	Beneficial owner	400,000	0.00%

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

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

Notes:

1. As at 31 December 2021, the total number of issued shares of the Company was 4,509,444,590.

2. Better Linkage Limited ("Better Linkage"), a company incorporated in the British Virgin islands, is the beneficial owner of 520,000 shares of the Company and is also interested in 4,452,000 shares of the Company through Ever Smart Capital Limited ("Ever Smart"), a company incorporated in the British Virgin Islands. As at 31 December 2021, Ever Smart is wholly-owned by Better Linkage which in turn is wholly-owned by Mr. Lo Kai Bong. By virtue of SFO, Mr. Lo Kai Bong is deemed to be interested in the shares of the Company.

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 "Equity-linked Agreements – Share option scheme" of this report.

Save as disclosed above, so far as known to any Directors as at 31 December 2021, none of the Directors of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Directors' Rights to Acquire Shares and Debentures

Save as disclosed in the section headed "Equity-linked Agreements – Share option scheme" below and in note 32 to the consolidated financial statements headed "Share-based Payment Transactions", at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

(1) Convertible bonds

On 16 November 2020, the Company issued convertible bonds denominated in US dollars for the acquisition of additional interests in a subsidiary, Oriental Regent Limited, from a non-controlling shareholder (see note 33) in an aggregate principal amount of US$3,000,000 with an initial conversion price of HK$3.50 (to be translated to US$ at a fixed rate of HK$7.75 to US$1.00) per share with adjustments clauses (the "Conversion Price"), which will mature on 16 November 2025. The convertible bonds carry no interest and are unsecured.

The holder of the convertible bonds may at any time immediately following the issue date and up to the third day prior to maturity serve notice to the Company to convert the whole or part of the outstanding principal amount of the convertible bonds into shares of the Company at the Conversion Price. Unless previously redeemed, converted, purchased or cancelled, all outstanding principal amount of the convertible bonds shall be redeemed by the Company on 16 November 2025 at 100% of the principal amount of such convertible bonds without interest.

(2) Share option scheme

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

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

Particulars of the Company's the 2011 Share Option Scheme and the 2021 Share Option Scheme (collectively the "Share Option Schemes") are set out in note 32 to the consolidated financial statements.

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

Category of Participants	As at 1 January 2021	Lapsed during the year	As at 31 December 2021	Date of grant	Exercise price (HK$)	Exercise period
						(Notes)
Directors						
Mr. Lau Yau Cheung	937,500	–	937,500	13 December 2018	1.05	3
Mr. Li Chak Hung	937,500	–	937,500	13 December 2018	1.05	3
Employees	1,211,250	(1,211,250)	–	1 September 2016	2.12	2
	10,621,875	–	10,621,875	13 December 2018	1.05	3
Consultants	5,448,750	(5,448,750)	–	1 September 2016	2.12	2
	1,000,000	–	1,000,000	2 November 2020	0.912	4
Total	20,156,875	(6,660,000)	13,496,875			

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 were divided into 2 tranches, 50% of which was exercisable from 1 September 2016 and the remaining 50% was exercisable from 1 September 2017 respectively to 31 August 2021.The closing price of the Company's shares on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK$1.99. The exercise price was adjusted from HK$1.99 to HK$2.12 as a result of the rights issue completed on 15 October 2020 ("Rights Issue").

3. The share options granted on 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023. The closing price of the Company's shares on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK$0.98. The exercise price was adjusted from HK$0.98 to HK$1.05 as a result of the Rights Issue.

4. The share options granted on 2 November 2020 are divided into 3 tranches, 30% of which is exercisable from 2 November 2020, 30% of which is exercisable from 2 November 2021 and the remaining 40% is exercisable from 2 November 2022 respectively to 1 November 2025. The closing price of the Company's shares on the Hong Kong Stock Exchange immediately preceding the date of grant was HK$0.89.

5. During the year ended 31 December 2021, no share options were granted, exercised or cancelled under the Share Option Schemes.

Save as disclosed above, 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 2021 or subsisted at the end of the year.

Substantial Shareholders' Interests in the Shares and Underlying Shares of the Company

As at 31 December 2021, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest or 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 shares of the Company held	No. of underlying shares of the Company held	Approximate % of total issued shares of the Company
Suncity Group Holdings Limited ("Suncity")	Beneficial owner	123,255,000	–	2.73%
	Interest of controlled corporations *(Note 2)*	3,018,306,811	–	66.93%
		3,141,561,811	–	69.66%
Victor Sky Holdings Limited ("Victor Sky")	Beneficial owner	3,018,306,811	–	66.93%
Fame Select Limited	Interest of controlled corporations *(Note 2)*	3,141,561,811	–	69.66%
Mr. Chau Cheok Wa	Interest of controlled corporations *(Note 2)*	3,141,561,811	–	69.66%
Mr. Cheng Ting Kong	Interest of controlled corporations *(Note 2)*	3,141,561,811	–	69.66%

Notes:

1. As at 31 December 2021, the total number of issued shares of the Company was 4,509,444,590.

2. Suncity, a company listed on the Hong Kong Stock Exchange, is the beneficial owner of 123,255,000 shares of the Company and is also interested in 3,018,306,811 shares of the Company through its wholly-owned subsidiary, Victor Sky. As at 31 December 2021, Suncity was 74.85% 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 of the Company held by Suncity.

Save as disclosed above, as at 31 December 2021, 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 2021.

Major Customers and Suppliers

In 2021, 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.

Connected Transactions

During the year, the Company and the Group had the following connected and continuing connected transactions.

1. Connected Transactions

(a) On 23 February 2021, Suntrust Home Developers, Inc. ("Suntrust") as borrower entered into a loan agreement (the "Loan Agreement") with the Group as lender, pursuant to which the Group has provided a loan in the principal amount of US$120 million (the "Loan") to Suntrust. The Loan is unsecured, interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the Loan, which is extendable not more than three months. The Loan was advanced to Suntrust on 18 May 2021.

As the continual impact of the Coronavirus Disease 2019 (the "COVID-19") has affected the progress of the pre-construction stage of the development of Tigre de Cristal Phase II (the "TdC Phase II"), including design, procurement of construction materials, tendering and associated payments, part of the net proceeds from the Rights Issue to the extent of US$60 million originally intended for use in the TdC Phase II (the "Original Portion for TdC") is not required for immediate use by the Group at the moment. The Group proposed to change the use of proceeds from the Rights Issue and deployed the Original Portion for TdC as part of the Loan, which can generate interest income to the Group.

The entering of the Loan Agreement, the Loan and all other transactions contemplated thereunder were approved at the special general meeting of the Company held on 20 April 2021, details of which are disclosed in the Company's announcements dated 23 February 2021 and 20 April 2021, and the Company's circular dated 26 March 2021.

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

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

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

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

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

Suntrust is a subsidiary of Suncity, which is a substantial shareholder of the Company, and thus a connected person of the Company. The entering into of the Loan Agreement and the 2021 Subscription Agreement, including the Loan Extension and the Loan Set-Off and the transactions contemplated thereunder, constituted major and connected transactions for the Company under the Listing Rules.

(2) Continuing connected transactions

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 a further period 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 20% 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 2019, 2020 and 2021 are HK$95,000,000 respectively. For the year ended 31 December 2021, 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 2021, which do not constitute connected transactions under the Listing Rules, are disclosed in note 39 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 2021 and is currently in force as of the date of this report.

Advance to an entity

As at 31 December 2021, the Loan advanced to Suntrust, which exceeded 8% of the assets ratio of the Group as defined under Rule 14.07(1) of the Listing Rules, constituted an advance to an entity in accordance with the disclosure requirements of Rule 13.20 of the Listing Rules.

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

Deloitte Touche Tohmatsu resigned as the auditor of the Company with effect from 17 November 2020 and Crowe (HK) CPA Limited ("Crowe") was appointed as the auditor of the Company with effect from 15 December 2020. The appointment of auditor of the Company was approved by the shareholders of the Company at a special general meeting held on 15 December 2020.

Save as disclosed above, there have been no other changes in the Company's auditor in the preceding three years.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Crowe 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, 22 March 2022

INDEPENDENT AUDITOR'S REPORT

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE 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 (together the "Group") set out on pages 81 to 156, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2021, 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 matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matters (continued)

Revenue from gaming operations

Refer to note 5 to the consolidated financial statements and the accounting policies note 3(e) on pages 91 to 92.

The Key Audit Matter	How the matter was addressed in our audit
Revenue generated from gaming operations amounted to approximately HK$248,355,000 for the year ended 31 December 2021 representing over 93% of the total revenues of the Group. We identified the revenue from gaming operations as a key audit matter due to its significance to the consolidated financial statements.	Our audit procedures included: – Obtaining an understanding of the processes in relation to revenue recognition. – Evaluating the design and testing the operating effectiveness of the key 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. – Evaluating the appropriateness of disclosures made in the consolidated financial statements with respect to revenue recognised during the year as required by applicable accounting standard.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual reports other than 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 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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 judgement and maintain professional scepticism 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.

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee, 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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 22 March 2022

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021 HK$'000**	2020 HK$'000
Revenue from gaming and hotel operations	5	**265,519**	211,238
Other income	6	**100,043**	11,446
Other gains and losses	8	**(139,556)**	(15,554)
Gaming tax		**(4,759)**	(5,230)
Inventories consumed		**(10,726)**	(7,141)
Marketing and promotion expenses		**(11,495)**	(7,794)
Employee benefits expenses		**(123,821)**	(131,023)
Depreciation and amortisation		**(80,350)**	(82,194)
Other expenses	9	**(91,693)**	(81,404)
Fair value (losses)/gains on derivative financial instruments	20, 27	**(149,135)**	85,993
Finance costs	10	**(9,979)**	(25,963)
Loss before taxation		**(255,952)**	(47,626)
Income tax expense	11	**(17,859)**	(164)
Loss and total other comprehensive expense for the year	12	**(273,811)**	(47,790)
(Loss)/profit and total other comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(229,988)**	10,018
Non-controlling interests		**(43,823)**	(57,808)
		(273,811)	(47,790)
		HK cents	HK cents
(Loss)/earnings per share	16		
Basic		**(5.10)**	0.39
Diluted		**(5.10)**	0.36

The notes on pages 87 to 156 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, operating right and equipment	17	**1,172,516**	1,372,204
Right-of-use assets	18	**5,394**	6,921
Long-term prepayments and other non-current assets	19	**14,604**	14,961
Derivative financial instrument	20	**840,005**	989,690
Intangible assets		**263**	344
		2,032,782	2,384,120
Current assets			
Inventories	21	**2,772**	2,309
Trade and other receivables	22	**28,186**	22,783
Amounts due from fellow subsidiaries	23	**116,633**	6,409
Short term loan to a fellow subsidiary	24	**935,772**	–
Bank balances and cash	25	**606,575**	1,562,263
		1,689,938	1,593,764
Current liabilities			
Contract liabilities, trade and other payables	26	**45,493**	43,140
Tax payables		**17,269**	–
Derivative financial instrument	27	**286**	836
Lease liabilities	28	**1,205**	1,335
		64,253	45,311
Net current assets		**1,625,685**	1,548,453
Total assets less current liabilities		**3,658,467**	3,932,573
Non-current liabilities			
Convertible bonds	27	**17,767**	16,449
Loans from non-controlling shareholders of a subsidiary	29	**147,563**	138,516
Liabilities for value-added tax ("VAT") arrangements	30	**25,973**	35,590
Lease liabilities	28	**3,899**	5,104
		195,202	195,659
Net assets		**3,463,265**	3,736,914

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	31	**112,736**	112,736
Reserves		**3,055,713**	3,285,539
Equity attributable to owners of the Company		**3,168,449**	3,398,275
Non-controlling interests		**294,816**	338,639
Total equity		**3,463,265**	3,736,914

The consolidated financial statements on pages 81 to 156 were approved and authorised for issue by the board of directors on 22 March 2022 and are signed on its behalf by:

Lo Kai Bong *Director*	**Chiu King Yan** *Director*

The notes on pages 87 to 156 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Share-based compensation reserve** HK$'000	**(Accumulated losses)/ retained earnings** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2020	45,094	1,597,405	33,100	(31,211)	1,644,388	392,025	2,036,413
Profit and total comprehensive income/(expense) for the year	–	–	–	10,018	10,018	(57,808)	(47,790)
Ordinary shares issued *(Note 31)*	67,642	1,555,759	–	–	1,623,401	–	1,623,401
Transaction costs attributable to issue of new shares	–	(4,980)	–	–	(4,980)	–	(4,980)
Deemed contribution from non-controlling shareholders *(Note 29)*	–	–	–	–	–	69,379	69,379
Recognition of equity-settled share based payment	–	–	123	–	123	–	123
Forfeiture/cancellation of share options	–	–	(9,907)	9,907	–	–	–
Equity transaction with non-controlling shareholders *(Note 33)*	–	–	–	125,325	125,325	(64,957)	60,368
At 31 December 2020 and 1 January 2021	112,736	3,148,184	23,316	114,039	3,398,275	338,639	3,736,914
Loss and total comprehensive expense for the year	–	–	–	(229,988)	(229,988)	(43,823)	(273,811)
Recognition of equity-settled share based payment	–	–	162	–	162	–	162
Lapse of share options	–	–	(17,906)	17,906	–	–	–
At 31 December 2021	**112,736**	**3,148,184**	**5,572**	**(98,043)**	**3,168,449**	**294,816**	**3,463,265**

The notes on pages 87 to 156 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(255,952)**	(47,626)
Adjustments for:			
Fair value losses/(gains) on derivative financial instruments	20, 27	**149,135**	(85,993)
Impairment loss recognised on property, operating right and equipment	17	**136,859**	–
Depreciation and amortisation		**80,350**	82,194
Finance costs		**9,979**	25,963
Impairment losses recognised on other receivables, deposits and prepayments		**1,840**	7,267
Share-based compensation benefits to a consultant		**162**	123
Loss/(gain) on disposal/written-off of property, operating right and equipment		**102**	(1,121)
Loss on disposal of intangible assets		**60**	–
Impairment loss recognised on intangible assets		**–**	60
Interest income from derivative financial instrument	20	**(53,589)**	–
Interest income from short term loan to a fellow subsidiary	24	**(35,000)**	–
Bank interest income		**(8,669)**	(9,863)
Imputed interest income on VAT arrangements		**(472)**	–
Operating cash flows before movements in working capital		**24,805**	(28,996)
(Increase)/decrease in inventories		**(463)**	694
(Increase)/decrease in trade and other receivables		**(5,532)**	33,584
Increase in amounts due from fellow subsidiaries		**(291)**	(6,409)
Increase/(decrease) in contract liabilities, trade and other payables		**1,683**	(33,784)
Cash generated from/(used in) operation		**20,202**	(34,911)
Income tax paid		**(141)**	(164)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**20,061**	(35,075)
INVESTING ACTIVITIES			
Short term loan advanced to a fellow subsidiary	24	**(924,813)**	–
Increase in amount due from a fellow subsidiary		**(30,000)**	–
Payment for property, operating right and equipment		**(15,041)**	(25,490)
Return of VAT refunded under VAT arrangements		**(9,333)**	(9,853)
Deposits paid for purchase of property, operating right and equipment		**(2,785)**	(1,428)
Subscription of derivative financial instrument		**–**	(904,569)
Bank interest received		**8,669**	9,863
Proceeds from disposal of property, operating right and equipment		**393**	1,295
VAT refunded under VAT arrangements		**47**	1,498
NET CASH USED IN INVESTING ACTIVITIES		**(972,863)**	(928,684)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(1,334)**	(2,041)
Interest paid for lease liabilities	**(545)**	(599)
Equity transaction with non-controlling shareholders	**–**	(41,716)
Transaction costs attributable to issue of new shares	**–**	(4,980)
Proceeds from issue of ordinary shares	**–**	1,623,401
Capital contribution from non-controlling interest	**–**	88,363
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(1,879)**	1,662,428
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(954,681)**	698,669
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,562,263**	860,698
Effect of foreign exchange rate changes	**(1,007)**	2,896
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Represented by bank balances and cash	**606,575**	1,562,263

The notes on pages 87 to 156 form an integral part of these financial statements.

1. GENERAL

Summit Ascent Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The 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 40.

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

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

Significant event during the year

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

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

The Group's first gaming and hotel property, known as Tigre de Cristal, is domiciled in the Russian Federation. Various travel and entry restrictions in the Russian Federation and the neighbouring countries remain in place, which understandably have an adverse effect on the visitation of Tigre de Cristal and a negative impact on its rolling chip business in particular. The Directors are currently unable to determine when certain of these measures will be lifted though the development of vaccines against COVID-19 is making progress. Management has worked diligently to monitor the potential implications of the pandemic on the business and assessed the Group's working capital requirements as well as its capital projects under development.

1. GENERAL (continued)

The Russia-Ukraine Conflict

In response to the Russia-Ukraine conflict since late February 2022, the United States, the European Union and their allies are aggressively escalating economic sanctions against the Russian Federation. A lot of large global corporations have also voluntarily suspended their operations in the Russian Federation. On the other hand, the Russian Federation has imposed countersanctions to "unfriendly" countries. These unprecedented sanctions and the rapidly changing landscape are having a massive impact on the Russian economy.

The Group's integrated resort Tigre de Cristal is operating in the Russian Far East and has been self-sustaining without any bank borrowings. The Directors have been closely monitoring the market conditions including, but not limited to, the fluctuations in the Russian Rubles ("RUB") and interest rates, and assessing the short-term and long-term implications of the geopolitical tensions, the Group's working capital requirements as well as funding requirements for its projects under development. The Directors will base on the development of the situation to perform further assessment of its impact on the Group's financial performance and take relevant measures. The evaluation remains in progress as of the date of this report.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of preparation of the financial statements

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

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 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 Leases ("HKFRS 16"), and measurements that have some similarities to 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.

c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation (continued)

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.

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.

d) 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 Financial Instruments ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

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 an 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)

e) 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. The costs 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 or 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.

f) 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.

g) Leases

Definition of a lease

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)

g) Leases (continued)

The Group as a lessee

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 for under 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)

g) Leases (continued)

The Group as a lessee (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.
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Leases (continued)

The Group as a lessee (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.

COVID-19-Related Rent Concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change is lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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 2020, 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.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("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.

h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

Any specific borrowing that remains 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.

j) Retirement benefit costs

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

k) 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.

l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Taxation (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Taxation (continued)

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 individual 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.

m) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Impairment on property, operating right 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 right 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 right 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.

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.

o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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.

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)

p) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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)

p) 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)

p) 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 per cent.

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)

q) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

r) Convertible bonds

Convertible bonds that contain an equity component

At initial recognition the liability component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 3(q)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 3(q). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed. any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (including directors) (continued)

When share options are exercised, the amount previously recognised in the share-based compensation reserve will be transferred to share capital and share premium. 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 be transferred to accumulated losses/retained earnings.

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

a) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

b) 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.

i) 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 ECL and the Group's trade receivables are disclosed in notes 22 and 35 respectively.

ii) 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 a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be renewed upon expiry of the relevant lease or the land plots could be acquired by the Group at a minimal consideration if the land lease is not extended, to match with the estimated useful lives of the buildings of 30 years.

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.

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

b) Key sources of estimation uncertainty (continued)

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

As at 31 December 2021, the carrying amount of property, operating right and equipment and right-of-use assets was approximately HK$1,172,516,000 and HK$5,394,000 (2020: approximately HK$1,372,204,000 and HK$6,921,000), net of accumulated depreciation and amortisation of approximately HK$537,555,000 and HK$6,116,000 (2020: approximately HK$463,859,000 and HK$4,589,000), respectively. An impairment loss on property, operating right and equipment of approximately HK$136,859,000 has been recognised for the year ended 31 December 2021 (2020: Nil). No impairment on right-of-use assets has been recognised for the year ended 31 December 2021 (2020: Nil).

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

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

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

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

6. OTHER INCOME

	2021 **HK$'000**	2020 HK$'000
Interest income from derivative financial instrument *(Note 20)*	**53,589**	–
Interest income from short term loan to a fellow subsidiary *(Note 24)*	**35,000**	–
Bank interest income	**8,669**	9,863
Imputed interest income on VAT arrangements	**472**	–
Rental income	**425**	247
Others	**1,888**	1,336
	100,043	11,446

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

8. OTHER GAINS AND LOSSES

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

9. OTHER EXPENSES

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

10. FINANCE COSTS

	2021 **HK$'000**	2020 HK$'000
Imputed interest on loans from non-controlling shareholders of a subsidiary *(Note 29)*	**8,215**	18,431
Imputed interest on convertible bonds *(Note 27)*	**1,219**	148
Interest on lease liabilities	**545**	599
Imputed interest on VAT arrangements	**–**	6,785
	9,979	25,963

11. INCOME TAX EXPENSE

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

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

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

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

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

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

The Group is subject to the Philippine withholding tax of 20% on the gross interest income from derivative financial instrument and short term loan to a fellow subsidiary incorporated in the Philippines.

b) Reconciliation between tax expenses and accounting loss at the applicable tax rates:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(255,952)**	(47,626)
Tax at the domestic income tax rate of 20% *(Note)*	**(51,190)**	(9,525)
Tax effect of expenses not deductible for tax purpose	**117,646**	80,990
Tax effect of income not taxable for tax purpose	**(54,435)**	(79,235)
Tax effect of deductible temporary difference not recognised	**27**	115
Tax effect of tax losses not recognised	**5,960**	7,817
Tax effect of utilisation of tax losses previously not recognised	**(148)**	–
Others	**(1)**	2
Income tax expense for the year	**17,859**	164

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)

c) Deferred tax

At the end of the reporting period, the Group has unused tax losses of approximately HK$31,083,000 (2020: HK$31,875,000) and approximately HK$589,462,000 (equivalent to approximately RUB4,519,044,000) (2020: HK$559,609,000 (equivalent to approximately RUB4,247,658,000)) 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. LOSS FOR THE YEAR

	2021 **HK$'000**	2020 HK$'000
Loss for the year has been arrived at after charging:		
Directors' remunerations *(Note 13)*	**5,587**	4,233
Salaries, wages, bonus and other benefits, excluding Directors	**94,798**	100,969
Contributions to retirement benefits schemes, excluding Directors	**23,436**	25,821
Total employee benefits expenses, including Directors' emoluments	**123,821**	131,023
Amortisation of intangible assets	**21**	16
Depreciation of property, operating right and equipment	**78,802**	79,947
Depreciation of right-of-use assets	**1,527**	2,231
Total depreciation and amortisation	**80,350**	82,194

13. DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2021

	Former Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director and Chief Executive Officer	Executive Director	Former Non-executive Directors		Independent Non-executive Directors			
	Chau Cheok Wa HK$'000 *(Note i)*	Lo Kai Bong HK$'000	Chua Ming Huat David HK$'000 *(Note ii)*	Chiu King Yan HK$'000	U Chio Ieong HK$'000 *(Note iii)*	Wong Pak Ling Philip HK$'000 *(Note iv)*	Lam Kwan Sing HK$'000	Lau Yau Cheung HK$'000	Li Chak Hung HK$'000	Total HK$'000
Fees	–	1,200	2,400	1,200	–	331	168	144	144	5,587
Other emoluments										
Salaries and other benefits	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–	–	–	–	–
Total emoluments	–	1,200	2,400	1,200	–	331	168	144	144	5,587

Year ended 31 December 2020

	Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director	Former Executive Director	Non-executive Directors		Independent Non-executive Directors			
	Chau Cheok Wa HK$'000	Lo Kai Bong HK$'000	Chiu King Yan HK$'000	Eric Daniel Landheer HK$'000 *(Note v)*	U Chio Ieong HK$'000	Wong Pak Ling Philip HK$'000	Lam Kwan Sing HK$'000	Lau Yau Cheung HK$'000	Li Chak Hung HK$'000	Total HK$'000
Fees	–	1,200	1,200	–	–	360	168	144	144	3,216
Other emoluments										
Salaries and other benefits	–	–	–	1,012	–	–	–	–	–	1,012
Contributions to retirement benefits schemes	–	–	–	5	–	–	–	–	–	5
Total emoluments	–	1,200	1,200	1,017	–	360	168	144	144	4,233

13. DIRECTORS' EMOLUMENTS (continued)

Notes:

(i) Chau Cheok Wa resigned as a Non-Executive Director and Chairman of the Company with effect from 1 December 2021.

(ii) Chua Ming Huat David appointed as an Executive Director and Chief Executive Officer of the Company with effect from 1 May 2021. The amount for the year ended 31 December 2021 represented his emoluments from the date of appointment.

(iii) U Chio Ieong resigned as a Non-Executive Director of the Company with effect from 6 December 2021.

(iv) Wong Pak Ling Philp resigned as a Non-Executive Director of the Company with effect from 2 December 2021. For the year ended 31 December 2021, the amount represented his emoluments from 1 January 2021 to the date of resignation.

(v) Eric Daniel Landheer resigned as an Executive Director of the Company with effect from 23 March 2020. For the year ended 31 December 2020, the amount represented his emoluments from 1 January 2020 to the date of resignation.

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 Director's emoluments shown above were for his services as a director 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 three directors (2020: two 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 two highest paid employees (2020: three employees) are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**3,168**	4,122
Discretionary and performance related incentive payments	**145**	199
Contributions to retirement benefits schemes	**19**	37
	3,332	4,358

14. FIVE HIGHEST PAID EMPLOYEES (continued)

Their emoluments fell within the following bands:

	Number of employees 2021	2020
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	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 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

16. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

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

Weighted average number of ordinary shares

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

16. (LOSS)/EARNINGS PER SHARE (continued)

b) Diluted (loss)/earnings per share

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

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

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

ii) Weighted average number of ordinary shares (diluted)

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

Note: The computation of the diluted loss per share for the year ended 31 December 2021 did not assume the exercise of the Company's outstanding share options and convertible bonds because the exercise price of those share options exceeded the average market price of the Company's shares for the year and the conversion of those convertible bonds would result in a decrease in loss per share.

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 2020	1,523,564	146,882	101,868	14,432	10,495	1,797,241
Additions	–	10,936	6,644	3,116	23,110	43,806
Disposals	–	(2,312)	(58)	(2,614)	–	(4,984)
Transfers	24,492	–	–	–	(24,492)	–
At 31 December 2020 and 1 January 2021	1,548,056	155,506	108,454	14,934	9,113	1,836,063
Additions	–	8,377	4,806	2,863	422	16,468
Disposals	–	(2,620)	(2,101)	(880)	–	(5,601)
Impairment loss	(136,859)	–	–	–	–	(136,859)
Transfers	6,717	–	–	–	(6,717)	–
At 31 December 2021	1,417,914	161,263	111,159	16,917	2,818	1,710,071
Depreciation						
At 1 January 2020	206,932	118,473	54,197	9,120	–	388,722
Provided for the year	53,125	14,343	10,468	2,011	–	79,947
Disposals	–	(2,280)	(58)	(2,472)	–	(4,810)
At 31 December 2020 and 1 January 2021	260,057	130,536	64,607	8,659	–	463,859
Provided for the year	54,152	13,971	8,598	2,081	–	78,802
Disposals	–	(2,568)	(1,658)	(880)	–	(5,106)
At 31 December 2021	314,209	141,939	71,547	9,860	–	537,555
Carrying amounts						
At 31 December 2021	**1,103,705**	**19,324**	**39,612**	**7,057**	**2,818**	**1,172,516**
At 31 December 2020	1,287,999	24,970	43,847	6,275	9,113	1,372,204

17. PROPERTY, OPERATING RIGHT AND EQUIPMENT (continued)

a) 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.

b) 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

c) The recoverable amount of the cash generating unit ("CGU") representing Tigre de Cristal, the Group's integrated resort in the Russian Federation, was based on its value in use and was determined with the assistance of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional qualified valuer not connected to the Group. The calculation used cash flow projections based on financial budgets approved by management covering a six-year period. A six-year forecast is considered appropriate for the gaming and hotel operation to take into account the recovery period from COVID-19 and thereafter a phased opening of gaming facilities and hotel rooms associated with the Phase II of Tigre de Cristal. Cash flows beyond the six-year period are extrapolated using an estimated growth rate stated below which does not exceed the long-term average growth rate for the industry. Future cash flows are discounted using a discount rate stated below, which are pre-tax and reflect specific risks relating to the relevant CGU.

Key assumptions used for the value-in-use calculations are as follows:

	2021	2020
Average revenue growth rate	**21.65%**	100.66%
Terminal growth rate	**4.00%**	4.00%
Discount rate	**21.16%**	23.16%

The cash flow projections have taken into account the unfavourable changes for the postponement of the Phase II development of Tigre de Cristal project, the ongoing COVID-19 pandemic, particularly restrictions on international travel and the economic uncertainties and the decrease in volume of its rolling chip business. Therefore, the carrying amount of the relevant CGU was written down to the recoverable amount of HK$1,135 million (2020: HK$1,492 million) and an impairment loss on property, operating right and equipment of approximately HK$136,859,000 has been recognised for the year ended 31 December 2021 (2020: Nil).

18. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Office HK$'000	Warehouse HK$'000	Total HK$'000
At 31 December 2021				
Carrying amounts	4,355	1,039	–	5,394
At 31 December 2020				
Carrying amounts	4,698	2,223	–	6,921
For the year ended 31 December 2021				
Depreciation charge	343	1,184	–	1,527
For the year ended 31 December 2020				
Depreciation charge	343	1,430	458	2,231

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	**681**	426
Total cash outflow for leases	**2,560**	3,066

For both years, the Group leases various leasehold lands, office and warehouse for its operations. Lease contracts are entered into for fixed term of 2 years to 14 years (2020: 3 years 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.

18. RIGHT-OF-USE ASSETS (continued)

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 extension options in which the Group is not reasonably certain not to exercise and termination options in which the Group is not reasonably certain not to exercise are summarised below:

	Lease liabilities recognised		**Potential future lease payments not included in lease liabilities (undiscounted)**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Office – Hong Kong	**1,016**	2,181	**1,248**	1,248

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 years ended 31 December 2021 and 2020, there was no such triggering event.

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

	2021 HK$'000	2020 HK$'000
Long-term prepayments	**13,533**	13,533
Deposits for purchase of property, operating right and equipment	**10,051**	8,695
Less: Allowance	**(8,980)**	(7,267)
	1,071	1,428
	14,604	14,961

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

20. DERIVATIVE FINANCIAL INSTRUMENT

	2021 HK$'000	2020 HK$'000
Derivative financial instrument – designated at FVTPL	**840,005**	989,690

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

Derivative financial instrument represented the fair value of an investment in convertible bonds issued by Suntrust Home Developer, Inc. ("Suntrust"), a company incorporated in the Philippines, the shares of which are listed on The Phillippine Stock Exchange, Inc. and is a fellow subsidiary of the Company. The principal amount of the convertible bonds is Philippine Peso ("PHP") 5.6 billion (equivalent to approximately HK$904,569,000), which can be converted into 3,111,111,111 ordinary shares of Suntrust at a conversion price of PHP1.8 per share from the inception date until the maturity date. The maturity date falling on the fifth anniversary of the issue date (i.e. year 2025) of the convertible bonds which may, subject to agreement by the holder of the convertible bonds upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the convertible bonds.

The convertible bonds carried interest at 6.0% per annum on the aggregate principal amount of the convertible bonds from time to time outstanding, payable yearly in arrears accruing from the issue date of the convertible bonds on the basis of a 365-day year, with the last payment of interest to be made on the maturity date. For the year ended 31 December 2021, interest income generated from the derivative financial instrument amounting to approximately HK$53,589,000 (2020: Nil) was recognised and disclosed under "other income" in note 6.

20. DERIVATIVE FINANCIAL INSTRUMENT (continued)

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

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

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

	31 December 2021	31 December 2020
Share price of Suntrust *(PHP)*	**1.12**	1.67
Expected volatility (%) *(Note a)*	**61.10%**	60.20%
Expected remaining life *(years)*	**4**	5
Risk-free rate (%) *(Note b)*	**3.44%**	2.60%

Notes:

a) The expected volatility was determined by using the historical volatility of Suntrust share price over the period commensurate with the remaining term.

b) Risk-free rate is estimated based on the yield to maturities of peso-denominated government bonds from Philippine Sovereign Curve with a similar remaining tenure.

21. 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.

22. TRADE AND OTHER RECEIVABLES

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

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

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 30 days (31 December 2020: 45 days) after each trip to the Group's gaming property. The Group provides short-term temporary credit to approved customers following background checks and credit risk assessments of these customers.

All trade receivables were aged within 30 days based on the revenue recognition date, at the end of the reporting period.

All of the Group's trade receivables as at 31 December 2021 and 2020 were within their credit terms with no default history and neither past due nor impaired.

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

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

Further details of impairment assessment of trade and other receivables for both years are set out in note 35.

23. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and mainly comprised of interest receivable generated from (i) derivative financial instrument as set out in note 20 and (ii) short term loan to a fellow subsidiary of the Company as set out in note 24.

The amounts have been fully repaid after the reporting period, except for interest receivable generated from short term loan to a fellow subsidiary of HK$35.1 million as at 31 December 2021 (2020: Nil) which is due on 18 July 2022.

24. SHORT TERM LOAN TO A FELLOW SUBSIDIARY

On 23 February 2021, Suntrust as borrower entered into a loan agreement (the "Loan Agreement") with the Group as lender, pursuant to which the Group shall provide a loan in the principal amount of US dollars ("US$") 120 million (equivalent to approximately HK$931,230,000) (the "Loan") to Suntrust. The Loan is unsecured, interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the Loan, which is extendable not more than three months. The entering into of the Loan Agreement was approved at the special general meeting of the Company held on 20 April 2021. On 18 May 2021, the Loan was advanced to Suntrust by cash of approximately HK$924,813,000 and by transferring from amount due from a fellow subsidiary of approximately HK$6,417,000.

The maturity date of the Loan was extended for three times on 17 August 2021, 17 September 2021 and 17 October 2021 for 1 month each time, to 18 November 2021. On 20 September 2021, the Group entered into a subscription agreement with Suntrust (the "Subscription Agreement") to subscribe for the 6% coupon rate convertible bonds in the maximum aggregate principal amount of PHP6.4 billion at an initial conversion price of PHP1.65 per share of Suntrust for an initial term of 3 years from the date of their issue extendable for a further term of 3 years. The aggregate subscription amount payable by the Group shall be satisfied by setting off a pro tanto amount of the Loan together with interest accrued up to and including the completion date of the Subscription Agreement. Considering the expected timeline for fulfilling the conditions precedent to the Subscription Agreement, the Group has agreed to extend the maturity date of the Loan to 18 July 2022. The entering into of the Subscription Agreement was approved at the special general meeting of the Company held on 16 November 2021.

For the year ended 31 December 2021, interest income from the Loan amounting to approximately HK$35,000,000 (2020:Nil) was recognised and disclosed under "other income" in note 6.

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranges from 0.001% to 7.48% (2020: 0.001% to 1.25%) per annum.

26. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables	**142**	391
Payable in respect of transfer of connection right to local electricity supply network	**10,687**	10,686
Liabilities for VAT arrangements *(Note 30)*	**8,972**	9,208
Outstanding gaming chips	**2,358**	1,322
Gaming tax payables	**–**	276
Accruals and other payables	**23,334**	21,257
	45,493	43,140

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

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

The Group mainly has two types of liabilities related to contracts with customers which are included in the above: (1) outstanding gaming chip liabilities for gaming chips in the customers' possession amounting to approximately HK$2,358,000 (31 December 2020: HK$1,322,000); and (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to approximately HK$1,965,000 (31 December 2020: HK$1,446,000). Loyalty program liabilities and customer deposits on hotel rooms are included in other payables above.

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

27. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

On 16 November 2020, the Company issued convertible bonds denominated in US dollars for acquisition of additional interests in a subsidiary from a non-controlling shareholder (see note 33) in an aggregate principal amount of US$3,000,000 with an initial conversion price of HK$3.50 (to be translated to US$ at a fixed rate of HK$7.75 to US$1.00) per share with adjustments clauses, which will mature on the fifth anniversary of the respective issue dates. The convertible bonds carry no interest.

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

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

At the end of the reporting period, the fair value of the derivative financial instrument in the convertible bonds is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss. For the year ended 31 December 2021, the fair value gain amounting to approximately HK$550,000 (2020 HK$872,000) was recognised and disclosed under "fair value (losses)/gains on derivative financial instrument" in the consolidated statement of profit or loss and other comprehensive income.

27. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS (continued)

The liability component in convertible bonds is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rate of the liability component in the convertible bonds is 7.37% per annum. For the year ended 31 December 2021, imputed interest on convertible bonds amounting to approximately HK$1,219,000 (2020: HK$148,000) was recognised and disclosed under "finance costs" in note 10.

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

The fair value of the convertible bonds as at 31 December 2021 had been determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the binomial option pricing model. The significant inputs used for the calculation of fair value of the convertible bonds and the derivative financial instrument at each measurement date were as follows:

	31 December 2021	31 December 2020
Share price of the Company (HK$)	**0.15**	0.75
Expected volatility (%) *(Note a)*	**77.38%**	60.45%
Expected remaining life *(years)*	**3.88**	4.88
Expected dividend yield *(Note b)*	**zero**	zero
Risk-free rate (%) *(Note c)*	**1.14%**	0.41%

Notes:

a) The expected volatility was determined by using the historical volatility of the Company's share price over a period commensurate with the remaining term.

b) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the remaining term of the Company.

c) Risk-free rate is estimated with reference to the US Treasury Yield Curve of similar remaining tenure.

27. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS (continued)

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

	Liability component HK$'000	Derivative financial instrument HK$'000	Total HK$'000
At 1 January 2020	–	–	–
Initial recognition on issuance of convertible bonds	16,295	1,708	18,003
Imputed interest on convertible bonds	148	–	148
Exchange difference	6	–	6
Fair value change on derivative financial instrument	–	(872)	(872)
At 31 December 2020 and 1 January 2021	16,449	836	17,285
Imputed interest on convertible bonds	1,219	–	1,219
Exchange difference	99	–	99
Fair value change on derivative financial instrument	–	(550)	(550)
At 31 December 2021	**17,767**	**286**	**18,053**

28. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**1,205**	1,335
Within a period of more than one year but not more than two years	**211**	1,198
Within a period of more than two years but not more than five years	**545**	708
Within a period of more than five years	**3,143**	3,198
	5,104	6,439
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,205)**	(1,335)
Amount due for settlement after 12 months shown under non-current liabilities	**3,899**	5,104

29. 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 approximately HK$1,071,236,000) in total as required by Oriental Regent to continue to fund the gaming and resort project in the Russian Federation by way of ordinary shareholder convertible loan (the "Shareholder's 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 Shareholder's 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 Shareholder's 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 Shareholder's Loan was made by the shareholders to the day immediately prior to the repayment date. The Shareholder's loan was discounted at an effective interest rate calculated at 11.28% per annum at inception.

On 15 July 2020, after prepayments previously made, the repayment date of the outstanding loan with a total principal amount of US$75,691,000 (equivalent to approximately HK$586,832,000) was extended for three years from 15 July 2020 to 15 July 2023 and shall automatically renew for another term of three years. The Shareholder's Loan has been discounted at an effective interest rate calculated at 5.76% per annum at extension. The difference of HK$69,379,000 between the carrying amount and the fair value of the portion of the Shareholder's Loan attributed to the non-controlling interests of US$30,276,400 (equivalent to approximately HK$234,642,000) was recognised as deemed contribution from non-controlling shareholders.

On 16 November 2020, the Group repurchased 7.5% of the Shareholder's Loan with a total principal amount of US$5,676,825 (equivalent to approximately HK$43,995,000) from the non-controlling shareholders under the equity transactions as set out in note 33.

For the year ended 31 December 2021, imputed interest on loans from non-controlling shareholders of a subsidiary amounting to approximately HK$8,215,000 (2020: HK$18,431,000) was recognised and disclosed under "finance costs" in note 10.

30. 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. As at 31 December 2021, a provision of approximately RUB332,922,000 (equivalent to approximately HK$34,945,000) (31 December 2020: RUB426,867,000 (equivalent to approximately HK$44,798,000)) was recognised for the estimated amount of the relevant Input VAT that has been refunded to the Group but has to be returned to the tax authority under this regulation. The estimated repayable amount to the tax authority was calculated by using an effective interest rate of 8.33% (2020: 5.64%) per annum. Accordingly, approximately RUB85,477,000 (equivalent to approximately HK$8,972,000) (31 December 2020: RUB87,737,000 (equivalent to approximately HK$9,208,000)) of such provision is presented as current and included in other payables (Note 26) 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 approximately RUB247,445,000 (equivalent to approximately HK$25,973,000) (31 December 2020: RUB339,130,000 (equivalent to approximately HK$35,590,000)) presented as non-current.

31. SHARE CAPITAL OF THE COMPANY

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

31. SHARE CAPITAL OF THE COMPANY (continued)

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

a) Pursuant to the resolution passed by shareholders of the Company on 7 September 2020, the authorised share capital of the Company was increased from HK$80,000,000 to HK$150,000,000 by the creation of additional 2,800,000,000 ordinary shares of HK$0.025 each.

b) On 15 October 2020, the Company completed a rights issue of 2,705,666,754 rights shares at a subscription price of HK$0.60 per rights share on the basis of three rights shares for every two existing ordinary shares of the Company held on 18 September 2020. The net proceeds from the rights issue, after deducting directly attributable costs, were approximately HK$1,618,420,000. Details of the rights issue were disclosed in the Company's circular dated 14 August 2020, prospectus dated 18 September 2020 and announcements dated 18 August 2020, 7 September 2020, 9 October 2020 and 14 October 2020.

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

Pursuant to an annual general meeting held on 28 May 2021, 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 7 July 2011.

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 2021, the number of shares in respect of the options granted and remained outstanding under the Scheme was 13,496,875 (2020: 20,156,875), representing 0.30% (2020: 0.45%) of the total number of issued shares of the Company. As at 31 December 2021, the total number of shares available for issue under the Scheme was 450,944,459 (2020: 116,054,633), which represented approximately 10.00% (2020: 2.57%) of the issued shares of the Company.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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.

According to the terms of the Scheme, an offer letter in respect of an offer of the grant of an option made to the participants shall remain open for the participant concerned for a period of 28 days from the date on which the relevant letter is delivered to the Participant. 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 27 May 2031.

Movements of the Company's share options held by the Directors, employees and consultants of the Group during the year ended 31 December 2021 are set out below:

	Number of share options					
Category of participants	**As at 1 January 2021**	**Lapsed**	**As at 31 December 2021**	**Date of grant**	**Exercise price** HK$	**Notes**
Directors	**1,875,000**	**–**	**1,875,000**	**13 December 2018**	**1.05**	**iii, iv**
Employees	**1,211,250**	**(1,211,250)**	**–**	**1 September 2016**	**2.12**	**ii, iv**
Employees	**10,621,875**	**–**	**10,621,875**	**13 December 2018**	**1.05**	**iii, iv**
Consultants	**5,448,750**	**(5,448,750)**	**–**	**1 September 2016**	**2.12**	**ii, iv**
Consultant	**1,000,000**	**–**	**1,000,000**	**2 November 2020**	**0.912**	**V**
Total	**20,156,875**	**(6,660,000)**	**13,496,875**			
Exercisable at the end of the year			**13,096,875**			
Weighed average exercise price (HK$)	**1.40**	**2.12**	**1.04**			

32. 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 2020 are set out below:

Category of participants	Number of share options: As at 1 January 2020	Granted	Lapsed	Adjusted	As at 31 December 2020	Date of grant	Exercise price HK$	Notes
Director	2,300,000	–	(2,300,000)	–	–	1 September 2016	1.99	ii
Directors	9,900,000	–	(7,900,000)	(125,000)	1,875,000	13 December 2018	1.05	iii, iv
Employees	1,292,000	–	–	(80,750)	1,211,250	1 September 2016	2.12	ii, iv
Employees	13,410,000	–	(1,961,250)	(826,875)	10,621,875	13 December 2018	1.05	iii, iv
Consultants	5,812,000	–	–	(363,250)	5,448,750	1 September 2016	2.12	ii, iv
Consultant	–	1,000,000	–	–	1,000,000	2 November 2020	0.912	v
Total	32,714,000	1,000,000	(12,161,250)	(1,395,875)	20,156,875			
Exercisable at the end of the year					19,456,875			
Weighed average exercise price (HK$)	1.27	0.912	1.17	–	1.40			

32. 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) 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, 50% of which is exercisable from 1 September 2016 and the remaining 50% is exercisable from 1 September 2017 respectively to 31 August 2021.

iii) 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.

iv) Upon completion of the rights issue on 15 October 2020, the exercise price of the share options and the number of shares to be issued upon exercise of the outstanding share options were adjusted pursuant to the terms of the Scheme, details of which were set out in the announcement of the Company dated 14 October 2020.

v) On 2 November 2020, the Company granted a total of 1,000,000 share options to a consultant of the Group who is an employee of Suncity Group Holdings Limited, a substantial shareholder of the Company, to subscribe for shares of the Company with an exercise price of HK$0.912, under the Scheme. The consultant provides the investor relations consultancy services to the Group. The Directors considered that the share options granted to the consultant as rewards for the grantee's contribution to the continual operation and development of the Group and can help retaining and motivating the non-employee participant.

The share options are divided into 3 tranches, 30% of which is exercisable from 2 November 2020, 30% of which is exercisable from 2 November 2021 and the remaining 40% is exercisable from 2 November 2022 respectively to 1 November 2025.

vi) During the year ended 31 December 2021, no share options were granted, exercised or cancelled under the Scheme.

vii) During the year ended 31 December 2020, no share options were exercised or cancelled under the Scheme.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The fair value of the share options granted for the year ended 31 December 2020 was approximately HK348,000, which was calculated using the Binomial model with inputs into the model as follows:

	Share options grant date 2 November 2020
Share price at date of grant	HK$0.89
Exercise price	HK$0.912
Expected volatility	59%
Expected life	5 years
Risk-free rate	0.249%
Expected dividend yield	–

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 2021, the Group recognised a total expense of approximately HK$162,000 (2020: HK$123,000) in respect of share options granted by the Company.

33. EQUITY TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Acquisition of additional interest in a subsidiary

On 16 November 2020, the Group acquired additional 5% and 2.5% of the issued shares of Oriental Regent from two non-controlling shareholders, together with their corresponding shareholder's loans at principal values of US$3,784,550 and US$1,892,275, by cash of US$5,382,758 (equivalent to approximately HK$41,716,000) and by issuing convertible bonds at a principal value of US$3,000,000 (equivalent to approximately HK$23,250,000) as set out in note 27, respectively. Immediately prior to the acquisition, the aggregate carrying amounts of the 7.5% non-controlling interests in Oriental Regent and the corresponding shareholder's loans were approximately HK$75,967,000 and HK$31,724,000 respectively.

33. EQUITY TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS (continued)

Acquisition of additional interest in a subsidiary (continued)

On the same date, the Group and a non-controlling shareholder of Oriental Regent subscribed for 234,755 and 49,938 new shares of Oriental Regent in cash at US$53,598,293 (equivalent to approximately HK$415,387,000) and US$11,401,707 (equivalent to approximately HK$88,363,000) respectively. As shareholders were not subscribed in proportion to their shareholdings in Oriental Regent, the Group's interest in Oriental Regent increased from 67.5% to 77.5% and the carrying amount of non-controlling interests in Oriental Regent increased by HK$11,010,000 immediately after the subscription.

The Group recognised a net decrease in non-controlling interests of HK$64,957,000 and an aggregate increase in equity attributable to owners of the Company of HK$125,325,000 for the year ended 31 December 2020. The effects on the equity attributable to the owners of the Group during the year is summarised as follows:

	Acquisition of 7.5% in Oriental Regent	Subscription of 10% in Oriental Regent	Total
	HK$'000	HK$'000	HK$'000
Carrying amounts of non-controlling interests decreased/(increased)	75,967	(11,010)	64,957
Carrying amount of shareholder's loans acquired	31,724	–	31,724
Less: Consideration paid by cash to the non-controlling shareholder for acquiring 5% of the issued shares of Oriental Regent and shareholder's loans acquired	(41,716)	–	(41,716)
Less: Fair value of the convertible bonds issued to the non-controlling shareholder for 2.5% of the issued shares of Oriental Regent and shareholder's loans acquired	(18,003)	–	(18,003)
Add: Capital contribution by a non-controlling shareholder in cash	–	88,363	88,363
Excess of carrying amounts recognised in the equity transactions with non-controlling interests within equity of the Group	47,972	77,353	125,325

34. 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 29) 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.

35. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2021	2020
	HK$'000	HK$'000
Financial assets		
At amortised cost	**1,669,398**	1,570,099
At FVTPL	**840,005**	989,690
	2,509,403	2,559,789
Financial liabilities		
At amortised cost	**225,754**	227,787
At FVTPL	**286**	836
	226,040	228,623

b) Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, derivative financial instruments, trade and other receivables, short-term loan to a fellow subsidiary, amount due from fellow subsidiaries, trade and other payables, lease liabilities, convertible bonds, liabilities for VAT arrangements 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.

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. All (2020: approximately 79%) 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.

35. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management objectives and policies (continued)

i) Currency risk (continued)

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

	2021	2020
	HK$'000	HK$'000
Assets		
US$	**1,106,616**	152,790
RUB	**311,204**	39,281
PHP	**926,350**	996,099
Liabilities		
US$	**167,028**	157,538
RUB	**56,607**	66,491

Sensitivity analysis

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

The following table details the Group's sensitivity to a 30% (2020: 30%) increase and decrease in HK$ against the relevant foreign currency. 30% (2020: 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% (2020: 30%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RUB strengthen 30% (2020: 30%) against HK$. For a 30% (2020: 30%) weakening of RUB against HK$, there would be an equal and opposite impact on the profit and equity and balances below would be negative.

35. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management objectives and policies (continued)

i) Currency risk (continued)

	2021 **HK$'000**	2020 HK$'000
Profit/(loss) for the year	**61,103**	(6,531)

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.

iii) Credit risk and impairment assessment

As at 31 December 2021 and 2020, 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 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 2021 and 2020 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.

35. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management objectives and policies (continued)

iii) Credit risk and impairment assessment (continued)

The Group recognised impairment allowance of approximately HK$8,980,000 (notes 8 and 19) as at year ended 31 December 2021 (2020: HK$7,267,000) for other non-current assets that were assessed individually. Allowance for other receivables of approximately HK$414,000 (31 December 2020: HK$599,000) (notes 8 and 22) represented certain amounts that the Directors considered uncollectible. For the amount due from an employee of the controlling shareholder of the Company, the Directors made 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 the amount 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.

iv) 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.

35. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management objectives and policies (continued)

iv) Liquidity risk (continued)

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 2021							
Trade and other payables	**–**	**20,375**	**–**	**–**	**–**	**20,375**	**20,375**
Lease liabilities	**9.81**	**1,671**	**631**	**1,660**	**7,457**	**11,419**	**5,104**
Liabilities for VAT arrangements	**8.33**	**8,972**	**8,972**	**21,522**	**652**	**40,118**	**34,945**
Loans from non-controlling shareholders of a subsidiary	**5.76**	**–**	**–**	**191,830**	**–**	**191,830**	**147,563**
Liability component in convertible bonds	**7.37**	**–**	**–**	**23,394**	**–**	**23,394**	**17,767**
		31,018	**9,603**	**238,406**	**8,109**	**287,136**	**225,754**
At 31 December 2020							
Trade and other payables	–	21,585	–	–	–	21,585	21,585
Lease liabilities	9.10	1,879	1,671	1,893	7,853	13,296	6,439
Liabilities for VAT arrangements	5.67	9,208	9,208	27,623	4,293	50,332	44,798
Loans from non-controlling shareholders of a subsidiary	5.76	–	–	190,721	–	190,721	138,516
Liability component in convertible bonds	7.37	–	–	23,259	–	23,259	16,449
		32,672	10,879	243,496	12,146	299,193	227,787

35. FINANCIAL INSTRUMENTS (continued)

c) Fair value measurement of financial instruments

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

Fair value hierarchy

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

1. Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

2. Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

3. Level 3 valuations: Fair value measured using significant unobservable inputs.

Valuation process

The Group's finance department headed by the finance director is responsible for determining the polices and procedures for the fair value measurement of financial instruments.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the finance department works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Finance director reports to the Directors semi-annually to explain the cause of fluctuations in the fair value of the assets or liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

35. FINANCIAL INSTRUMENTS (continued)

c) Fair value measurement of financial instruments (continued)

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

Valuation process (continued)

	Fair value as at 2021 HK$'000	2020 HK$'000	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Notes
Financial asset						
Derivative financial instrument – issued by Suntrust	**840,005**	989,690	Level 3	Equity allocation model (2020: Equity allocation model)	Volatility: 61.10% (2020: Volatility: 60.20%)	(i)
Financial liability						
Derivative financial instrument – issued by the Company	**(286)**	(836)	Level 3	Binomial model (2020: Binomial model)	Discount rate: 6.98% Volatility: 77.38% (2020: Discount rate: 7.37% Volatility: 60.45%)	(ii)
	839,719	988,854				

During the years ended 31 December 2021 and 2020, there were no transfers between Levels 1 and 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes:

(i) If the volatility of the Suntrust's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would have decreased/increased by approximately HK$8,818,000 (2020: HK$8,555,000) (as a result of changes in fair value of derivative financial instruments).

(ii) If the volatility of the Company's share price or discount rate had been 5% higher/lower while all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would have increased/decreased by approximately HK$14,000 and HK$226,000 respectively (2020: HK$100,000 and HK$66,000) (as a result of changes in fair value of derivative financial instruments).

35. FINANCIAL INSTRUMENTS (continued)

c) Fair value measurement of financial instruments (continued)

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

Reconciliation of Level 3 fair value measurement

Investment carried at FVTPL

	2021	2020
	HK$'000	HK$'000
At the beginning of the year	**988,854**	–
Addition during the year	**–**	902,861
Fair value (loss)/gain recognised in profit or loss during the year	**(149,135)**	85,993
At the end of the year	**839,719**	988,854
Net (loss)/gain for the year included in profit or loss for investments designated at FVTPL (disclosed under "fair value (losses)/gains on derivative financial instrument" in the consolidated statement of profit or loss and other comprehensive income)	**(149,135)**	85,993

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

ii) *Financial instruments carried at other than fair values*

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

36. 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$'000 *(Note 26)*	Derivative financial instrument HK$'000 *(Note 27)*	Lease liabilities HK$'000 *(Note 28)*	Convertible bonds HK$'000 *(Note 27)*	Loans from non-controlling shareholders of a subsidiary HK$'000 *(Note 29)*	Total HK$'000
At 1 January 2020	12,895	–	7,103	–	223,214	243,212
Financing cash flows	–	–	(2,640)	–	–	(2,640)
Unrealised exchange gain	–	–	–	–	(2,026)	(2,026)
Foreign exchange translation	(2,209)	–	1,377	6	–	(826)
Interest expenses *(Note 10)*	–	–	599	148	18,431	19,178
Fair value gains on derivative financial instrument	–	(872)	–	–	–	(872)
Equity transaction with non-controlling shareholding *(Note 33)*	–	1,708	–	16,295	(31,724)	(13,721)
Deemed distribution to non-controlling shareholders *(Note 29)*	–	–	–	–	(69,379)	(69,379)
At 31 December 2020 and 1 January 2021	10,686	836	6,439	16,449	138,516	172,926
Financing cash flows	–	–	(1,879)	–	–	(1,879)
Unrealised exchange gain	–	–	–	–	832	832
Foreign exchange translation	1	–	(1)	99	–	99
Interest expenses *(Note 10)*	–	–	545	1,219	8,215	9,979
Fair value gains on derivative financial instrument	–	(550)	–	–	–	(550)
At 31 December 2021	**10,687**	**286**	**5,104**	**17,767**	**147,563**	**181,407**

37. 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 a 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 approximately HK$23,436,000 (2020: HK$25,826,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2021 and 2020, 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.

38. CAPITAL COMMITMENTS

	2021 **HK$'000**	2020 HK$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**1,455**	2,884

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

a) 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 13, were as follows:

	2021 **HK$'000**	2020 HK$'000
Short-term benefits	**8,900**	7,517
Post-employment benefits	**19**	23
Share-based payments	**–**	–
	8,919	7,540

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 32.

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

b) Transactions with related parties

	2021 **HK$'000**	2020 HK$'000
Transactions with a subsidiary of a non-controlling shareholder of a subsidiary		
Marketing fee income	**(95)**	(323)
Transactions with non-controlling shareholders of a subsidiary		
Imputed interest expenses on the Shareholder's Loan	**8,215**	18,431
Transactions with fellow subsidiaries		
Interest income from a derivative financial instrument	**53,589**	–
Interest income from the Loan	**35,000**	–
Interest income from a fellow subsidiary	**5**	–
Transactions with related companies		
Service fee income	**–**	266
Service fee expenses	**–**	159

Details of the transactions and balances with the related parties have been disclosed in the consolidated statement of financial position on pages 82 to 83 and notes 6, 10, 20, 23, 24 and 29.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Place of operation	Particulars of issued share capital		Proportion of ownership/ effective interest held by the Company				Principal activities
					Directly		Indirectly		
			2021	2020	**2021**	2020	**2021**	2020	
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
Summit Ascent Investments Limited	BVI	Hong Kong	**1 ordinary share**	1 ordinary share	**100%**	100%	**–**	–	Investment holding
Orient Regent	Hong Kong	Hong Kong	**424,693 ordinary shares**	424,693 ordinary shares	**–**	–	**77.5%**	77.5%	Investment holding
GI Entertainment	Russian Federation	Russian Federation	**Charter capital of RUB1,190,795,312**	Charter capital of RUB1,190,795,312	**–**	–	**77.5%**	77.5%	Operation of hotel and gaming business in Integrated Entertainment Zone 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	**–**	–	**39.5%**	39.5%	Provision of bus services in the Russian Federation
Oriental Winner Limited	Hong Kong	Hong Kong	**10,000 ordinary shares**	10,000 ordinary shares	**–**	–	**100%**	100%	Investment holding
SC VIP Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**–**	–	**100%**	100%	Dormant

Note:

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.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

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 and operations	Proportion of equity interest/ voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
Oriental Regent and its subsidiaries	Hong Kong	**22.5%/40%**	22.5%/40%	**(43,823)**	(57,808)	**294,816**	338,639

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

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

	2021	2020
	HK$'000	HK$'000
Current assets	**644,903**	622,450
Non-current assets	**1,190,539**	1,390,862
Current liabilities	**41,238**	42,449
Non-current liabilities	**483,911**	465,883
Net assets	**1,310,293**	1,504,980
Non-controlling interests	**294,816**	338,639
Revenue	**265,519**	211,238
Expenses	**(329,199)**	(354,988)
Loss and total comprehensive expenses for the year	**(195,687)**	(150,826)
Attributable to non-controlling interests	**(43,823)**	(57,808)
Net cash inflow from operating activities	**2,505**	4,390
Net cash outflow from investing activities	**(18,189)**	(32,665)
Net cash (outflow)/inflow from financing activities	**(632)**	502,444
Effect of foreign exchange rate changes	**2,916**	(12,752)
	(13,400)	461,417

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.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Unlisted investments in subsidiaries *(Note a)*	–	228,871
Advance to subsidiaries *(Note b)*	**3,168,315**	2,047,054
	3,168,315	2,275,925
Current assets		
Other receivables, deposits and prepayments	**937**	692
Bank balances and cash	**19,632**	953,265
	20,569	953,957
Current liabilities		
Other payables	**2,382**	2,797
Derivative financial instrument	**286**	836
	2,668	3,633
Net current assets	**17,901**	950,324
Total assets less current liabilities	**3,186,216**	3,226,249
Non-current liability		
Convertible bonds	**17,767**	16,449
Net assets	**3,168,449**	3,209,800
Capital and reserves		
Share capital *(Note 31)*	**112,736**	112,736
Reserves *(Note c)*	**3,055,713**	3,097,064
Total equity	**3,168,449**	3,209,800

Approved and authorised for issue by the board of directors on 22 March 2022 and were signed on its behalf by:

Lo Kai Bong *Director*	**Chiu King Yan** *Director*

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

a) Unlisted investments in subsidiaries

	2021 **HK$'000**	2020 HK$'000
Unlisted interests, at cost *(Note i)*	**–**	–
Deemed capital contribution *(Note ii)*	**–**	228,871
	–	228,871

Notes:

(i) The balances are presented as zero when rounded to the nearest thousand for both years.

(ii) Deemed capital contribution represented the imputed interest on the interest-free advances provided to a subsidiary.

b) 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.

Due to the unfavourable changes for the postponement of the Phase II development of Tigre de Cristal project, the ongoing COVID-19 pandemic, particularly restrictions on international travel and the economic uncertainties and the decrease in volume of its rolling chip business, impairment allowances for unlisted investments in subsidiaries and advance to subsidiaries of approximately HK$428,187,000 and HK$3,958,000 respectively were recognised at the Company level for the year ended 31 December 2021 (2020: Nil).

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

c) 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 2020	1,597,405	33,100	(81,598)	1,548,907
Loss and total comprehensive expense for the year	–	–	(2,745)	(2,745)
Ordinary shares issued	1,555,759	–	–	1,555,759
Transaction costs attributable to issue of new shares	(4,980)	–	–	(4,980)
Recognition of equity-settled share based payment	–	123	–	123
Forfeiture/cancellation of share options	–	(9,907)	9,907	–
At 31 December 2020 and 1 January 2021	3,148,184	23,316	(74,436)	3,097,064
Loss and total comprehensive expense for the year	–	–	(41,513)	(41,513)
Recognition of equity-settled share based payment	–	162	–	162
Lapse of share options	–	(17,906)	17,906	–
At 31 December 2021	**3,148,184**	**5,572**	**(98,043)**	**3,055,713**

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 Sales or contribution of assets between an investor and its associate and joint venture	To be determined
New Standard, HKFRS 17 Insurance contracts	1 January 2023
Amendments to HKFRS 16, Property, Plant and Equipment-Proceeds before Intended use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of fulfilling a Contract	1 January 2022
Amendments to HKFRSs, Annual improvements to HKFRSs 2018–2021	1 January 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR SUMMARY

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Results					
Revenue	470,821	463,150	532,816	211,238	**265,519**
(Loss)/profit before income tax expense	(9,851)	4,164	106,963	(47,626)	**(255,952)**
Income tax expense	(109)	(108)	(112)	(164)	**(17,859)**
(Loss)/profit for the year	(9,960)	4,056	106,851	(47,790)	**(273,811)**
(Loss)/profit attributable to					
– Owners of the Company	13,778	7,611	81,998	10,018	**(229,988)**
– Non-controlling interests	(23,738)	(3,555)	24,853	(57,808)	**(43,823)**
	(9,960)	4,056	106,851	(47,790)	**(273,811)**
Assets and liabilities					
Total assets	2,006,311	2,005,279	2,372,928	3,977,884	**3,722,720**
Total liabilities	(398,432)	(378,695)	(336,515)	(240,970)	**(259,455)**
	1,607,879	1,626,584	2,036,413	3,736,914	**3,463,265**
Total equity					
Equity attributable to owners of the Company	1,213,879	1,250,665	1,644,388	3,398,275	**3,168,449**
Non-controlling interests	394,000	375,919	392,025	338,639	**294,816**
	1,607,879	1,626,584	2,036,413	3,736,914	**3,463,265**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Kai Bong *(Deputy Chairman)*
Mr. Chua Ming Huat David
(Chief Executive Officer)
(Appointed on 1 May 2021)
Mr. Chiu King Yan

Non-executive Directors

Mr. Chau Cheok Wa *(Chairman)*
(Resigned on 1 December 2021)
Mr. Wong Pak Ling Philip
(Resigned on 2 December 2021)
Dr. U Chio Ieong
(Resigned on 6 December 2021)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Ms. Ho Siu Pik

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1704, 17th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong
Tel: (852) 3729-2135
Fax: (852) 3167-7980
Email: info@saholdings.com.hk

PRINCIPAL BANKERS

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

AUDITOR

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

LEGAL ADVISOR

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

102 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.saholdings.com.hk