

SUMMIT ASCENT
凱升控股有限公司 Holdings Limited

Summit Ascent Holdings Limited

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



INTERIM **2024** REPORT

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HIGHLIGHTS

- The Group's total revenue was HK\$189.9 million in the 1H 2024, up 4.3% compared to HK\$182.0 million in the 1H 2023, predominantly attributable to a strong domestic market in the Russian Federation.
- The Group recorded an Adjusted EBITDA of HK\$65.3 million in the 1H 2024, compared to HK\$57.0 million in the 1H 2023.
- The Group recorded a profit attributable to owners of the Company of HK\$156.5 million in the 1H 2024, compared to a loss attributable to the owners of the Company of HK\$16.1 million in the 1H 2023. The profit in the 1H 2024 was mainly due to (i) the fair value gains on derivative financial instruments of HK\$144.5 million, compared to losses of HK\$53.1 million in the 1H 2023; and (ii) the recognition of exchange losses of approximately HK\$22.0 million caused by the fluctuation of the Russian Ruble exchange rate, compared to HK\$35.2 million in the 1H 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The gaming and hotel operations of Summit Ascent Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are conducted through its 77.5% equity interest in Oriental Regent Limited (“Oriental Regent”). Additionally, the Group 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, governed by 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. The Company also holds the development rights on three adjacent parcels of land, 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. This zone 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, was built on Lot 9 and opened for business in the fourth quarter of 2015. Lot 8 is partly developed with dormitories, a gas-powered station, and a storage area, referred to as the utility zone. The remaining portion of Lot 8 and the entire Lot 10 are currently vacant, 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;
- Fine dining options in 2 restaurants, the international cuisine “CASCADE” and the Pan-Asian cuisine “88”, along with 3 casual bars;
- A virtual golf zone and a private club with karaoke rooms.



MANAGEMENT DISCUSSION AND ANALYSIS

The Russia-Ukraine Conflict

The ongoing Russia-Ukraine conflict has had a profound impact on Russian tourism, leading to a notable decline in both inbound and outbound travel. Western countries have imposed stringent travel restrictions on Russia, complicating visits for international tourists and deterring potential travelers. Many nations have issued advisories against traveling to Russia, with consular services reinforcing these warnings to ensure the safety of their citizens.

In addition to travel restrictions, financial sanctions have severely disrupted the availability of services such as Visa and Mastercard within Russia. This has created significant challenges for foreign tourists, who now find it difficult to make payments or access funds while visiting the country. The combination of these factors has created an uncertain environment for the tourism sector, further worsening the decline in visitor numbers and the overall economic impact on the industry.

In response to the unprecedented challenges in the business environment, Tigre de Cristal is strategically focusing on the domestic market. This includes renovating the fine dining restaurant CASCADE and redesigning the rebate programs for the mass market. These initiatives aim to enhance customer experience and engagement. The domestic market has demonstrated steady growth over the past year, reflecting resilience amidst current circumstances. By prioritizing these efforts, Tigre de Cristal is well-positioned to adapt and thrive in this evolving landscape.

Resignation of Directors

The Company announced that with effect from 15 January 2024:

- (i) Mr. Chua Ming Huat David (“Mr. Chua”) has tendered his resignation as an executive Director and chief executive officer;
- (ii) Mr. Chiu King Yan (“Mr. Chiu”) has tendered his resignation as (i) an executive Director; (ii) an authorised representative of the Company under Rule 3.05 of the Listing Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”); and (iii) an authorised representative for accepting service of process and notices on behalf of the Company in Hong Kong as required under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the “Authorised Representatives”); and
- (iii) Mr. Lam Kwan Sing (“Mr. Lam”), Mr. Lau Yau Cheung (“Mr. Lau”) and Mr. Li Chak Hung (“Mr. Li”) has tendered their resignations as independent non-executive Directors.

(collectively the “Resignations”)

The Resignations were due to their disapproval to the proposed disposal of G1 Entertainment which formed the subject matter of the inside information announcement of the Company (which was eventually published on 17 January 2024) referred to in the trading halt announcement of the Company dated 10 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Resignation of Company Secretary

The Company announced that Ms. Mok Ming Wai (“Ms. Mok”) has resigned as a company secretary of the Company with effect from 17 February 2024. For details, please refer to the announcement of the Company dated 18 January 2024.

Termination of Sale of G1 Entertainment

As disclosed in the announcement of the Company dated 22 February 2024, on 15 January 2024, Oriental Regent as seller and Limited Liability Company “Dalnevostochnyj Aktiv”, an independent third party, as buyer entered into an agreement for the sale and purchase (the “Disposal”) of the entire issued share capital of G1 Entertainment, at the price of US\$116 million, which constituted, amongst other things, a very substantial disposal under Chapter 14 of the Listing Rules as at least one of the applicable percentage ratios in respect of the Disposal is more than 75%. On 19 February 2024, Oriental Regent was served with a “notice of unilateral extrajudicial repudiation (withdrawal from execution) of the Agreement” by the buyer seeking to effect a termination of the Agreement. For further details, please refer to the announcements of the Company dated 17 January 2024 and 22 February 2024.

Resumption Guidance and continued suspension of trading

The Company received two letters from the Hong Kong Stock Exchange (the “Letters”) on 5 April 2024 and 16 May 2024 respectively, in which the Hong Kong Stock Exchange sets out the following resumption guidance (the “Resumption Guidance”) for the Company:

- (a) demonstrate that there is no reasonable regulatory concern about the integrity or character of the Group’s management and/or the integrity or character of any persons with substantial influence over the Group’s management and operations, which may pose a risk to investors and damage market confidence;
- (b) publish all outstanding financial results and address any audit modifications;
- (c) demonstrate compliance with Rule 13.24 of the Listing Rules;
- (d) re-comply with Rules 3.05, 3.10, 3.10A, 3.21, 3.25, 3.27A, 3.28 and 13.92 of the Listing Rules;
- (e) inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position; and
- (f) demonstrate that the Company is able to ensure compliance with the Listing Rules and that the Company is suitable for continued listing.



MANAGEMENT DISCUSSION AND ANALYSIS

It is stated in the Letters that the Company must (i) meet all Resumption Guidance, (ii) remedy the issues causing its trading suspension, and (iii) fully comply with the Listing Rules to the satisfaction of the Hong Kong Stock Exchange before trading in the Company's securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption of trading. Whilst the Company may seek the Hong Kong Stock Exchange's guidance on its resumption plan, its resumption plan is not subject to the Hong Kong Stock Exchange's prior approval before implementation. The Hong Kong Stock Exchange further indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes.

The Hong Kong Stock Exchange provided the following further guidance, amongst others, in the Letters:

- Under Rule 6.01A(1) of the Listing Rules, the Hong Kong Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period shall expire on 10 July 2025. If the Company fails to remedy the issues causing the trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Hong Kong Stock Exchange's satisfaction and resume trading in the shares of the Company (the "Shares") Shares by 10 July 2025, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. In the meantime, the Hong Kong Stock Exchange reserves all its right under the Listing Rules. Such rights shall include, amongst others, (i) the right to impose a shorter specific remedial period or to cancel the listing of the Company immediately under Rules 6.01 and 6.10 of the Listing Rules; and (ii) the right to bring disciplinary action against the Company and/or its directors at the material time and issue any sanctions against them under Chapter 2A of the Listing Rules, at any time the Hong Kong Stock Exchange considers appropriate.
- The Company must also comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption.

Trading in the Shares on the Hong Kong Stock Exchange has been halted with effect from 9:00 a.m. on 11 January 2024 and the Securities and Futures Commission has directed the Hong Kong Stock Exchange to suspend all dealings in the Shares under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) with effect from 9:00 a.m. on 14 February 2024 and will remain suspended until the Company has (i) met all Resumption Guidance (as defined in the Company's announcements dated 8 April 2024 and subsequently revised in the Company's announcement dated 17 May 2024), (ii) remedied the issues causing its trading suspension; and (iii) fully complied with the Listing Rules to the satisfaction of the Hong Kong Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

The Company raised net proceeds of approximately (1) HK\$297 million from the placing of Shares on 19 August 2019 (the “2019 Placing”) and (2) HK\$1,618.4 million from the rights issue on 15 October 2020 (the “Rights Issue”). The detailed breakdown and description of the proceeds and the expected timeline of the unutilised amounts up to 30 June 2024 are set out as follows:

	Unutilised amount as at 1 January 2023	Actual amount utilised for the period end 30 June 2023	Unutilised amount as at 30 June 2023	Change in use of proceeds approved on 14 July 2023	Actual amount utilised for the period end 31 December 2023	Unutilised amount as at 31 December 2023 and 30 June 2024	Expected timeline of application of the unutilised amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
				(Note 1)			

(1) The 2019 Placing:

TdC Phase II, including but not limited to,

Design	58.0	-	58.0	(58.0)	-	-	
Site surveying and preparation	84.9	-	84.9	(84.9)	-	-	
Tendering of consultants and subcontractors	150.0	-	150.0	(150.0)	-	-	

Sub-Total

	292.9	-	292.9	(292.9)	-	-	
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(2) The Rights Issue:

TdC Phase II, including but not limited to,

Procurement of construction materials	186.4	-	186.4	(186.4)	-	-	
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For general working capital of the Group, including but not limited to,

Repairs and maintenance	7.2	(3.6)	3.6	-	(3.6)	-	
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Sub-Total

	193.6	(3.6)	190.0	(186.4)	(3.6)	-	
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MANAGEMENT DISCUSSION AND ANALYSIS

	Unutilised amount as at 1 January 2023	Actual amount utilised for the period end 30 June 2023	Unutilised amount as at 30 June 2023	Change in use of proceeds approved on 14 July 2023	Actual amount utilised for the period end 31 December 2023	Unutilised amount as at 31 December 2023 and 30 June 2024	Expected timeline of application of the unutilised amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
				(Note 1)			

(3)							
(i) The acquisitions of Modest Achieve Limited and Joyful Award Limited	-	-	-	280.0	(280.0)	-	
(ii) Designing, planning and funding in part the future development of the land parcels in Japan	-	-	-	125.0	-	125.0	By 31 December 2026
(iii) For general working capital or potential investment opportunities of the Group	-	-	-	74.3	(74.3)	-	
Sub-Total	-	-	-	479.3	(354.3)	125.0	
Total	486.5	(3.6)	482.9	-	(357.9)	125.0	

Note:

- On 27 January 2023, the Company entered into a revolving loan agreement with LET, pursuant to which the Company conditional agreed to grant a revolving loan facility up to HK\$500 million to LET at an interest rate of 6% per annum for 3 years (the "Revolving Loan"). The Company proposed to deploy part of the net proceeds from the 2019 Placing and the Rights Issue to the extent of approximately HK\$292.9 million and HK\$186.4 million respectively, totally HK\$479.3 million, originally intended for use in TdC Phase II as the Revolving Loan to generate interest income since TdC Phase II has been suspended. On 10 May 2023, the Company and LET mutually agreed to terminate the Revolving Loan and entered into a deed of termination to release and discharge the respective obligations and liabilities with immediate effect. Therefore, the proposed change in use of proceeds with respect to the Revolving Loan will no longer be required by the Company.

On 18 May 2023, upon entering into the sale and purchase agreements, the Company proposed to utilise the aforementioned net proceeds of approximately HK\$479.3 million as to (i) HK\$280.0 million for the settlement of the acquisitions of Modest Achieve Limited and Joyful Award Limited; (ii) HK\$125.0 million for designing, planning and funding in part the future development of the land parcels; and (iii) the remaining approximately HK\$74.3 million for general working capital or potential investment opportunities of the Group. The proposed change in use of proceeds with respect to the sale and purchase agreement was approved at the special general meeting of the Company held on 14 July 2023, details of which are disclosed in the Company's announcements dated 18 May 2023 and 14 July 2023, and the circular dated 28 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

While the Russia-Ukraine conflict continues, there is a widespread belief that it will ultimately come to an end. As we navigate this landscape, it is essential to remain adaptable and responsive to the changing situation. We will actively seek opportunities to support domestic tourism and prepare for future recovery as conditions improve.

Despite the political complications impacting our expansion plans for Tigre de Cristal, we remain committed to investing in thriving markets within the hospitality and gaming industry. Since 2020, we have diversified by prudently subscribing to the convertible bonds of Suntrust, leveraging investments from our parent company, LET. Our expertise in the gaming sector has guided us to the rapidly growing markets in the Philippines, an emerging hub for international tourism that attracts diverse demographics, including South Koreans and Japanese travellers. The Group's recent restructuring of financial assistance to Suntrust aligns with our goal of increasing ownership for capital appreciation while safeguarding our existing investments.

FINANCIAL REVIEW

Adjusted EBITDA of Tigre de Cristal

Adjusted EBITDA generated by Tigre de Cristal is used by management as the primary measure of operating performance of our gaming and hotel operations, which is not a financial measure under International Financial Reporting Standards ("IFRSs") 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/(losses) on financial instruments.

In the first half of 2024 ("1H 2024"), the Group recorded a positive Adjusted EBITDA of HK\$65.3 million, compared to HK\$57.0 million in the first half of 2023 ("1H 2023"). The increase was mainly due to the increase in total revenue from gaming and hotel operations.

The following table sets forth a reconciliation of Adjusted EBITDA to the reported profit for the six-month period attributable to owners of the Company as per the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 1H 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation of Adjusted EBITDA to the profit for the 1H 2024 attributable to owners of the Company:

	Six-month period ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from rolling chip business	–	(63)
Revenue from mass table business	98,020	77,453
Revenue from electronic gaming business	74,455	89,885
Net revenue from gaming operations	172,475	167,275
Revenue from hotel operations	17,435	14,699
Total revenue from gaming and hotel operations	189,910	181,974
Add: Other income	445	757
Other gains and losses	(118)	329
Less: Gaming tax	(3,564)	(2,964)
Inventories consumed	(9,895)	(7,757)
Marketing and promotion expenses	(3,604)	(4,275)
Employee benefits expenses	(58,149)	(58,494)
Other expenses	(49,765)	(52,599)
Total operating expenses	(124,977)	(126,089)
Adjusted EBITDA of Tigre de Cristal	65,260	56,971
Add: Management fee payable to the Company	5,223	5,054
Less: Company corporate expenses	(12,671)	(11,474)
	57,812	50,551

MANAGEMENT DISCUSSION AND ANALYSIS

	Six-month period ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Add: Interest income from derivative financial instruments	49,088	51,176
Bank interest income	15,048	10,902
Interest income from Long-term Loan to a fellow subsidiary	4,679	–
Less: Interest on lease liabilities	(212)	(395)
Income tax expense	(4,123)	(98)
	122,292	112,136
<i>Non-cash items:</i>		
Less: Fair value gains/(losses) on derivative financial instruments	144,470	(53,057)
Expected credit losses (“ECL”) for financial guarantee contracts	(44,104)	–
Depreciation and amortisation	(28,637)	(39,826)
Net exchange losses	(22,047)	(35,152)
Imputed interest expenses	(2,298)	(5,200)
Profit/(loss) for the period of the Group	169,676	(21,099)
Less: (Profit)/loss for the period attributable to non-controlling interests	(13,167)	5,042
Profit/(loss) for the period attributable to owners of the Company	156,509	(16,057)



MANAGEMENT DISCUSSION AND ANALYSIS

Gaming Operations

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

	1H 2024 <i>HK\$'000</i>	Share of GGR %	1H 2023 <i>HK\$'000</i>	Share of GGR %
Rolling chip business	–	0.0%	(170)	0.0%
Mass table business	138,954	63.0%	101,371	51.4%
Electronic gaming business	81,900	37.0%	95,826	48.6%
Total GGR	<u>220,854</u>	<u>100.0%</u>	<u>197,027</u>	<u>100.0%</u>

Rolling chip business

Our rolling chip business primarily targets foreign players. There was no revenue generated from the rolling chip business in the 1H 2024. The table below sets forth the key performance indicators of our rolling chip business in the 1H 2023 for reference.

<i>(HK\$ million)</i>	1H 2024	1H 2023
Rolling chip volume	–	7.3
Gross loss	–	(0.2)
Add: Rebate	–	0.1
Net loss after rebate	–	(0.1)
Gross loss rate %	–	(2.33)%
Daily average number of tables opened	–	1

Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was HK\$7.3 million in the 1H 2023. Net loss after all commission rebated directly or indirectly to customers from rolling chip business was HK\$0.1 million in the 1H 2023. Gross loss percentage (represented the ratio of gross loss to rolling chip volume) was 2.33% in the 1H 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Mass table business

Our mass table business primarily targets the local Russian market. The table below sets forth the key performance indicators of our mass table business in the 1H 2024 on a quarterly basis.

<i>(HK\$ million)</i>	Q1 2024	Q2 2024	1H 2024	1H 2023
Mass table drop	242	294	536	385
Net win	48	50	98	77
Net win rate %	19.8%	17.0%	18.3%	20.0%
Daily average number of tables opened	29	30	30	27

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased by 39% to HK\$536 million in the 1H 2024, compared to HK\$385 million in the 1H 2023. Net win from mass table business increased by 27% to HK\$98 million in the 1H 2024, compared to HK\$77 million in the 1H 2023. Net win rate percentage (represented net win as a percent of mass table drop) decreased to 18.3% in the 1H 2024 from 20.0% in the 1H 2023.

Electronic gaming business

Our electronic gaming business primarily targets the local Russian market. The table below sets forth the key performance indicators in the 1H 2024 on a quarterly basis.

<i>(HK\$ million)</i>	Q1 2024	Q2 2024	1H 2024	1H 2023
Electronic gaming volume	1,159	1,202	2,361	2,418
Net win	38	36	74	90
Net win rate %	3.3%	3.0%	3.1%	3.7%
Daily average number of electronic gaming machines deployed	313	322	318	307

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was HK\$2,361 million in the 1H 2024, a decrease of 2% compared to HK\$2,418 million in the 1H 2023. The electronic gaming business recorded net win of HK\$74 million in the 1H 2024, down 18% compared to HK\$90 million in the 1H 2023. The net win rate percentage slightly decreased to 3.1% in the 1H 2024 from 3.7% in the 1H 2023. The average number of electronic gaming machines deployed increased to 318 in the 1H 2024, compared to 307 in the 1H 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

Hotel Operations

Revenue from hotel operations, including food and beverage income, increased to HK\$17.4 million in the 1H 2024 or up 19% compared to the 1H 2023, as a result of an improvement in the domestic demand. 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, increased to 78% (1H 2023: 63%) during weekends and 43% (1H 2023: 30%) during weekdays in the 1H 2024.

Operating Expenses

Against the backdrop of economic uncertainty since late February 2022 due to the Russia-Ukraine conflict, the Group continued to maintain stringent cost controls during the period. Total operating expenses incurred by Tigre de Cristal were HK\$125.0 million in the 1H 2024, decreased by 0.9% compared to HK\$126.1 million in the 1H 2023.

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

Company corporate expenses mainly consisted of staff costs, audit fees, legal and professional fees and general administrative expenses incurred by the Hong Kong headquarters of the Group.

Interest Income

The Group recognised interest income from derivative financial instruments of HK\$49.1 million, being two convertible bonds issued by Suntrust in the 1H 2024 (1H 2023: HK\$51.2 million), both of which generating interest at 6% per annum.

The Group also recognised interest income from Long-term Loan to Suntrust of HK\$4.7 million in the 1H 2024 (1H 2023: nil) which generating interest at 6% per annum.

Bank interest income increased to HK\$15.0 million in the 1H 2024, compared to HK\$10.9 million in the 1H 2023. In response to the economy sanctions caused by the Russia-Ukraine conflict, the Bank of Russia had hiked its key interest rate to 16% per annum in 1H 2024 from 7.5% per annum in 1H 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Fair Value Gains on Derivative Financial Instruments

According to the applicable accounting standards, the 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. During the period, the securities markets have experienced significant price and volume fluctuations from time to time that may have been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the fair values of the Company's derivative financial investments.

The fair values of the Company's derivative financial instruments have been determined by independent and professional qualified valuers by using discounting cash flow method in 1H 2024. The discount rate is the key input parameter for determining the fair values of the convertible bonds issued by Suntrust. The Company recorded a net fair value gains of HK\$143.6 million for the 1H 2024 (1H 2023: fair value losses of HK\$53.1 million).

ECL for Financial Guarantee Contracts

The financial guarantee contracts provided to Suntrust under the Suntrust Loan Agreement were recognised at fair value in the condensed consolidated financial statements as of 30 June 2024 and 31 December 2023. As of 30 June 2024, the aggregate carrying amount of the Group's assets, including the Long-term Loan to a fellow subsidiary and derivative financial instruments, pledged to a bank for banking facilities granted to Suntrust was approximately HK\$1,751.1 million (31 December 2023: approximately HK\$1,602.9 million), while the corresponding banking facilities utilised by Suntrust were approximately HK\$1,214 million (31 December 2023: approximately HK\$1,214 million).

By a deed of counter-indemnity dated 8 June 2023 executed by LET in favour of the Group, LET agrees to indemnify and keep the Group fully indemnified from and against all direct, indirect and consequential liabilities and losses arising from the Suntrust Loan Agreement.

In 1H 2024, ECL for financial guarantee contracts amounting to approximately HK\$44.1 million (1H 2023: nil) was recognised.



MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and Amortisation

Depreciation and amortisation expenses consisted of depreciation charges on property, operating right and equipment, right-of-use assets, and amortisation of intangible assets. Depreciation and amortisation of the Group decreased by 28% to HK\$28.6 million in the 1H 2024, compared to HK\$39.8 million in the 1H 2023, mainly due to the impairment losses on property, operating right and equipment of approximately HK\$483.1 million was recognised for the year ended 31 December 2023.

Finance Costs

The Group had no outstanding bank borrowing throughout 1H 2024 and 1H 2023. Finance costs of the Group 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 finance costs was mainly due to the declared repayments of the loans from non-controlling shareholders of Oriental Regent for the year ended 31 December 2023.

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. In the 1H 2024 and 2023, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively.

In response to the COVID-19 outbreak and Russia-Ukraine conflict, the local government of the Primorye Region had introduced various relief measures and granted gaming tax reduction to lower the gaming tax rates provisionally to RUB85,000 per gaming table and RUB5,500 per electronic gaming machine from January 2023 to June 2023 and subsequently increased to RUB105,000 per gaming table and RUB6,500 per electronic gaming machine from July 2023 to December 2023.

Income Tax Expense

No provision for taxation in both Hong Kong and Japan has been made as the Group has no assessable profit in the 1H 2024 and the 1H 2023.

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%.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/(loss) Attributable to Owners of the Company

Profit attributable to owners of the Company was HK\$156.5 million in the 1H 2024, compared to a loss of HK\$16.1 million in the 1H 2023.

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a strong financial position and the equity attributable to owners of the Company was HK\$2,583.8 million as at 30 June 2024 (31 December 2023: HK\$2,438.3 million). 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 had no outstanding bank borrowing throughout the 1H 2024 and the 1H 2023. Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 30 June 2024 and 31 December 2023.

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 30 June 2024, net current assets of the Group were HK\$235.8 million (31 December 2023: HK\$171.8 million) and the current ratio (represented a comparison of current assets to current liabilities) was 1.5, compared to 1.4 as at 31 December 2023. Cash and cash equivalents were HK\$404.6 million at 30 June 2024 (31 December 2023: HK\$339.5 million), comprised 1% in HK\$, 83% in RUB, 14% in US\$ and 2% in renminbi (RMB). The majority of our cash equivalents at 30 June 2024 was in fixed deposits with a maturity of three months or less generally.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a summary of the Group's cash flows in the 1H 2024 and the 1H 2023:

	1H 2024 <i>HK\$'000</i>	1H 2023 <i>HK\$'000</i>
Net cash generated from operating activities	48,681	35,065
Net cash generated from investing activities	4,902	565
Net cash used in financing activities	(2,092)	(62,566)
Net increase/(decrease) in cash and cash equivalents	51,491	(26,936)
Cash and cash equivalents at the beginning of the period	339,466	831,861
Effect of foreign exchange rate changes	13,692	(42,613)
Cash and cash equivalents at the end of the period	404,649	762,312

Net cash generated from operating activities of HK\$48.7 million in the 1H 2024 and HK\$35.1 million in the 1H 2023 represented the positive cash inflows generated from the operations of Tigre de Cristal.

Net cash generated from investing activities of HK\$4.9 million in the 1H 2024 and HK\$0.6 million in the 1H 2023 was mainly represented the interest income received from banks.

Net cash used in financing activities of HK\$2.1 million in the 1H 2024 primarily represented the repayments of lease liabilities. Net cash used in financing activities of HK\$62.6 million in the 1H 2023 mainly represented the repayment of loans from non-controlling shareholders of Oriental Regent of approximately US\$7.5 million (equivalent to approximately HK\$58.8 million) and the repayments of lease liabilities of approximately HK\$3.7 million.

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 the ability to generate cash from operations.

Charge on Assets

The Long-term Loan to a fellow subsidiary and derivative financial instruments were pledged or otherwise encumbered as at 30 June 2024 and 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuations in Exchange Rates

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

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

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

Capital Commitment

The Group's capital commitment as at 30 June 2024 amounted to approximately HK\$2,714,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (31 December 2023: HK\$392,000).

Contingent Liabilities

There were no contingent liabilities as at 30 June 2024 and 31 December 2023.

Employees

As at 30 June 2024, total number of employees employed by the Group was 941 (31 December 2023: 971). Currently, more than 97% of our full-time employees are local Russian citizens (31 December 2022: 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Anti-Money Laundering Policy

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

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\$55,000) 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Notes	Six-month period ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from gaming and hotel operations	4	189,910	181,974
Other income	5	69,260	62,835
Other gains and losses	6	(66,301)	(34,767)
Gaming tax		(3,564)	(2,964)
Inventories consumed		(9,895)	(7,757)
Marketing and promotion expenses		(4,493)	(4,439)
Employee benefits expenses		(64,672)	(65,501)
Depreciation and amortisation		(28,637)	(39,826)
Other expenses	7	(49,769)	(51,904)
Fair value gains/(losses) on derivative financial instruments	16,20	144,470	(53,057)
Finance costs	8	(2,510)	(5,595)
Profit/(loss) before taxation		173,799	(21,001)
Income tax expense	9	(4,123)	(98)
Profit/(loss) for the period	10	169,676	(21,099)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operation		(11,049)	–
Profit/(loss) and total other comprehensive income/(expense) for the period		158,627	(21,099)
Profit/(loss) for the period attributable to:			
Owners of the Company		156,509	(16,057)
Non-controlling interests		13,167	(5,042)
		169,676	(21,099)
Profit/(loss) and total other comprehensive income/(expense) for the period attributable to:			
Owners of the Company		145,460	(16,057)
Non-controlling interests		13,167	(5,042)
		158,627	(21,099)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Note	Six-month period ended 30 June	
		2024 HK cents (Unaudited)	2023 HK cents (Unaudited)
Earnings/(loss) per share	12		
Basic		<u>3.471</u>	<u>(0.356)</u>
Diluted		<u>3.471</u>	<u>(0.356)</u>

The notes on pages 27 to 43 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current assets			
Property, operating right and equipment	13	829,218	885,524
Right-of-use assets	13	4,185	6,107
Other non-current assets	14	2,909	2,697
Long-term loan to a fellow subsidiary	15	163,532	158,879
Derivative financial instruments	16	1,587,667	1,444,032
Intangible assets		250	250
		2,587,761	2,497,489
Current assets			
Inventories		4,739	4,693
Other receivables	17	69,730	55,890
Amount due from a fellow subsidiary	18	224,894	189,441
Bank balances and cash		404,649	339,466
		704,012	589,490
Current liabilities			
Contract liabilities, trade and other payables	19	45,573	36,558
Amount due to non-controlling shareholders of a subsidiary	18	71,447	71,455
Derivative financial instrument	20	1,392	2,227
Lease liabilities		879	2,646
Financial guarantee contracts	21	348,938	304,834
		468,229	417,720
Net current assets		235,783	171,770
Total assets less current liabilities		2,823,544	2,669,259

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	<i>Notes</i>	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Convertible bonds	20	21,253	20,510
Loans from non-controlling shareholders of a subsidiary	22	15,566	14,669
Liabilities for value-added tax ("VAT") arrangements	23	2,926	8,931
Lease liabilities		<u>2,887</u>	<u>2,864</u>
		<u>42,632</u>	<u>46,974</u>
Net assets		<u>2,780,912</u>	<u>2,622,285</u>
Capital and reserves			
Share capital	25	112,736	112,736
Reserves		<u>2,471,041</u>	<u>2,325,581</u>
Equity attributable to owners of the Company		2,583,777	2,438,317
Non-controlling interests		<u>197,135</u>	<u>183,968</u>
Total equity		<u>2,780,912</u>	<u>2,622,285</u>

The notes on pages 27 to 43 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2023 (Audited)	112,736	3,148,184	5,635	-	(86,196)	3,180,359	313,850	3,494,209
Loss and total comprehensive expense for the period	-	-	-	-	(16,057)	(16,057)	(5,042)	(21,099)
Deemed distribution to non-controlling shareholders (Note 20)	-	-	-	-	-	-	(15,221)	(15,221)
At 30 June 2023 (Unaudited)	<u>112,736</u>	<u>3,148,184</u>	<u>5,635</u>	<u>-</u>	<u>(102,253)</u>	<u>3,164,302</u>	<u>293,587</u>	<u>3,457,889</u>
At 1 January 2024 (Audited)	112,736	3,148,184	348	(2,078)	(820,873)	2,438,317	183,968	2,622,285
Profit and total comprehensive expense for the period	-	-	-	-	156,509	156,509	13,167	169,676
Lapse of share options	-	-	(348)	-	348	-	-	-
Exchange difference arising on translating foreign operation	-	-	-	(11,049)	-	(11,049)	-	(11,049)
At 30 June 2024 (Unaudited)	<u>112,736</u>	<u>3,148,184</u>	<u>-</u>	<u>(13,127)</u>	<u>(664,016)</u>	<u>2,583,777</u>	<u>197,135</u>	<u>2,780,912</u>

The notes on pages 27 to 43 form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	48,681	35,065
INVESTING ACTIVITIES		
Interest received	15,048	10,902
Proceeds from disposal/written-off of property, operating right and equipment	222	358
Return of VAT refunded under VAT arrangements	(7,417)	(8,623)
Deposits paid for purchase of property, operating right and equipment	(2,772)	(1,673)
Payments for property, operating right and equipment	(176)	(399)
Payments for intangible assets	(3)	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	4,902	565
FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,880)	(3,347)
Interest paid for lease liabilities	(212)	(395)
Repayment of loans from non-controlling shareholders of a subsidiary	–	(58,824)
NET CASH USED IN FINANCING ACTIVITIES	(2,092)	(62,566)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	51,491	(26,936)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	339,466	831,861
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	13,692	(42,613)
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	404,649	762,312

The notes on pages 27 to 43 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Summit Ascent Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

2. MATERIAL ACCOUNTING POLICIES INFORMATION AND CHANGES IN ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs issued by HKICPA, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2024 are the same as those used in the annual consolidated financial statements for the year ended 31 December 2023.

In the current period, the Group has applied the following amendments to HKFRSs and HKASs issued by the HKICPA first time, which are mandatory effective for the Group’s annual period beginning on 1 January 2024, for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The Group has not applied any new standards and amendments to HKFRSs that are not yet mandatorily effective for the current accounting period. The application of the amendments to HKFRSs and HKASs in the current period has had no material impact on the consolidated financial statements for the year ended 31 December 2023 and the condensed consolidated financial statements for the six months ended 30 June 2024.

3. 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 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 Chairman and Executive Director who allocates resources and assesses performance based on the consolidated financial information for the entire business. Accordingly, the Group does not present separate segment information other than entity-wide disclosures.

During the current period, all revenues were derived from customers patronising in the Group’s property located in the Russian Federation. At 30 June 2024 and 31 December 2023, almost all non-current assets of the Group other than freehold land located in Japan, long-term loan to a fellow subsidiary, and derivative financial instruments were located in the Russian Federation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

4. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from gaming and hotel operations:		
– Gaming operations	172,475	167,275
– Hotel operations	17,435	14,699
	<u>189,910</u>	<u>181,974</u>

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

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

5. OTHER INCOME

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from derivative financial instruments (Note 16)	49,088	51,176
Bank interest income	15,048	10,902
Interest income from long-term loan to a fellow subsidiary (Note 15)	4,679	–
Rental income	385	357
Others	60	400
	<u>69,260</u>	<u>62,835</u>

6. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Expected credit losses (“ECL”) for financial guarantee contracts (Note 21)	(44,104)	–
Exchange losses, net	(22,047)	(35,152)
(Loss)/gain on disposal of property, operating right and equipment	(147)	319
Loss on disposal of intangible assets	(3)	–
Gain on lease modification	–	56
Impairment losses reversed on other receivables, deposits and prepayments	–	10
	<u>(66,301)</u>	<u>(34,767)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

7. OTHER EXPENSES

	Six-month period ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Bank charges	9,049	5,090
Security expenses	5,495	6,286
Utilities and fuel	4,074	4,385
Repairs and maintenance expenses	3,441	3,633
Legal and professional fees	3,386	2,725
Costs for employee relations	3,005	3,278
Non-recoverable VAT	2,598	3,765
Oversea travel expenses	2,218	1,805
Motor vehicle expenses	2,018	2,033
Insurance expenses	1,178	1,260
Gaming supplies	1,066	967
Hotel supplies	960	1,502
Communication and networking costs	656	804
Travel agency expenses	–	6,030
Sundry	10,625	8,341
	49,769	51,904

8. FINANCE COSTS

	Six-month period ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary (Note 22)	901	3,852
Imputed interest on convertible bonds (Note 20)	746	694
Imputed interest on VAT arrangements	651	654
Interest on lease liabilities	212	395
	2,510	5,595



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

9. INCOME TAX EXPENSE

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current provision		
– Russian corporate tax	79	98
– Russian withholding tax	4,044	–
	<u>4,123</u>	<u>98</u>

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

For the six-month period ended 30 June 2023 and 2022, no provision for Hong Kong Profits Tax had been made in the condensed consolidated financial statements as the Group did not have assessable profits arising in Hong Kong.

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

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

Russian withholding tax of 5% shall be levied on the dividend declared by the companies incorporated in the Russian Federation to non-resident foreign corporations in the Russian Federation.

Corporate tax in Japan is calculated based on the estimated assessable profit for that period at the prevailing tax rates. For the six-month period ended 30 June 2024, no provision for Japan corporate tax has been made as the Japanese subsidiary incurred a loss for the period.

10. PROFIT/(LOSS) FOR THE PERIOD

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging:		
Depreciation of property, operating right and equipment	26,715	36,356
Depreciation of right-of-use assets	1,922	3,465
Amortisation of intangible assets	–	5
Total depreciation and amortisation	<u>28,637</u>	<u>39,826</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2024, nor has any dividend been proposed since 30 June 2024 (six-month period ended 30 June 2023: Nil).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$ 156,509,000 (six-month period ended 30 June 2023: loss of approximately HK\$16,057,000) and the weighted average 4,509,444,590 ordinary shares (six-month period ended 30 June 2023: 4,509,444,590).

The computation of the diluted earnings/(loss) per share for the six-month period ended 30 June 2024 and 2023 did not assume the exercise of the Company's outstanding share options and convertible bonds because the exercise prices of those share options exceed the average market price of the Company's shares of the period and the assumed exercise of those convertible bonds would result in an increase in earnings or a decrease in loss per share.

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

The Group paid approximately HK\$176,000 (six-month period ended 30 June 2023: approximately HK\$399,000) during the six-month period ended 30 June 2024 mainly on furniture, fixtures and equipment. For the six-month period ended 30 June 2024, the Group also received proceeds of approximately HK\$222,000 (six-month period ended 30 June 2023: approximately HK\$358,000) mainly from disposal of motor vehicles.

14. OTHER NON-CURRENT ASSETS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Deposits for purchase of property, operating right and equipment	11,756	11,544
Less: Allowance	<u>(8,847)</u>	<u>(8,847)</u>
	<u>2,909</u>	<u>2,697</u>

15. LONG-TERM LOAN TO A FELLOW SUBSIDIARY

In pursuance of the loan agreement dated 8 June 2023 as amended by an amendment agreement dated 26 July 2023 (collectively, the "Suntrust Loan Agreement") between by Suntrust Resort Holdings, Inc. ("Suntrust"), a company incorporated in the Philippines, the shares of which are listed on The Philippine Stock Exchange, Inc. and is a fellow subsidiary of the Company and a bank, Suntrust is required to maintain a credit balance of not less than United States dollars ("US\$") 20 million in a construction reserve account with the bank.

On 26 July 2023, Suntrust as borrower entered into a loan agreement (the "Long-term Loan Agreement") with the Group as lender, pursuant to which the Group shall provide a loan in the principal amount of US\$20 million (the "Long-term Loan") to Suntrust for the sole purpose of Suntrust to fulfill the relevant requirement. The Long-term Loan is unsecured, interest bearing at 6% per annum and shall be matured falling ten years from the date of drawing, which is extendable for successive terms of one month but not more than three months. The entering into of the Long-term Loan Agreement was approved at the special general meeting of the Company held on 13 September 2023. On 18 September 2023, the Long-term Loan was advanced to Suntrust by cash of approximately HK\$156,608,000.

As at 30 June 2024, the loan principal balance was US\$20 million (equivalent to approximately HK\$156,164,000) (31 December 2023: US\$20 million, equivalent to approximately HK\$156,182,000) and the interest receivables balance was approximately US\$944,000 (equivalent to approximately HK\$7,368,000) (31 December 2023: approximately US\$243,000 (equivalent to approximately HK\$2,697,000).

For the six-month period ended 30 June 2024, interest income from the Long-term Loan amounting to approximately HK\$4,679,000 (six-month period ended 30 June 2023: nil) was recognised and disclosed under "other income" in note 5.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Derivative financial instruments-designated at fair value through profit or loss ("FVTPL")		
– 2020 Convertible Bonds ("2020 CB")	757,231	689,730
– 2022 Convertible Bonds ("2022 CB")	830,436	754,302
	1,587,667	1,444,032

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

Derivative financial instruments represented the fair values of the investment in convertible bonds issued by Suntrust.

2020 CB

The principal amount of the 2020 CB is Philippine pesos ("PHP") 5.6 billion, which can be converted into 3,111,111,111 ordinary shares of Suntrust at a conversion price of PHP1.8 per share from the inception date until the maturity date. The maturity date falling on the fifth anniversary of the issue date (i.e. year 2025) of the 2020 CB which may, subject to agreement by the holder of the 2020 CB upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the 2020 CB.

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

The 2020 CB may not be redeemed by Suntrust at any time prior to the maturity date or if extended, prior to the maturity date as extended. The holder of the 2020 CB may request for early redemption of the 2020 CB at any time during the period commencing from the day immediately after the first anniversary of the issue date of the 2020 CB and expiring on the maturity date or if extended, the maturity date as extended at their outstanding principal amount together with interest thereon up to the date of redemption.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2022 CB

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

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

Suntrust is entitled to cancel and to redeem all the 2022 CB in whole at any time after the first anniversary of the issue date and expiring on the maturity date at 100% of their outstanding principal amount together with accrued interest (including default interest, if any) up to the date of redemption. The holder of the 2022 CB may request for early redemption of the 2022 CB at any time during the period commencing from the day immediately after the first anniversary of the issue date of the 2022 CB and expiring on the maturity date or if extended, the maturity date as extended at their outstanding principal amount together with interest thereon up to the date of redemption.

For the six-month period ended 30 June 2024, the interest income generated from the derivative financial instruments amounting to approximately HK\$49,088,000 (six-month period ended 30 June 2023: approximately HK\$51,176,000) was recognised and disclosed under "other income" in note 5.

For the six-month period ended 30 June 2024, the fair value gains of the derivative financial instruments amounting to approximately HK\$143,635,000 (six-month period ended 30 June 2023: losses of approximately HK\$53,072,000) were recognised, included and disclosed under "fair value gains/(losses) on derivative financial instruments" in the condensed consolidated statement of profit or loss and other comprehensive income.

The fair values of the derivative financial instruments as at 30 June 2024 had been estimated by the management, based on discounted cash flow method.

The inputs used for the calculation of fair values of the financial instruments of the 2022 CB at each subsequent measurement date were as follows:

	30 June 2024	31 December 2023
Discount rate (%)		
– 2020 CB	16.03%	17.80%
– 2022 CB	15.93%	17.74%
Expected remaining life (years)		
– 2020 CB	1.5	2
– 2022 CB	0.9	1.4



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

17. OTHER RECEIVABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Prepayments	65,169	52,715
Other receivables and deposits	4,752	3,366
Less: Allowance	<u>(191)</u>	<u>(191)</u>
	<u>69,730</u>	<u>55,890</u>

For other receivables, the Group assessed the ECL collectively based on the provision matrix as at 30 June 2024 and 31 December 2023. No impairment allowance was provided for the periods due to the low probability of default of those receivables based on the short credit period.

Allowance of approximately HK\$191,000 as at 30 June 2024 (31 December 2023: approximately HK\$191,000) represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

18. AMOUNT DUE FROM A FELLOW SUBSIDIARY/AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The amount due from a fellow subsidiary as at 30 June 2024 and 31 December 2023 was unsecured, non-interest bearing and mainly comprised of interest receivable arising from derivative financial instruments as set out in note 16.

The amounts due to non-controlling shareholders of a subsidiary as at 30 June 2024 and 31 December 2023 were unsecured, non-interest bearing and mainly represented the unpaid repayments declared for the loans from non-controlling shareholders of a subsidiary as set out in note 22.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

19. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade payables	3,434	367
Liabilities for VAT arrangements (Note 23)	7,100	7,255
Outstanding gaming chips	2,192	2,495
Gaming tax payables	632	497
Accruals and other payables	32,215	25,944
	45,573	36,558

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\$2,192,000 (31 December 2023: approximately HK\$2,495,000); and (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to approximately HK\$2,207,000 (31 December 2023: approximately HK\$2,240,000). Loyalty program liabilities 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.

20. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

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

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

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

At the end of the reporting period, the fair value of the derivative financial instrument in the convertible bonds is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss. For the six-month period ended 30 June 2024, the fair value gain amounting to approximately HK\$835,000 (six-month period ended 30 June 2023: approximately HK\$15,000) was recognised, included and disclosed under "fair value gains/(losses) on derivative financial instruments" in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

20. 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 was 7.37% per annum. For the six-month period ended 30 June 2024, imputed interest on convertible bonds amounting to approximately HK\$746,000 (six-month period ended 30 June 2023: approximately HK\$694,000) was recognised and disclosed under "finance costs" in note 8.

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

The fair value of the derivative financial instrument in the convertible bonds as at 30 June 2024 had been estimated by the management based on the binomial option pricing model. The significant inputs used for the calculation of fair value of the convertible bonds and the derivative financial instrument at each subsequent measurement date were as follows:

	30 June 2024	31 December 2023
Share price of the Company (HK\$)	0.02	0.05
Expected volatility (%) (Note a)	43.01%	58.63%
Expected remaining life (years)	1.38	1.88
Expected dividend yield (Note b)	Zero	Zero
Risk-free rate (%) (Note c)	4.27%	4.30%

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

20. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS (continued)

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

	Liability component <i>HK\$'000</i>	Derivative financial instrument <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023 (Audited)	19,073	167	19,240
Imputed interest on convertible bonds	694	–	694
Exchange difference	96	–	96
Fair value change on derivative financial instrument	–	(15)	(15)
At 30 June 2023 (Unaudited)	<u>19,863</u>	<u>152</u>	<u>20,015</u>
At 1 January 2024 (Audited)	20,510	2,227	22,737
Imputed interest on convertible bonds	746	–	746
Exchange difference	(3)	–	(3)
Fair value change on derivative financial instrument	–	(835)	(835)
At 30 June 2024 (Unaudited)	<u>21,253</u>	<u>1,392</u>	<u>22,645</u>

21. FINANCIAL GUARANTEE CONTRACTS

The financial guarantee contracts provided to Suntrust under the Suntrust Loan Agreement were recognised at fair value in the condensed consolidated financial statements as of 30 June 2024 and 31 December 2023. As of 30 June 2024, the aggregate carrying amount of the Group's assets, including the Long-Term Loan to a fellow subsidiary (Note 15) and derivative financial instruments (Note 16), pledged to a bank for banking facilities granted to Suntrust was approximately HK\$1,751,199,000 (31 December 2023: approximately HK\$1,602,911,000), while the corresponding banking facilities utilised by Suntrust were approximately HK\$1,214,000,000 (31 December 2023: approximately HK\$1,214,000,000).

By a deed of counter-indemnity dated 8 June 2023 executed by LET Group Holdings Limited ("LET", the listed holding company of the Company) in favour of the Group, LET agrees to indemnify and keep the Group fully indemnified from and against all direct, indirect and consequential liabilities and losses arising from the Suntrust Loan Agreement.

During the six-month ended 30 June 2024, ECL for financial guarantee contracts amounting to approximately HK\$44,104,000 (six-month period ended 30 June 2023: nil) was recognised, included and disclosed in "other gains and losses", as set out in note 6.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

22. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

On 15 July 2014, each of the shareholders of Oriental Regent Limited (“Oriental Regent”), the joint venture of the Group which the Group has obtained control during the year ended 31 December 2016, entered into a loan agreement with Oriental Regent whilst they agreed to provide their contributions proportionally of the additional capital amount of US\$137,691,000 (equivalent to approximately HK\$1,071,236,000) in total as required by Oriental Regent to continue to fund the gaming and resort project in the Russian Federation by way of ordinary shareholder convertible loan (the “Shareholder’s Loan”) as contemplated under the investment and shareholders agreement dated 23 August 2013. A total of US\$55,076,400 (equivalent to approximately HK\$428,494,000) was contributed by the other shareholders of Oriental Regent. The 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), out of which US\$30,276,400 (equivalent to approximately HK\$234,642,000) was contributed by the other shareholders of Oriental Regent, was extended for three years from 15 July 2020 to 15 July 2023 and shall automatically renew for another term of three years. The Shareholder’s Loan is discounted at an effective interest rate calculated at 5.76% per annum at extension.

On 16 November 2020, the Group repurchased 7.5% of the 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 transaction.

For the six-month period ended 30 June 2023, the Group made a repayment of US\$7,509,593 (equivalent to approximately HK\$58,824,000), resulting in an outstanding principal amount of US\$14,844,081 contributed by the non-controlling shareholders of Oriental Regent. The difference between the carrying amount of the portion of the Shareholder’s Loan repaid to the non-controlling interests and the repayment sum of HK\$15,221,000 was recognised as deemed distribution to equity participant and attributable to and included in non-controlling interests.

For the six-month period ended 30 June 2024, imputed interest on loans from non-controlling shareholders of a subsidiary amounting to approximately HK\$901,000 (six-month period ended 30 June 2023: approximately HK\$3,852,000) was recognised and disclosed under “finance costs” in note 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

23. LIABILITIES FOR VAT ARRANGEMENTS

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

However, according to the Russian regulations, as gaming activities are not subject to Output VAT in the Russian Federation, the Input VAT refunded to the Group cannot be utilised. Instead it is required to be divided into 10 equal parts and each has to be returned to the tax authority in each of the next 10 years from the first year of operations to the extent of the annual proportion of the revenue generated from the gaming activities over the total revenues of the Group’s gaming and hotel operations in the Russian Federation. Such assessment is performed on an annual basis over a period of 10 years from the year when the relevant VAT is refunded to the Group. Against this, as at 30 June 2024, a provision of approximately Russian rubles (“RUB”)110,100,000 (equivalent to approximately HK\$10,026,000) (31 December 2023: approximately RUB185,902,000 (equivalent to approximately HK\$16,186,000)) 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 6.98% (31 December 2023: 14.67%) per annum. Accordingly, as at 30 June 2024, approximately RUB77,971,000 (equivalent to approximately HK\$7,100,000) (31 December 2023: approximately RUB83,326,000 (equivalent to approximately HK\$7,255,000)) of such provision was presented as current and included in other payables (Note 19) as such amount was under the aforesaid assessment within the next twelve months and was expected to be returned to the tax authority upon final assessment, with the remainder of approximately RUB32,129,000 (equivalent to approximately HK\$2,926,000) (31 December 2023: approximately RUB102,576,000 (equivalent to approximately HK\$8,931,000)) presented as non-current.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Notes
	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)				
Financial asset						
Derivative financial instruments – issued by Suntrust	1,587,667	1,444,032	Level 3	Discounted cash flow method (31 December 2023: Discounted cash flow method)	Discount rate: 2020 CB: 16.0% (31 December 2023: 17.8%) 2022 CB: 15.9% (31 December 2023: 17.7%)	(i)
Financial liability						
Derivative financial instrument – issued by the Company	(1,392)	(2,227)	Level 3	Binomial model (31 December 2023: Binomial model)	Discount rate: 15.59% Volatility: 43.01% (31 December 2023: Discount rate: 14.30%, Volatility: 58.63%)	(ii)
	<u>1,586,275</u>	<u>1,441,805</u>				

During the six-month period ended 30 June 2024 and year ended 31 December 2023, there were no transfers between Level 1 and 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes:

- If the volatility of the discount rate had been 3% higher/lower while all other variables were held constant, the Group's post-tax profit for the six-month period ended 30 June 2024 (year ended 31 December 2023: post-tax loss) would have decreased/increased by approximately HK\$20,304,000 (year ended 31 December 2023: increased/decreased by approximately HK\$43,606,000) (as a result of changes in fair values of derivative financial instruments).
- If the volatility of discount rate had been 5% higher/lower while all other variables were held constant, the Group's post-tax profit for the six-month period ended 30 June 2024 (year ended 31 December 2023: post-tax loss) would have decreased/increased by approximately HK\$61,000 (year ended 31 December 2023: increased/decreased by approximately HK\$125,000) (as a result of changes in fair value of derivative financial instruments).

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

Investment carried at FVTPL

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At the beginning of the period	1,441,805	1,610,827
Fair value gains/(losses) recognised in profit or loss during the period (Note)	144,470	(53,057)
At the end of the period	1,586,275	1,557,770

Note:

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

25. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount
		HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2023 (Audited), 31 December 2023 (Audited), 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	6,000,000,000	150,000
Issued and fully paid:		
At 1 January 2023 (Audited), 31 December 2023 (Audited), 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	4,509,444,590	112,736

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



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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

26. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six-month period ended 30 June 2024:

(a) Compensation of key management personnel

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

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	5,571	7,213
Post-employment benefits	11	18
	5,582	7,231

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

(b) Transactions with related parties

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Transactions with non-controlling shareholders of a subsidiary:		
Imputed interest expenses on the Shareholder's Loan	901	3,852
Transactions with fellow subsidiaries:		
Interest income from derivative financial instruments	49,088	51,176
Interest income from the Long-term Loan to a fellow subsidiary	4,679	–

27. POSSIBLE IMPACT OF NEW AND AMENDMENTS TO HKFRS AND HKAS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDING 31 DECEMBER 2024

Up to the date of approval for issue of these condensed consolidated interim financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ending 31 December 2024 and which have not been adopted in these condensed consolidated financial statements. These developments include the following which may be relevant to the Group.

- Amendments to HKAS 21 Lack of Exchangeability¹
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after a date to be determined

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.

OTHER INFORMATION

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

As at 30 June 2024, the interests and short positions of each director (the "Director") of Summit Ascent Holdings Limited (the "Company", together with its subsidiaries collectively as the "Group") in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange were as follows:

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

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

<u>Name of Directors</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of ordinary shares of the Company held</u>	<u>Approximate % of total issued shares of the Company</u>
Mr. Lo Kai Bong ("Mr. Lo")	Beneficial owner	968,000	0.02%
	Interest of controlled corporations (Note 2)	<u>3,146,533,811</u>	<u>69.77%</u>
		<u>3,147,501,811</u>	<u>69.79%</u>

Notes:

- As at 30 June 2024, the total number of issued shares of the Company was 4,509,444,590.
- LET Group Holdings Limited ("LET"), the listed holding company of the Company, is the beneficial owner of 123,255,000 shares of the Company and is also interested in 3,018,306,811 shares of the Company through its wholly-owned subsidiary, Victor Sky Holdings Limited ("Victor Sky"). As at 30 June 2024, LET was majority controlled by Major Success Group Limited ("Major Success"), which is wholly-owned by Mr. Lo. In addition, Better Linkage Limited ("Better Linkage"), a company wholly-owned by Mr. Lo, is the beneficial owner of 520,000 shares of the Company and is also interested in 4,452,000 shares of the Company through its wholly-owned subsidiary Ever Smart Capital Limited ("Ever Smart"). By virtue of the SFO, Mr. Lo is deemed to be interested in 3,146,533,811 shares of the Company held by LET, Victor Sky, Better Linkage and Ever Smart collectively.

OTHER INFORMATION

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

(a) Ordinary shares of LET (Note 1)

Name of Directors	Capacity/ Nature of Interest	Number of ordinary shares of LET held	Approximate % of total issued shares of LET
Mr. Lo	Beneficial owner	10,580,000	0.15%
	Interest of controlled corporations (Note 2)	<u>4,999,694,857</u>	<u>72.07%</u>
		<u>5,010,274,857</u>	<u>72.22%</u>

(b) Share options granted by LET

Name of Directors	Capacity/Nature of Interest	Number of underlying shares of LET held pursuant to convertible bonds of LET	Approximate % of total issued shares of LET
Mr. Lo	Beneficial owner (Note 3)	40,000,000	0.58%

Notes:

- As at 30 June 2024, the total number of issued shares of LET was 6,936,972,746.
- As at 30 June 2024, LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in 4,999,694,857 shares of LET owned by Major Success.
- These share options of LET granted on 4 September 2017 at an exercise price of HK\$0.455 per share are divided into 3 tranches: 8,000,000 share options are exercisable from 4 September 2017, 12,000,000 share options are exercisable from 4 September 2018 and the remaining 20,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for shares of LET. The closing price of the shares of LET on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK\$0.460.

OTHER INFORMATION

Save as disclosed above, so far as known to any Directors as at 30 June 2024, none of the Directors and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

SHARE OPTION SCHEME *(Note 1)*

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 (collectively the "Share Option Schemes").

As at 1 January 2024 and 30 June 2024, the number of options available for grant under the Scheme was 450,944,459. During the six-month period ended 30 June 2024, the number of shares of Company that may be issued in respect of options that may be granted under the Scheme was 450,944,459, being 10% of the weighted average number of shares of the Company in issue for the period.

As at 30 June 2024, there were no shares in respect of the options granted and remained outstanding under the Scheme (31 December 2023: 1,000,000), representing 0% (31 December 2023: 0.22%) of the total number of issued shares of the Company.



OTHER INFORMATION

Movements of share options granted under the Share Option Schemes during the six-month period ended 30 June 2024 are as follows:

Category of Participants	As at 1 January 2024 <i>(Note 4)</i>	Lapsed during the period	As at 30 June 2024	Date of grant	Exercise price <i>(HK\$)</i>	Note
Consultant	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>–</u>	2 November 2020	0.912	2
Exercisable at the end of the period			<u>–</u>			

Notes:

- Each option gave the holder the right to subscribe for one share of the Company and the vesting period of the share options was from the date of grant until the commencement of the exercise period.
- The share options granted on 2 November 2020 were divided into 3 tranches, 30% of which was exercisable from 2 November 2020, 30% of which was exercisable from 2 November 2021 and the remaining 40% was exercisable from 2 November 2022 respectively until 1 November 2025. The closing price of the Company's shares on the Hong Kong Stock Exchange immediately preceding the date of the grant was HK\$0.89.
- During the six-month period ended 30 June 2024, no share options were granted, exercised or cancelled under the Share Option Schemes. The weighted average exercise price of the share options outstanding is HK\$0.912 and HK\$0 at 1 January 2024 and 30 June 2024 respectively.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2024, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest or a short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Ordinary shares of the Company (Note 1)

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

Notes:

- As at 30 June 2024, the total number of issued shares of the Company was 4,509,444,590.
- LET, the listed holding company of the Company, is the beneficial owner of 123,255,000 shares of the Company and is also interested in 3,018,306,811 shares of the Company through its wholly-owned subsidiary, Victor Sky. As at 30 June 2023, LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. By virtue of the SFO, Major Success is deemed to be interested in 3,141,561,811 shares of the Company held by LET and Victor Sky collectively.

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any other person (other than the Directors) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Corporate Governance Code (the “CG Code”) set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) during the six-month period ended 30 June 2024 with the exception of code provisions C.2.1 as explained in “(a) Chairman and Chief Executive” of the section headed “Non-compliance with Requirements under the Listing Rules” of this chapter.

NON-COMPLIANCE WITH REQUIREMENTS UNDER THE LISTING RULES

(a) Chairman and Chief Executive

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Following the resignation of Mr. Chua Ming Huat David, the former Chief Executive Officer, on 15 January 2024, the Company has not appointed an individual to take up the vacancy of the Chief Executive Officer, and the roles and functions of the Chief Executive Officer have been performed by the executive Director(s).

(b) Independent Non-executive Directors

Immediately following the resignations of Mr. Lam Kwan Sing, Mr. Lau Yau Cheung (“Mr. Lau”) and Mr. Li Chak Hung (“Mr. Li”) on 15 January 2024, the Company had:

- (i) no independent non-executive Director, which resulted in the then number of independent non-executive Directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules and the number of independent non-executive Directors failed to maintain at least one-third of the members of the Board as required under Rule 3.10A of the Listing Rules;
- (ii) no member in the Audit Committee, which resulted in the number of Audit Committee members falling below the minimum number and the Company’s failure to have an independent non-executive Director as a chairman of the Audit Committee as required under Rule 3.21 of the Listing Rules;
- (iii) no member in the Remuneration Committee, which resulted in the Company’s failure to have an independent non-executive Director as a chairman of the Remuneration Committee and a majority of independent non-executive Directors in the Remuneration Committee as required under Rule 3.25 of the Listing Rules; and
- (iv) no member in the Nomination Committee, which resulted in the Company’s failure to have the chairman of the Board or an independent non-executive Director as a chairman of the Nomination Committee and a majority of independent non-executive Directors in the Nomination Committee as required under Rule 3.27A of the Listing Rules.

OTHER INFORMATION

The above Listing Rules have been complied with through the appointment of Ms. Ng Shin Kwan Christine (“Ms. Ng”), re-appointments of Mr. Lau and Mr. Li as independent non-executive Directors and the re-constitution of the Audit Committee, the Remuneration Committee and the Nomination Committee on 11 March 2025 as detailed in the announcements of the Company dated 11 March 2025 and 24 March 2025.

(c) **Authorised Representatives**

Immediately following the resignation of Mr. Chiu King Yan on 15 January 2024 as (i) the authorised representative of the Company under Rule 3.05 of the Listing Rules; and (ii) an authorised representative for accepting service of process and notices on behalf of the Company in Hong Kong as required under the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the “Authorised Representatives”), the Company did not meet the requirement under Rule 3.05 of the Listing Rules that an issuer should appoint two authorised representatives for the six months ended 30 June 2024.

The above Listing Rules have been complied with through the appointment of Ms. Mak Sin Man (“Ms. Mak”) as the Authorised Representatives on 11 March 2025.

(d) **Company Secretary**

Immediately following the resignation of Ms. Mok Ming Wai of Tricor Services Limited, an external service provider, as the Company Secretary of the Company on 17 February 2024, the Company did not meet the requirements under Rule 3.28 of the Listing Rules.

The above Listing Rule has been complied with through the appointment of Ms. Mak as the Company Secretary of the Company on 11 March 2025.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code for dealing in the Company’s securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the “Code of Securities Dealings”) on terms no less exacting than the required standards set out in the Model Code of the Listing Rules. Having made specific enquiry of all Directors, the Company has received confirmation from all Directors that they have complied with the required standards as set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2024.



OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules as at the date of this report are set out below:

Name of Directors	Details of changes
Mr. Chua Ming Huat David	Resigned as executive director and chief executive officer with effect from 15 January 2024.
Mr. Chiu King Yan	Resigned as (i) an executive Director; (ii) an authorised representative of the Company under Rule 3.05 of the Listing Rules; and (iii) an authorised representative for accepting service of process and notices on behalf of the Company in Hong Kong as required under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 15 January 2024.
Mr. Lam Kwan Sing	Resigned as independent non-executive director; chairman of each of the Remuneration Committee and Corporate Governance Committee; and member of each of Audit Committee and Nomination Committee with effect from 15 January 2024.
Mr. Lau Yau Cheung	Resigned as independent non-executive director; chairman of the Nomination Committee; and member of each of Audit Committee, Remuneration Committee and Corporate Governance Committee with effect from 15 January 2024. Appointed as independent non-executive Director; chairman of the Nomination Committee; and member of each of Audit Committee, Remuneration Committee and Corporate Governance Committee with effect from 11 March 2025.

OTHER INFORMATION

Name of Directors	Details of changes
Mr. Li Chak Hung	Resigned as independent non-executive director; chairman of the Audit Committee; and member of each of Remuneration Committee, Nomination Committee and Corporate Governance Committee with effect from 15 January 2024.
	Appointed as independent non-executive Director; chairman of the Audit Committee; and member of each of Remuneration Committee, Nomination Committee and Corporate Governance Committee with effect from 11 March 2025.
Mr. Chang Heng Kit	Appointed as non-executive director with effect from 10 July 2024.
Mr. Lam Hung Tuan	Appointed as executive Director with effect from 11 March 2025.
Ms. Ng Shin Kwan Christine	Appointed as an independent non-executive Director; chairlady of each of the Remuneration Committee and Corporate Governance Committee; and member of each of the Audit Committee and and Nomination Committee with effect from 11 March 2025.

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems. The Audit Committee has reviewed the interim report for the six-month period ended 30 June 2024 which was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

During the six-month period ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (the "Treasury Shares") within the meaning under the Listing Rules). As at 30 June 2024, the Company did not hold any Treasury Shares.



CORPORATE INFORMATION (Note i)

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Kai Bong *(Chairman)*
Mr. Lam Hung Tuan
(Appointed on 11 March 2025)
Mr. Chua Ming Huat David
(Chief Executive Officer)
(Resigned on 15 January 2024)
Mr. Chiu King Yan
(Resigned on 15 January 2024)

Non-executive Director

Mr. Chang Heng Kit
(Appointed on 10 July 2024)

Independent Non-executive Directors

Mr. Lau Yau Cheung (Note ii)
Mr. Li Chak Hung (Note ii)
Ms. Ng Shin Kwan Christine
(Appointed on 11 March 2025)
Mr. Lam Kwan Sing
(Resigned on 15 January 2024)

AUDIT COMMITTEE

Mr. Li Chak Hung *(Chairman)* (Note ii)
Mr. Lau Yau Cheung (Note ii)
Ms. Ng Shin Kwan Christine
(Appointed on 11 March 2025)
Mr. Lam Kwan Sing
(Resigned on 15 January 2024)

REMUNERATION COMMITTEE

Ms. Ng Shin Kwan Christine
(Chairlady)
(Appointed on 11 March 2025)
Mr. Lau Yau Cheung (Note ii)
Mr. Li Chak Hung (Note ii)
Mr. Lam Kwan Sing *(Chairman)*
(Resigned on 15 January 2024)

NOMINATION COMMITTEE

Mr. Lau Yau Cheung *(Chairman)* (Note ii)
Mr. Li Chak Hung (Note ii)
Ms. Ng Shin Kwan Christine
(Appointed on 11 March 2025)
Mr. Lam Kwan Sing
(Resigned on 15 January 2024)

CORPORATE GOVERNANCE COMMITTEE

Ms. Ng Shin Kwan Christine
(Chairlady)
(Appointed on 11 March 2025)
Mr. Li Chak Hung (Note ii)
Mr. Lau Yau Cheung (Note ii)
Mr. Lam Kwan Sing *(Chairman)*
(Resigned on 15 January 2024)

COMPANY SECRETARY

Ms. Mak Sin Man
(Appointed on 11 March 2025)
Ms. Mok Ming Wai
(Resigned on 17 February 2024)

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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200 Connaught Road Central
Hong Kong
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Fax: (852) 3167-7980
Email: info@saholdings.com.hk

PRINCIPAL BANKERS

China Banking Corporation
PJSC Bank Primorye
PJSC Sberbank
Alfa-Bank JSC

AUDITOR

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

LEGAL ADVISOR

Chiu & Partners

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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183 Queen's Road East
Hong Kong

STOCK CODE

102 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.saholdings.com.hk

Note:

- (i) As of the date of this report
- (ii) Resigned on 15 January 2024 and re-appointed on 11 March 2025