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SUMMIT ASCENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 102)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND CONTINUED SUSPENSION OF TRADING

The board (the “**Board**”) of directors (the “**Directors**”) of Summit Ascent Holdings Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023, together with comparative figures for the corresponding year in 2022 as follows:

HIGHLIGHTS

- The Group’s total revenue for 2023 was HK\$369.1 million in 2023, down 1% compared to HK\$372.3 million in 2022.
- The Group recorded a positive Adjusted EBITDA of HK\$131.5 million in 2023, compared to HK\$105.1 million in 2022.
- The Group recorded a loss attributable to owners of the Company of was HK\$740.0 million in 2023, compared to a profit attributable to the owners of the Company of HK\$11.8 million in 2022. The loss in 2023 was mainly due to (i) an impairment loss recognised on property, operating right and equipment of approximately HK\$483.1 million whereas no such impairment loss was recorded for 2022; (ii) fair value losses on derivative financial instruments of approximately HK\$169 million in 2023 compared to approximately HK\$141.9 million in 2022; and (iii) expected credit losses for financial guarantee contracts of approximately HK\$304.8 million in 2023 whereas no expected credit losses for financial guarantee contracts was recognised in 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from gaming and hotel operations	5	369,127	372,306
Other income	6	125,681	133,057
Other gains and losses	7	(818,453)	23,851
Gaming tax		(5,913)	(3,616)
Inventories consumed		(17,079)	(16,021)
Marketing and promotion expenses		(9,652)	(19,392)
Employee benefits expenses		(128,262)	(138,269)
Depreciation and amortisation		(77,833)	(77,499)
Other expenses	8	(105,004)	(105,937)
Fair value losses on derivative financial instruments	15, 19	(169,022)	(141,912)
Finance costs	9	(7,822)	(13,232)
(Loss)/profit before taxation		(844,232)	13,336
Income tax (expense)/credit	10	(195)	17,545
(Loss)/profit for the year	11	<u>(844,427)</u>	<u>30,881</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operation		<u>(2,078)</u>	–
(Loss)/profit and total other comprehensive (expense)/income for the year		<u>(846,505)</u>	<u>30,881</u>

		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(739,964)	11,847
Non-controlling Interests		(104,463)	19,034
		<u>(844,427)</u>	<u>30,881</u>
(Loss)/profit and total other comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(742,042)	11,847
Non-controlling interests		(104,463)	19,034
		<u>(846,505)</u>	<u>30,881</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share			
Basic	<i>13</i>	<u>(16.41)</u>	<u>0.26</u>
Diluted		<u>(16.41)</u>	<u>0.26</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, operating right and equipment		885,524	1,115,134
Right-of-use assets		6,107	13,042
Long-term prepayments and other non-current assets		2,697	38,114
Long-term loan to a fellow subsidiary	<i>14</i>	158,879	–
Derivative financial instruments	<i>15</i>	1,444,032	1,610,994
Intangible assets		250	259
		2,497,489	2,777,543
Current assets			
Inventories		4,693	4,414
Other receivables	<i>16</i>	55,890	34,236
Amount due from a fellow subsidiary	<i>17</i>	189,441	86,441
Bank balances and cash		339,466	831,861
		589,490	956,952
Current liabilities			
Contract liabilities, trade and other payables	<i>18</i>	36,558	48,801
Amounts due to non-controlling shareholders of a subsidiary	<i>17</i>	71,455	–
Derivative financial instrument	<i>19</i>	2,227	167
Lease liabilities		2,646	6,294
Financial guarantee contracts	<i>20</i>	304,834	–
		417,720	55,262
Net current assets		171,770	901,690
Total assets less current liabilities		2,669,259	3,679,233

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Convertible bonds	<i>19</i>	20,510	19,073
Loans from non-controlling shareholders of a subsidiary	<i>21</i>	14,669	138,748
Liabilities for value-added tax arrangements		8,931	20,318
Lease liabilities		2,864	6,885
		46,974	185,024
Net assets		2,622,285	3,494,209
Capital and reserves			
Share capital		112,736	112,736
Reserves		2,325,581	3,067,623
Equity attributable to owners of the Company		2,438,317	3,180,359
Non-controlling interests		183,968	313,850
Total equity		2,622,285	3,494,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

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

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

The Company’s immediate holding company is Victor Sky Holdings Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and the Company’s intermediate holding company, LET Group Holdings Limited (“**LET**”), is incorporated in the Cayman Islands with its shares listed on the Main Board of Hong Kong Stock Exchange. The Directors consider the Company’s ultimate holding company is Major Success Group Limited, which is incorporated in the BVI, and Mr. Lo Kai Bong is the ultimate controlling party of the Company.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”) AND HONG KONG ACCOUNTING STANDARDS (“**HKASs**”)

The Group has applied the following new and amendments to HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) to these consolidated financial statements for the current accounting period, for the first time, which are mandatorily effective for the Group’s financial annual period beginning on or after 1 January 2023:

- HKFRS 17 and related amendments, Insurance Contracts
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12, International Tax Reform – Pillar Two Model Rules

The Group has not applied any new standards or amendments that are not yet mandatorily effective for the current accounting period. The application of the new and amendments to HKFRSs and HKASs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

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

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

4. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company’s 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 years ended 31 December 2023 and 2022, all revenues were derived from customers patronising in the Group’s property located in the Russian Federation. At 31 December 2023 and 31 December 2022, 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.

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue from gaming and hotel operations		
– Gaming operations	335,688	340,898
– Hotel operations	<u>33,439</u>	<u>31,408</u>
	<u><u>369,127</u></u>	<u><u>372,306</u></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 related to their play are recorded as a reduction to revenue from gaming operations.

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

6. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Interest income from derivative financial instruments (<i>Note 15</i>)	101,543	78,102
Bank interest income	18,232	28,715
Interest income from long-term loan to a fellow subsidiary (<i>Note 14</i>)	2,697	–
Rental income	706	781
Interest income from short-term loan to a fellow subsidiary (<i>Note 15</i>)	–	24,856
Others	2,503	603
	<u>125,681</u>	<u>133,057</u>

7. OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Impairment loss recognised on property, operating right and equipment	(483,107)	–
Expected credit losses (“ECL”) for financial guarantee contracts (<i>Note 20</i>)	(304,834)	–
Exchange (losses)/gains, net	(39,064)	59,973
Loss on disposal of property, operating right and equipment	(683)	(372)
Written-off of other payables	9,167	–
Gain on lease modification	56	–
Impairment losses reversed/(recognised) on prepayments, other receivables and deposits	12	(3)
Loss on derecognition of financial asset (<i>Note 15</i>)	–	(35,747)
	<u>(818,453)</u>	<u>23,851</u>

8. OTHER EXPENSES

	2023 HK\$'000	2022 HK\$'000
Bank charges	12,250	10,420
Security expenses	11,766	14,017
Repair and maintenance expenses	11,006	8,771
Travel agency expenses	8,166	7,302
Utilities and fuel	8,006	7,989
Legal and professional fees	7,134	7,664
Non-recoverable value-added tax ("VAT")	7,358	6,683
Costs for employee relations	6,576	8,009
Overseas travel expenses	4,131	3,671
Motor vehicle expenses	4,126	4,739
Hotel supplies	2,799	3,035
Insurance expenses	2,414	2,604
Auditor's remuneration		
– Audit services	1,600	3,980
– Non-audit services	2,469	998
Gaming supplies	1,962	2,064
Communication and networking costs	1,554	1,768
Share-based compensation benefits to a consultant	–	63
Others	11,687	12,160
	105,004	105,937

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Imputed interest on loans from non-controlling shareholders of a subsidiary (<i>Note 21</i>)	5,570	8,765
Imputed interest on convertible bonds (<i>Note 19</i>)	1,411	1,315
Interest on lease liabilities	634	799
Imputed interest on VAT arrangements	207	2,353
	7,822	13,232

10. INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current provision		
– Russian corporate tax	<u>(195)</u>	<u>(173)</u>
	(195)	(173)
Over-provision		
– Philippine withholding tax (<i>Note</i>)	<u>–</u>	<u>17,718</u>
	<u>(195)</u>	<u>17,545</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 operates.

For the years ended 31 December 2023 and 2022, no provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group did not have assessable profits arising in Hong Kong.

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

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

Corporate tax in Japan is calculated based on the estimated assessable profit for that year at the prevailing tax rates. For the year ended 31 December 2023, no provision for Japan corporate tax has been made as the Japanese subsidiary incurred a loss for the year.

Note: The provision of the Philippine withholding tax recognised in 2021 for the interest income generated from the derivative financial instruments and short term loan to a fellow subsidiary shall be paid by the interest payer, resulting in the reversal of the over-provision in 2022.

11. (LOSS)/PROFIT FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the year has been arrived at after charging:		
Salaries, wages, bonus and other benefits	105,345	111,491
Contributions to retirement benefits schemes	<u>22,917</u>	<u>26,778</u>
Total employee benefits expenses, including Directors' emoluments	<u>128,262</u>	<u>138,269</u>
Amortisation of intangible assets	9	4
Depreciation of property, operating right and equipment	72,359	70,703
Depreciation of right-of-use assets	<u>5,465</u>	<u>6,792</u>
Total depreciation and amortisation	<u>77,833</u>	<u>77,499</u>

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$739,964,000 (2022: profit of approximately HK\$11,847,000) and the weighted average 4,509,444,590 ordinary shares in issue during the years ended 31 December 2023 and 2022.

The computation of the diluted (loss)/earnings per share for the years ended 31 December 2023 and 2022 did not assume the exercise of the Company's outstanding share options and convertible bonds because the exercise price of those share options exceeded the average market price of the Company's shares of the year and the assumed exercise of those convertible bonds would result in a decrease in (loss) or an increase in earnings per share.

14. 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 (the “**Suntrust Loan Agreement**”) between by Suntrust Resort Holdings, Inc. (“**Suntrust**”, formerly known as Suntrust Home Developers, Inc.), 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 31 December 2023, the outstanding loan principal balance was US\$20 million (equivalent to approximately HK\$156,182,000) (2022: Nil) and the interest receivable balance was approximately US\$243,000 (equivalent to approximately HK\$2,697,000)(2022: Nil).

For the year ended 31 December 2023, interest income from the Long-term Loan amounting to approximately HK\$2,697,000 (2022: Nil) was recognised and disclosed under “other income” in note 6.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK\$'000	2022 HK\$'000
Derivative financial instruments – designated at fair value through profit or loss (“ FVTPL ”)		
– 2020 Convertible Bonds (“ 2020 CB ”)	689,730	776,415
– 2022 Convertible Bonds (“ 2022 CB ”)	<u>754,302</u>	<u>834,579</u>
	<u>1,444,032</u>	<u>1,610,994</u>

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 the Group is provided internally on that basis to the Group’s key management personnel. Derivative financial instruments represented the fair value of an investment in convertible bonds issued by Suntrust.

2020 CB

The principal amount of the 2020 CB is Philippine peso (“**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.

2022 CB

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

The maturity date of the Loan was extended for three times on 17 August 2021, 17 September 2021 and 17 October 2021 for 1 month each time, to 18 November 2021. On 20 September 2021, the Group entered into a subscription agreement with Suntrust (the “**Subscription Agreement**”) to subscribe the 2022 CB. The aggregate subscription amount payable by the Group shall be satisfied by setting off a pro tanto amount of the Loan together with interest accrued up to and including the completion date of the Subscription Agreement (the “**Completion**”). Considering the expected timeline for fulfilling the conditions precedent to the Subscription Agreement, the Group had agreed to extend the maturity date of the Loan to 18 July 2022. At the Completion which took place on 10 June 2022, (1) the 2022 CB in the aggregate principal amount of PHP6.4 billion were issued by Suntrust to the Group and (2) part of the indebted amount of approximately US\$127.7 million as at the Completion to the extent of US\$120.9 million was set-off against the subscription of the 2022 CB pursuant to the Subscription Agreement. The balance of the indebted amount after the Loan set-off of approximately US\$6.8 million was repaid in cash by Suntrust to the Group. For the year ended 31 December 2022, loss on derecognition of the Loan amounting to approximately HK\$35,747,000 was disclosed under “other gains and losses” in note 7.

For the year ended 31 December 2022, interest income from the Loan amounting to approximately HK\$24,856,000 was recognised and disclosed under “other income” in note 6.

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 year ended 31 December 2023, the interest income generated from the derivative financial instruments amounting to approximately HK\$101,543,000 (2022: approximately HK\$78,102,000) was recognised and disclosed under “other income” in note 6.

For the year ended 31 December 2023, the fair value losses of the derivative financial instruments amounting to approximately HK\$166,962,000 (2022: approximately HK\$142,031,000) were recognised, included and disclosed under “fair value losses on derivative financial instruments” in the consolidated statement of profit or loss and other comprehensive income.

The fair values of the derivative financial instruments as at 31 December 2023 had been determined by CHFT Advisory and Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the discounted cash flow method (2022: equity allocation method).

The inputs used for the calculation of fair value of the derivative financial instruments at each subsequent measurement date were as follows:

	31 December 2023	31 December 2022
Share price of Suntrust (<i>PHP</i>)	0.85	0.99
Expected volatility (%) (<i>Note a</i>)	–	54.93%
Discount rate (%)		
– 2020 CB	17.80%	–
– 2022 CB	17.74%	–
Risk-free rate (%) (<i>Note b</i>)		
– 2020 CB	6.00%	6.25%
– 2022 CB	5.94%	6.25%
Expected remaining life (years)		
– 2020 CB	2	3
– 2022 CB	1.4	2.4

Notes:

- a) The expected volatility was determined by using the historical volatility of Suntrust share price over the period commensurate with the remaining term.
- b) Risk-free rate is estimated based on the yield to maturities of peso-denominated government bonds from Philippine Sovereign Curve with a similar remaining tenure.

16. OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments	52,715	30,864
Other receivables and deposits	3,366	3,789
Less: Allowance	(191)	(417)
	<u>55,890</u>	<u>34,236</u>

For other receivables, the Group assessed the ECL collectively based on the provision matrix as at 31 December 2023 and 2022. No impairment allowance was provided due to the low probability of default of those receivables based on the short credit period.

Allowance of approximately HK\$191,000 as at 31 December 2023 (2022: approximately HK\$417,000) represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

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

The amount due from a fellow subsidiary as at 31 December 2023 and 31 December 2022 was unsecured, non-interest bearing and mainly comprised of interest receivable arising from derivative financial instruments as set out in note 15.

The amounts due to non-controlling shareholders of a subsidiary as at 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 21.

18. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	367	412
Liabilities for VAT arrangements	7,255	9,301
Outstanding gaming chips	2,495	2,747
Gaming tax payables	497	302
Payable in respect of connection right to local electricity supply network	–	11,286
Accruals and other payables	<u>25,944</u>	<u>24,753</u>
	<u><u>36,558</u></u>	<u><u>48,801</u></u>

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\$2,495,000 (2022: approximately HK\$2,747,000); and (2) loyalty program liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to approximately HK\$2,240,000 (2022: approximately HK\$1,855,000). Loyalty program liabilities are included in accruals and 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.

19. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE BONDS

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

The convertible bonds contained two components, a liability component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the 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 a 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 the derivative financial instrument is recognised as liability component in the convertible bonds.

At the end of the reporting period, the fair value of the derivative financial instrument in the convertible bonds is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss. For the year ended 31 December 2023, the fair value loss amounting to approximately HK\$2,060,000 (2022: gain of approximately HK\$119,000) was recognised, included and disclosed under "fair value losses on derivative financial instruments" in the consolidated statement of profit or loss and other comprehensive income.

The liability component in convertible bonds is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rate of the liability component in the convertible bonds is 7.37% per annum. For the year ended 31 December 2023, imputed interest on convertible bonds amounting to approximately HK\$1,411,000 (2022: approximately HK\$1,315,000) was recognised and disclosed under "finance costs" in note 9.

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

The fair value of the convertible bonds as at 31 December 2023 and 2022 were determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the binomial option pricing model. The significant inputs used for the calculation of fair value of the convertible bonds and the derivative financial instrument at each subsequent measurement date were as follows:

	31 December 2023	31 December 2022
Share price of the Company (HK\$)	0.05	0.17
Expected volatility (%) (Note a)	58.63%	111.39%
Expected remaining life (years)	1.88	2.88
Expected dividend yield (Note b)	zero	zero
Risk-free rate (%) (Note c)	4.30%	4.26%

Notes:

- a. The expected volatility was determined by using the historical volatility of the Company's share price over a period commensurate with the remaining term.
- b. The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the remaining term of the Company.
- c. Risk-free rate is estimated with reference to the US Treasury Yield Curve of similar remaining tenure.

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

	Liability component HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
At 1 January 2022	17,767	286	18,053
Imputed interest on convertible bonds	1,315	–	1,315
Exchange difference	(9)	–	(9)
Fair value change on derivative financial instrument	–	(119)	(119)
At 31 December 2022 and 1 January 2023	19,073	167	19,240
Imputed interest on convertible bonds	1,411	–	1,411
Exchange difference	26	–	26
Fair value change on derivative financial instrument	–	2,060	2,060
At 31 December 2023	20,510	2,227	22,737

20. FINANCIAL GUARANTEE CONTRACTS

The financial guarantee contracts provided to Suntrust under the Suntrust Loan Agreement were initially recognised at fair value and subsequently measured at the provision amount for ECL of the guarantee in the consolidated financial statements as of 31 December 2023. As of 31 December 2023, the aggregate carrying amount of the Group's assets, including the Long-term Loan to a fellow subsidiary (Note 14) and derivative financial instruments (Note 15), pledged to a bank for banking facilities granted to Suntrust was approximately HK\$1,602,911,000 (2022: nil), while the corresponding banking facilities utilised by Suntrust were approximately HK\$1,214,000,000 (2022: nil).

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.

During the year ended 31 December 2023, ECL for financial guarantee contracts amounting to approximately HK\$304,834,000 (2022: nil) was recognised, included and disclosed in "other gains and losses" as set out in note 7.

21. 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 repayments 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 transactions.

For the year ended 31 December 2023, the Group declared repayments of US\$19,854,099 (2022: US\$2,245,901), resulting in an outstanding principal amount of US\$2,499,575 (2022: US\$22,353,674) contributed by the non-controlling shareholders of Oriental Regent. For the year ended 31 December 2023, the Group paid repayments of US\$10,703,849 (equivalent to approximately HK\$ 83,831,000 (2022:US\$2,245,901 (equivalent to approximately HK\$17,510,000)). The difference between the carrying amount of the portion of the Loan repaid to the non-controlling interests and the repayment sum of approximately HK\$25,247,000 (2022: nil) was recognised as deemed distribution to equity participant and attributable to and included in non-controlling interests.

For the year ended 31 December 2023, imputed interest on loans from non-controlling shareholders amounting to approximately HK\$5,570,000 (2022: approximately HK\$8,765,000) was recognised and disclosed under "finance costs" in note 9.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The gaming and hotel operations of the Group are conducted through its 77.5% equity interest in Oriental Regent. The Group also receives a management fee income calculated at 3% of the total net gaming revenue generated by G1 Entertainment, a wholly-owned subsidiary of Oriental Regent.

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

The features of Tigre de Cristal are as follows:

- Approximately 36,000 square metres of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- The finest luxury 5-Star hotel in the Russian Far East with 121 rooms and suites, which was named “Russia’s Best Casino Hotel 2021” by World Casino Awards;
- Fine dining options in 2 restaurants, the international cuisine “CASCADE” and the Pan-Asian cuisine “88”, and 3 casual bars;
- A virtual golf zone, and a private club with karaoke rooms.

The Russia-Ukraine Conflict

The ongoing Russia-Ukraine conflict continues to pose substantial economic risk and uncertainty for the region and globally, and the Russian tourism industry is severely hit in particular. When international tourism is well on its way to returning to pre-pandemic levels, the number of foreign tourists visiting the Russian Federation has significantly decreased since the early 2022 due to the airspace closures and financial sanctions passed by Ukraine's Western allies, in response to the Russian "special military operation".

In light of these unprecedented circumstances, the Group has adjusted its business priorities and optimized its business strategy and operations to focus on the Russian local market, such as changing the supply chain, logistics, and customer support processes for offering tailored customer services to meet the local demand and position its business for long-term success in the domestic market. Large-scale capital expenditure, especially the Phase II development of Tigre de Cristal ("**TdC Phase II**"), is also put on hold until conditions are more favorable and the business outlook improves. The Board has been closely monitoring the market conditions and the impact of the Russia-Ukraine conflict and will continue to assess the effects on the financial position and operations of the Group.

Acquisition of Land Parcels in Japan

On 18 May 2023, the Company entered into the sale and purchase agreements (the "**Sale and Purchase Agreements**") with (i) LET to acquire the entire issued share capital of Modest Achieve Limited ("**Modest Achieve**"), together with its shareholder's loans, at a consideration of totally HK\$142.8 million; and (ii) Solid Impact Limited ("**Solid Impact**") to acquire the entire issued share capital of Joyful Award Limited ("**Joyful Award**"), together with its shareholder's loans, at a consideration of totally HK\$137.2 million. Modest Achieve directly and Joyful Award indirectly hold 51% and 49% interests in MSRD Corporation Limited respectively, a company incorporated in Japan and whose principal asset is a property comprising 28 adjoining land parcels with a total site area of approximately 108,799 square meters located in Nishihara, Aza Nikadori, Hirara, Miyakojima City, Okinawa Prefecture of Japan (the "**Land Parcels**"). The Sale and Purchase Agreements are inter-conditional upon each other, and the considerations were determined after arm's length negotiation among LET, Solid Impact and the Company by reference to the market value of the Land Parcels according to an independent valuation report.

LET is the controlling shareholder of the Company, interested in, directly and indirectly, an aggregate of approximately 69.66% of the Company's shares in issue, and therefore a connected person of the Company. Accordingly, the Sale and Purchase Agreements and the transactions contemplated thereunder constitute as connected transactions for the Company under the Listing Rules, and were approved at the special general meeting of the Company held on 14 July 2023. Upon completion of the Sale and Purchase Agreements, the Company owns 100% interest in the Land Parcels, which will be developed into a luxury hotel with seaside cabins. Details of these transactions are disclosed in the announcements of the Company dated 18 May 2023 and 14 July 2023 and the circular dated 28 June 2023.

Use of Proceeds

The Company raised net proceeds of approximately (1) HK\$297 million from the placing of shares of the Company (the “**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 31 December 2023 are set out as follows:

	Unutilised amount as at 1 January 2022 <i>HK\$ million</i>	Actual amount utilised for the year ended 31 December 2022 <i>HK\$ million</i>	Unutilised amount as at 31 December 2022 and 1 January 2023 <i>HK\$ million</i>	Change in use of proceeds approved on 14 July 2023 <i>HK\$ million</i> (Note 3)	Actual amount utilised for the year ended 31 December 2023 <i>HK\$ million</i>	Unutilised amount as at 31 December 2023 <i>HK\$ million</i>	Expected timeline of application of the unutilised amount
(1) The 2019 Placing: TdC Phase II, including but not limited to,							
Design	60.5	(2.5)	58.0	(58.0)	-	-	
Site surveying and preparation	85.8	(0.9)	84.9	(84.9)	-	-	
Tendering of consultants and subcontractors	150.0	-	150.0	(150.0)	-	-	
Sub-Total	296.3	(3.4)	292.9	(292.9)	-	-	
		(Note 1)					

	Unutilised amount as at 1 January 2022 <i>HK\$ million</i>	Actual amount utilised for the year ended 31 December 2022 <i>HK\$ million</i>	Unutilised amount as at 31 December 2022 and 1 January 2023 <i>HK\$ million</i>	Change in use of proceeds approved on 14 July 2023 <i>HK\$ million</i> (Note 3)	Actual amount utilised for the year ended 31 December 2023 <i>HK\$ million</i>	Unutilised amount as at 31 December 2023 <i>HK\$ million</i>	Expected timeline of application of the unutilised amount
(2) The Rights Issue: TdC Phase II, including but not limited to, Procurement of construction materials	186.4	-	186.4	(186.4)	-	-	
	186.4	-	186.4	(186.4)	-	-	
For general working capital of the Group, including but not limited to, Capital expenditures	8.9	(8.9)	-	-	-	-	
Repairs and maintenance	16.2	(9.0)	7.2	-	(7.2)	-	
Return of the refunded VAT	8.7	(8.7)	-	-	-	-	
	33.8	(26.6)	7.2	-	(7.2)	-	
Sub-Total	220.2	(26.6)	193.6	(186.4)	(7.2)	-	
		(Note 2)			(Note 2)		
The acquisitions of subsidiaries	-	-	-	280.0	(280.0)	-	
Designing, planning and funding in part the future development of the Land Parcels	-	-	-	125.0	-	125.0	By 31 December 2026
For general working capital or potential investment opportunities of the Group	-	-	-	74.3	(74.3)	-	
Sub-Total	-	-	-	479.3	(354.3)	125.0	
					(Note 3)		
Total	516.5	(30.3)	486.5	-	(361.5)	125.0	

Notes:

1. The actual amounts utilised in respect of the 2019 Placing had been applied as intended, which are set out in the paragraph headed “Reasons for the placing and use of proceeds” in the Company’s announcement dated 25 July 2019.
2. The actual amounts utilised in respect of the Rights Issue had been applied as intended, which are set out in the paragraphs headed “Use of proceeds” in the Company’s circular dated 14 August 2020, “Reasons for and benefits of the loan” in the Company’s circular dated 26 March 2021 and “Further change in use of part of the net proceeds from the rights issue” in the Company’s circular dated 26 October 2021.
3. On 27 January 2023, the Company entered into a revolving loan agreement with LET, pursuant to which the Company conditionally 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 and Joyful Award; (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.

Provision of Financial Assistance to a Fellow Subsidiary

Suntrust has obtained a term loan in principal amount of up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion) (the “**Loan Facility**”) from China Banking Corporation (the “**Lender**”) to partially finance the construction and development of a 5-Star hotel and casino complex located at Manila Bayshore Integrated City in Paranaque City, the Philippines (the “**Main Hotel Casino**”) by entering into a loan agreement dated 8 June 2023 as amended by an amendment agreement dated 26 July 2023 (collectively the “**Loan Agreement**”) for 8 years from the date of the first drawdown of PHP2.0 billion on 31 July 2023. Suntrust, Mr. Lo Kai Bong (Chairman and executive Director of the Company) and LET have provided surety and securities to the Lender as securities for the Loan Facility. It is one of the requirements of the Lender that Summit Ascent Investments Limited (“**SA Investments**”), a wholly-owned subsidiary of the Company, shall provide certain securities to the Lender for the Loan Facility, as follows:

(1) Subscription of New Convertible Bonds

On 1 June 2020, SA Investments, entered into a subscription agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2020 CB. The 2020 CB was issued by Suntrust to SA Investments on 30 December 2020. On 20 September 2021, SA Investments entered into another subscription agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2022 CB. The 2022 CB was issued by Suntrust to SA Investments on 10 June 2022.

The 2020 CB bears an interest rate of 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 (i.e. 30 December 2020) on the basis of a 365-day year. The 2022 CB bears an interest rate of 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 (i.e. 10 June 2022) on the basis of a 365-day year. Taking into account the financial situation, cash flow and capital expenditure needs, Suntrust has not paid to SA Investments (i) the second interest payment of PHP336.0 million due under the 2020 CB on 30 December 2022; and (ii) the first interest payment of PHP382.9 million due under the 2022 CB on 10 June 2023 (collectively the **“Payment Obligations”**). SA Investments has agreed in principle to restructure the Payment Obligations.

On 26 July 2023, SA Investments entered into a subscription agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the zero-coupon convertible bonds in the principal amount of up to PHP13.5 billion (equivalent to approximately HK\$1.93 billion) at an initial conversion price of PHP1.10 per share of Suntrust for an initial term of 8 years from the date of their issue extendable for a further term of 2 years (the **“New CB”**). SA Investments and Suntrust will enter into a set-off deed (the **“Set-Off Deed”**) and the subscription price of the New CB will be applied by Suntrust to redeem the 2020 CB and the 2022 CB by setting off against the outstanding principal amounts of the 2020 CB and the 2022 CB together with accrued interest thereon up to the completion date of the subscription of the New CB (the **“Indebted Amount”**), either (a) (if the subscription price is equal to or more than the Indebted Amount) in full; or (b) (if the subscription price is less than the Indebted Amount) in part to an amount equal to the subscription price with the amount of shortfall to be paid by Suntrust in cash.

Interest Waiver

Pursuant to the terms of the 2020 CB and the 2022 CB, the 2020 CB and the 2022 CB are subject to an overdue interest rate of 8.0% per annum from their respective interest due dates of 30 December 2022 and 10 June 2023 until settlement of the Payment Obligations. Based on arm's length negotiations between Suntrust and SA Investments, SA Investments agreed to calculate the accrued interest based on the non-overdue interest rate of 6.0% per annum, thereby waiving the extra 2.0% interest per annum under the overdue interest rate of the 2020 CB and the 2022 CB already accrued and to be accrued until the completion of the subscription of the New CB (the "**Interest Waiver**").

Conversion Condition and Redemption Condition of the New CB

Until repayment of at least 75% of the Loan Facility has been made, SA Investments shall not exercise any New CB conversion rights or agree to any amendment to the terms and conditions of the New CB.

All amounts due and payable under the New CB shall be subordinated to and shall rank junior in payment to the Loan Facility until full payment of the Loan Facility (the "**Redemption Condition**"). Either Suntrust or SA Investments is entitled to request for early redemption at any time after the first anniversary of the issue date of the New CB and expiring on the maturity date, subject to the Redemption Condition, at the outstanding principal amount and an amount that would make up an annual return on the New CB to be redeemed at 6% calculated from the issue date of the New CB up to the date of redemption. Unless previously redeemed, converted, purchased or cancelled, Suntrust shall redeem the New CB on its maturity date, subject to the Redemption Condition, at the outstanding principal amount up to the maturity date and an amount that would make up an annual return on the New CB to be redeemed at 6% calculated from the issue date of the New CB up to the maturity date.

(2) SA Loan Agreement

In pursuance of the Loan Agreement, Suntrust is required to maintain a credit balance of not less than US\$20 million (equivalent to approximately HK\$155 million) in a construction reserve account to be maintained in the name of a security trustee to the Lender to cover any cost over-runs of the construction of the Main Hotel Casino on or before 30 September 2023 (the "**CRA Reserve Requirement**"). On 26 July 2023, SA Investments as lender entered into a loan agreement with Suntrust (the "**SA Loan Agreement**"), pursuant to which, SA Investments will provide a loan facility of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust at an interest rate of 6.0% per annum, available for 10 years from the date of drawdown, for the sole purpose of Suntrust to fulfill the CRA Reserve Requirement.

(3) Finance Documents

Security Agreement

Under the security agreement executed by SA Investments (the “**Security Agreement**”), which was incorporated as part of the Loan Agreement, SA Investments (a) created a first charge and an assignment by way of security of (i) all present and future convertible bonds issued by Suntrust (the “**CBs**”, including without limitation, the 2020 CB, the 2022 CB, and the New CB); and (ii) all present and future agreements, contracts, documents or instruments entered into or to be entered into between Suntrust and SA Investments evidencing or relating to loans or advances by SA Investments to Suntrust (including without limitation, the SA Loan Agreement); (b) created a first charge over all shares of Suntrust owned or held or that in the future may be owned or held by SA Investments; and (c) undertook to provide additional funding to Suntrust to ensure timely completion of the Main Hotel Casino and timely fund the cost over-runs of the Main Hotel Casino project (the “**SA Project Support Undertaking**”).

Subordination Agreement

Under a subordination agreement dated 26 July 2023 executed by SA Investments (the “**Subordination Agreement**”), SA Investments has irrevocably subordinated any and all present and future indebtedness, liabilities or obligations of Suntrust, direct or indirect, contingent or non-contingent, owing to SA Investments under all advances and loans to Suntrust (including without limitation, the CBs and the SA Loan Agreement) to and ranking junior in payment to the Loan Facility.

Under and pursuant to the Subordination Agreement, SA Investments shall not demand, collect, accept and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable by the Suntrust to SA Investments under the SA Loan Agreement.

Supplemental Deed Polls

On 26 July 2023, the supplemental deed polls were executed by Suntrust and SA Investments (the “**Supplemental Deed Polls**”), pursuant to which the 2020 CB and the 2022 CB shall be revised by adding the following:

- (a) SA Investments agreed and undertook with the Lender (i) for as long as the Loan Facility remains outstanding, there shall be no conversion or amendment of the 2020 CB and the 2022 CB without the prior written consent of the Lender, provided that no such consent shall be needed if at least 75% of the Loan Facility has been repaid; (ii) the payment of principal, interest, and other amounts payable under any of the 2020 CB and the 2022 CB shall be subordinated to the Loan Facility, and any such payment shall only be made if it will not contravene the terms of the Loan Agreement; and (iii) any conversion, amendment, or payment in violation of any of the foregoing conditions shall be deemed void (collectively the “**Required CB Conditions**”).
- (b) In relation to each of the 2020 CB and the 2022 CB, SA Investments agreed to waive the right to declare an event of default under it on or before its maturity date to comply with the subordination under the Required CB Conditions.

Undertaking

On 26 July 2023, SA Investments executed an undertaking (the “**Undertaking**”) in favour of the Lender agreeing, committing and undertaking in favor of the Lender that (a) for so long as more than 25% of the Loan Facility remains outstanding, SA Investments shall seek and obtain the written consent of the Lender prior to exercising any conversion right that it may have under any or all of the 2020 CB and/or the 2022 CB; (b) for so long as any Loan Facility remains outstanding, SA Investments shall seek and obtain the written consent of the Lender prior to: (i) selling, assigning, transferring or otherwise disposing of any or all of the 2020 CB and/or the 2022 CB; (ii) creating or agreeing to create any lien on any or all of the 2020 CB and/or the 2022 CB; (iii) collecting, demanding and/or receiving from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under any or all of the 2020 CB and/or the 2022 CB; and/or (iv) declaring any event of default under any of the 2020 CB and/or the 2022 CB.

In any of the instances provided in (a) and (b) above, the Lender may grant, withhold or deny any consent sought by SA Investments at the sole and absolute discretion of the Lender without prejudice to the rights, interests, and liens of the Lender under the Loan Agreement, including those with respect to the 2020 CB and 2022 CB.

The Undertaking became effective upon initial drawdown by Suntrust under the Loan Agreement and will remain in force and effect until the Loan Facility is fully and indefeasibly paid or upon full redemption of the 2020 CB and the 2022 CB. Non-compliance by SA Investments with the Undertaking will constitute an event of default under the Loan Agreement.

(4) Indemnity by LET

By a deed of counter-indemnity dated 8 June 2023 executed by LET in favour of SA Investments, LET agrees to indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain when (a) the Lender makes any request or demand upon SA Investments for payment of any sum of money under or pursuant to any or all of the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls (collectively the “**Finance Documents**”) and/or the Undertaking and/or the Loan Agreement; or (b) the Lender enforces any or all of its rights and remedies against SA Investments under any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement; or (c) the Lender enforces any or all securities created under any or all the Finance Documents; or (d) SA Investments becomes liable to pay any sum of money under or pursuant to any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement to the Lender; or (e) they are arising from or as a consequence of any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement.

The Main Hotel Casino is still under construction and not yet in operation. Up to 30 June 2023, approximately US\$461.1 million has been paid for the Main Hotel Casino project by Suntrust, representing approximately 42% of the estimated total construction and development costs. The structural topping-off on Level 12 of the Main Hotel Casino was achieved and façade works were in progress. Podium is now in a water-tight condition for the commencement of interior fit-out works in the coming months. Suntrust is also starting the employee recruitment process for the Main Hotel Casino’s operations team. If SA Investments does not restructure the Payment Obligations with Suntrust, the Loan Facility would be adversely affected and Suntrust may not be able to secure adequate funding for the Main Hotel Casino. The New CB, the Interest Waiver, the Set Off Deed, and the SA Loan Agreement coupled with the Finance Documents will help substantially to secure the Loan Facility and resolve Suntrust’s financing needs allowing Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening. Given the positive prospect of the gaming industry in the Philippines, facilitating the completion and opening of the Main Hotel Casino is essential to the Group to secure a return on its investment in Suntrust.

The Loan Agreement, the New CB, the Interest Waiver, the Set-Off Deed, the SA Loan Agreement, SA Project Support Undertaking, and the Finance Documents constitute major and connected transactions for the Company and the provision of financial assistance under the Listing Rules, which are, among others, subject to the Company's independent shareholders' approval requirements at a special general meeting, and were approved in the special general meeting of the Company held on 13 September 2023. Details of these are disclosed in the Company's announcements dated 9 June 2023, 26 July 2023 and 13 September 2023, and the circular dated 24 August 2023.

OUTLOOK

Tigre de Cristal, the Group's integrated resort nestled near Vladivostok in the Russian Far East, has admirably sustained a robust domestic business operation and was still the key revenue generator of the Group. Tigre de Cristal superbly solidified its acumen in the industry as a well-loved Russians' integrated resort amid present economic ambiguity. With local business swinging towards an upward trajectory, the near-term outlook coming from its Russian locals for the resort appears steady.

Nonetheless, the drastic drop in the number of inbound tourist arrivals in the Russian Federation due to geopolitical tensions has been unprecedented and we have taken every action to mitigate the impact on the Group. From a risk management perspective, given uncertainties associated with the ongoing Russia-Ukraine conflict, compounded by Western countries' sanctions and the ban on Russian airspace, have impeded the free flow of funds. Thus it may not serve our shareholders' interests to continue deploying capital in building the TdC Phase II. During these challenging times, the Group has been pursuing all available options, as well as potentially looking for strategic local partners who might be able to bring value in operating the integrated resort.

Despite the political complications that have hindered our expansion plans for Tigre de Cristal, we remain committed to identifying and investing in flourishing markets within the hospitality and gaming industry. The Group has decided to diversify since 2020 and subscribed to the convertible bonds of Suntrust prudently by leveraging the investments made by our parent company, LET. Our engrained knowledge of the gaming sector naturally inclined our attention to seek one of the best and one of the most rapidly growing emerging gaming markets in Asia – the Philippines. More notably, the Philippines also serves as an international tourism market, attracting customers from diverse demographics such as South Koreans and Japanese, indicating its extensive market appeal. The recent announcement of the Group's restructuring of its financial assistance to Suntrust is a step towards that direction. It is aligned with our goal of eventually achieving higher potential ownership of Suntrust for capital appreciation while ensuring the significant amount of the convertible bonds already invested in the project is preserved as construction of the new integrated resort in Manila is building in progress.

Besides, the Group has just completed the acquisition of the land parcels in Miyakojima City, Okinawa Prefecture of Japan in July 2023 for developing into a luxury hotel with seaside cabins. As the Group has rich experience in building and operating five-star hotels such as Tigre de Cristal, there is strong potential synergy and cross selling opportunities for its integrated resort business. The acquisition is consistent with the Group's strategy to diversify its geographical presence in Asia and allocate the surplus capital towards investments that have the potential to generate the highest returns.

FINANCIAL REVIEW

Adjusted EBITDA of Tigre de Cristal

Adjusted EBITDA generated by Oriental Regent, a 77.5% owned subsidiary of the Company operating our integrated resort Tigre de Cristal in the Russian Far East, 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 losses on financial instruments.

In 2023, the Group recorded a positive Adjusted EBITDA of approximately HK\$131.5 million, compared to approximately HK\$105.1 million in 2022. This improvement was mainly attributable to the save in operating expenses of HK\$27.4 million during 2023, decreased by 10.0% on a year-on-year basis.

The following table sets forth a reconciliation of Adjusted EBITDA to the reported loss for the year attributable to owners of the Company as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023.

Reconciliation of Adjusted EBITDA to the loss for the year ended 31 December 2023 attributable to owners of the Company:

	2023 HK\$'000	2022 HK\$'000
Revenue from rolling chip business	(73)	–
Revenue from mass table business	171,992	168,689
Revenue from electronic gaming business	163,769	172,209
Net revenue from gaming operations	335,688	340,989
Revenue from hotel operations	33,439	31,408
Total revenue from gaming and hotel operations	369,127	372,306
Add: Other income	3,209	1,032
Less: Other gains and losses	(672)	(375)
Gaming tax	(5,913)	(3,616)
Inventories consumed	(17,079)	(16,021)
Marketing and promotion expenses	(9,487)	(17,156)
Employee benefits expenses	(112,510)	(125,220)
Other expenses	(95,130)	(105,812)
Total operating expenses	(240,791)	(268,200)
Adjusted EBITDA of Tigre de Cristal	131,545	105,138
Add: Management fee payable to the Company	10,153	10,282
Less: Company corporate expenses	(26,720)	(25,277)
	114,978	90,143
Add: Interest income from derivative financial instruments	101,543	78,102
Bank interest income	18,232	28,715
Interest income from long-term loan to a fellow subsidiary	2,697	–
Interest income from short-term loan to a fellow subsidiary	–	24,856
Less: Interest on lease liabilities	(634)	(799)
Income tax (expense)/credit	(195)	17,545
	236,621	238,562

	2023 HK\$'000	2022 HK\$'000
<i>Non-cash items:</i>		
Less: Impairment loss recognised on property, operating right and equipment	(483,107)	–
ECL for financial guarantee contracts	(304,834)	–
Fair value losses on derivative financial instruments	(169,022)	(141,912)
Depreciation and amortisation	(77,833)	(77,499)
Net exchange (losses)/gains	(39,064)	59,973
Imputed interest expenses	(7,188)	(12,433)
Loss on derecognition of financial asset	–	(35,747)
Share-based compensation benefits	–	(63)
	<hr/>	<hr/>
(Loss)/profit for the year of the Group	(844,427)	30,881
Less: Loss/(profit) for the year attributable to non-controlling interests	104,463	(19,034)
	<hr/>	<hr/>
(Loss)/profit for the year attributable to owners of the Company	<u>(739,964)</u>	<u>11,847</u>

Gaming Operations

Our Gross Gaming Revenue (“GGR”) increased by 43% in 2023 on a year-on-year basis, 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:

	2023 HK\$'000	Share of GGR %	2022 HK\$'000	Share of GGR %
Rolling chip business	(198)	0.0%	–	0.0%
Mass table business	231,217	56.7%	219,977	54.7%
Electronic gaming business	176,943	43.3%	181,930	45.3%
Total GGR	<u>407,962</u>	<u>100.0%</u>	<u>286,101</u>	<u>100.0%</u>

Rolling chip business

Our rolling chip business primarily targets foreign players. Due to the ban on Russian air space, rolling chip business resumed modestly in the second quarter of 2023. The table below sets forth the key performance indicators of our rolling chip business in 2023 on a quarterly basis.

(HK\$ million)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	2022
Rolling chip volume	–	7.3	–	2.5	9.8	–
Gross loss	–	(0.2)	–	(0.0)	(0.2)	–
Add: Rebate	–	0.1	–	0.0	0.1	–
Net loss after rebate	–	(0.1)	–	(0.0)	(0.1)	–
Gross loss rate %	–	(2.33)%	–	(1.08)%	(2.01)%	–
Daily average number of tables opened	–	1	–	1	1	–

Rolling chip volume (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal was approximately HK\$9.8 million in 2023. Net loss after all commission rebated directly or indirectly to customers from rolling chip business was approximately HK\$0.1 million in 2023. Gross loss percentage (represented the ratio of gross loss to rolling chip volume) was 2.01% in the 2023.

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 2023 on a quarterly basis.

<i>(HK\$ million)</i>	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	2022
Mass table drop	178	207	239	284	908	723
Net win	39	38	43	52	172	169
Net win rate %	21.9%	18.4%	18.0%	18.3%	18.9%	23.4%
Daily average number of tables opened	27	28	27	28	27	24

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased by 26% to approximately HK\$908 million in 2023, compared to approximately HK\$723 million in 2022. Net win from mass table business increased by 2% to approximately HK\$172 million in 2023, compared to approximately HK\$169 million in 2022. Net win rate percentage (represented net win as a percent of mass table drop) decreased to 18.9% in 2023 from 23.4% in 2022.

Electronic gaming business

Our electronic gaming business primarily targets the local Russian market. The table below sets forth the key performance indicators in 2023 on a quarterly basis.

<i>(HK\$ million)</i>	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	2022
Electronic gaming volume	1,250	1,168	1,054	1,179	4,651	4,836
Net win	45	45	35	39	164	172
Net win rate %	3.6%	3.9%	3.3%	3.3%	3.5%	3.6%
Daily average number gaming machines deployed	307	307	312	295	307	309

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$4,651 million in 2023, a decrease of 4% compared to approximately HK\$4,836 million in 2022. The electronic gaming business recorded net win of approximately HK\$164 million, down 5% compared to approximately HK\$172 million in 2022. The net win rate percentage decreased to 3.5% in 2023 from 3.6% in 2022. The average number of electronic gaming machines deployed decreased to 307 in 2023, compared to 309 in 2022.

Hotel Operations

Revenue from hotel operations, including food and beverage income, increased to approximately HK\$33.4 million in 2023 or by 6% on a year-on-year basis, 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 73% (2022: 61%) during weekends and 42% (2022: 30%) during weekdays in 2023.

Operating Expenses

The Group continued to maintain stringent cost controls during the year. Total operating expenses incurred by Tiger de Cristal were approximately HK\$240.8 million in 2023, decreased by 10% compared to approximately HK\$268.2 million in 2022.

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

Company corporate expenses mainly consisted of staff costs, audit 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 approximately HK\$101.5 million, being two convertible bonds issued by Suntrust, and interest income from the long-term loan to a fellow subsidiary, Suntrust, of approximately HK\$2.7 million in 2023 (2022: approximately HK\$78.1 million and nil respectively), all of which generating interest at 6% per annum.

Bank interest income decreased by 37% to approximately HK\$18.2 million in 2023 compared to approximately HK\$28.7 million in 2022. In response to the economy sanctions resulting from the Russia-Ukraine conflict, the Bank of Russia its key rate to 20% per annum in 2022, which was gradually reversed back to 7.5% per annum in the first half of 2023 and increased subsequently to 16% per annum at the end of 2023.

ECL for financial guarantee contracts

The financial guarantee contracts provided to Suntrust under the Suntrust Loan Agreement were recognised at fair value in the consolidated financial statements as of 31 December 2023. As of 31 December 2023, the aggregate carrying amount of the Group's assets, including the Long-term Loan to a fellow subsidiary (Note 14) and derivative financial instruments (Note 15), pledged to a bank for banking facilities granted to Suntrust was approximately HK\$1,602.9 million (2022: nil), while the corresponding banking facilities utilised by Suntrust were approximately HK\$1,214 million (2022: nil).

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.

During the year ended 31 December 2023, ECL for financial guarantee contracts amounting to approximately HK\$304.8 million (2022: nil) was recognised.

Impairment loss recognised on property, operating right and equipment

An impairment loss of approximately HK\$483.1 million was recognised for the year ended 31 December 2023 (2022: Nil) after the reassessment of the fair values of the Group's property, operating right and equipment in relation to Tigre de Cristal and the changes in cash flow expectations.

Depreciation and amortisation

Depreciation and amortisation expenses consisted of depreciation charges on property, operating right and equipment, and amortisation of intangible assets. Depreciation and amortisation of the Group remained at the same level of approximately HK\$77.8 million in 2023, compared to approximately HK\$77.5 million in 2022.

Fair Value Losses 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 year, 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 2023 (2022: equity allocation method). The discount rate is the key input parameter for determining the fair values of the convertible bonds issued by Suntrust. The Company recorded net fair value loss of approximately HK\$169.0 million for 2023 (2022: approximately HK\$142.0 million).

Loss on Derecognition of Financial Asset

The completion of the subscription of the 2022 CB took place on 10 June 2022, and the Loan together with the accrued and unpaid interest to the extent of approximately US\$120.9 million was set-off against the subscription amount. A fair value loss of approximately HK\$35.7 million was recognised by the Company upon derecognition of the Loan as financial asset based on a fair value reassessment by an independent and professional valuer.

Finance Costs

The Group had no outstanding bank borrowing throughout the years ended 31 December 2023 and 2022. 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 repayments of loans from non-controlling shareholders.

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 2022 and 2021, the monthly rates per gaming table and per gaming machine applicable to the Group were Russian ruble (“**RUB**”)125,000 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 RUB50,000 per gaming table and RUB3,000 per electronic gaming machine from June 2021 to December 2022; slightly increased 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)/Credit

No provision for taxation in Hong Kong has been made as the Group has no assessable profit in 2023 and 2022. As at 31 December 2023, the Group had unused tax losses of approximately HK\$18.4 million (31 December 2022: approximately HK\$35.1 million) available under Hong Kong Profits Tax for offset against future profits.

No provision for taxation in Japan has been made as the Group has no assessable profit in 2023. As at 31 December 2023, the Group had unused tax losses of approximately HK\$15.8 million (31 December 2022: nil) available under Japanese corporate tax for offset against future profits.

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. As for non-gaming revenues, the Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%. As at 31 December 2023, the Group had unused tax losses of approximately HK\$523.7 million (31 December 2022: approximately HK\$603.4 million) available under the Russian corporate tax and all losses may be carried forward indefinitely. The Group believes that these unrecognised tax losses are adequate to offset any adjustments related to uncertain tax matters that might be proposed by the Russian tax authorities.

(Loss)/profit Attributable to Owners of the Company

Loss attributable to owners of the Company was approximately HK\$740.0 million in 2023, compared to a profit of approximately HK\$11.8 million in 2022.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: nil).

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 approximately HK\$2,438.3 million as at 31 December 2023 (31 December 2022: approximately HK\$3,180.4 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 year ended 31 December 2023 (31 December 2022: Nil). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was zero percent as at 31 December 2023 (31 December 2022: 0%).

The Group had unsecured, unguaranteed and non-interest bearing loans from non-controlling shareholders of Oriental Regent with a principal amount of approximately US\$2.5 million as at 31 December 2023 (31 December 2022: approximately US\$22.4 million).

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

The Group remains conservative in its working capital management. As at 31 December 2023, net current assets of the Group were approximately HK\$171.8 million (31 December 2022: approximately HK\$901.7 million) and the current ratio (represented a comparison of current assets to current liabilities) was 1.4, compared to 17.3 as at 31 December 2022. Cash and cash equivalents were approximately HK\$339.5 million at 31 December 2023 (31 December 2022: approximately HK\$831.9 million), comprised 3.5% in HK\$, 66.8% in RUB, 8.9% in US\$, 20.7% in renminbi (RMB) and 0.1% in japanese yen (JPY). The majority of our cash equivalents at 31 December 2023 was in fixed deposits with a maturity of three months or less generally.

The following table sets forth a summary of the Group's cash flows in 2023 and 2022:

	2023 HK\$'000	2022 HK\$'000
Net cash generated from operating activities	86,068	85,825
Net cash generated (used in)/from investing activities	(437,987)	106,575
Net cash used in financing activities	(89,905)	(24,701)
Net (decrease)/increase in cash and cash equivalents	(441,824)	167,699
Cash and cash equivalents at the beginning of the year	831,861	606,575
Effect of foreign exchange rate changes	(50,571)	57,587
Cash and cash equivalents at the end of the year	<u>339,466</u>	<u>831,861</u>

Net cash generated from operating activities of approximately HK\$86.1 million in 2023 and approximately HK\$85.8 million in 2022 represented the positive cash inflows generated from the operations of Tigre de Cristal.

Net cash used in investing activities of approximately HK\$438.0 million in 2023 was mainly attributable to (i) the net cash outflow arising from the acquisitions of Modest Achieve and Joyful Award of approximately HK\$281.6 million; (ii) long-term loan of US\$20 million (equivalent to approximately HK\$156.6 million) advanced to Suntrust and net off with (iii) the interest income received from banks of HK\$18.2 million. Net cash generated from investing activities of HK\$106.6 million in 2022 was mainly attributable to (i) the one-off remaining balance of the Indebted Amount of approximately US\$6.8 million (equivalent to approximately HK\$53.3 million) paid by Suntrust after the subscription of the 2022 CB, (ii) the interest income received from the convertible bonds issued by Suntrust of approximately HK\$41.0 million, which is payable yearly in arrears, and (iii) the interest income received from banks of HK\$28.7 million.

Net cash used in financing activities of approximately HK\$89.9 million in 2023 mainly represented the repayments of loans from non-controlling shareholders of Oriental Regent of approximately HK\$83.8 million (2022: HK\$17.5 million) and the repayment of lease liabilities of approximately HK\$5.9 million ((2022: HK\$7.2 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.

On 27 January 2023, the Company, as lender, entered into a revolving loan agreement (the “**Revolving Loan Agreement**”) with LET, as borrower, pursuant to which the Company conditionally agreed to grant the Revolving Loan to LET and LET should pay an arrangement fee of HK\$10,000,000 to the Company under the terms of the Revolving Loan Agreement. On 10 May 2023, the Company and LET mutually agreed to terminate the Revolving Loan Agreement and entered into a deed of termination to terminate the Revolving Loan Agreement and to release and discharge their respective obligations and liabilities under the Revolving Loan Agreement with immediate effect. Further details of the Revolving Loan were disclosed in the joint announcements of the Company and the LET dated 27 January 2023 and 10 May 2023.

Charge on Assets

The long-term loan to a fellow subsidiary and derivative financial instruments were pledged to a bank as at 31 December 2023.

None of the Group’s assets were pledged or otherwise encumbered as at 31 December 2023 and 2022.

Exposure to Fluctuations in Exchange Rates

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

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

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

Capital Commitment

The Group's capital commitment as at 31 December 2023 amounted to approximately HK\$392,000 for maintenance, improvement and refurbishment works of Tigre de Cristal (31 December 2022: approximately HK\$12,637,000).

Contingent Liabilities

There were no contingent liabilities as at 31 December 2023 and 2022.

Employees

As at 31 December 2023, total number of employees employed by the Group was 971 (31 December 2022: 996). 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.

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\$52,000) 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.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 8 August 2025. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 5 August 2025 to Friday, 8 August 2025 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 August 2025.

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

During the year ended 31 December 2023, 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 31 December 2023, the Company did not hold any Treasury Shares.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code set out in Part 2 of Appendix C1 to the Listing Rules of Hong Kong Stock Exchange throughout the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted its own code for dealing in the Company’s securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the “**Code of Securities Dealings**”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”). We have received confirmation from all Directors that they have complied with the required standards set out in the Mode Code and the Code of Securities Dealings throughout the year ended 31 December 2023.

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 Group’s annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group’s financial reporting process; and (iii) to oversee the Group’s risk management and internal control systems.

The Group’s annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee and audited by the independent auditor of the Group, Crowe (HK) CPA Limited.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

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

This announcement is published on the Company's website (<http://www.saholdings.com.hk>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The 2023 annual report will be despatched to the shareholders of the Company and have been made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the Company's executive Directors are Mr. Lo Kai Bong (Chairman), and Mr. Lam Hung Tuan, the non-executive Director is Mr. Chang Heng Kit, and the independent non-executive Directors are Mr. Lau Yau Cheung, Mr. Li Chak Hung and Ms. Ng Shin Kwan Christine.

CONTINUED SUSPENSION OF TRADING

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.

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

Hong Kong, 10 July 2025