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SUMMIT ASCENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.saholdings.com.hk

(Stock Code: 102)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

The board of directors (the “Board”) of Summit Ascent Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2016, together with comparative figures for the corresponding period in 2015 as follows:

HIGHLIGHTS

- Net profit for the six-month period ended 30 June 2016 amounts to HK\$1.7 million, as compared to a loss of HK\$43.8 million in the corresponding period in 2015.
- Following certain amendments to the Investment Agreement, the results of our gaming and resort operations in the Russian Federation have been consolidated, instead of being equity accounted for, in the financial statements of the Group from 14 April 2016.
- Continuous efforts have been made by Management to ramp up Tigre de Cristal, the first casino resort operated by the Group in the Russian Federation. Oriental Regent Limited generated an Adjusted EBITDA of HK\$35.2 million for the six-month period ended 30 June 2016.
- The main contribution to the profitability of Tigre de Cristal comes from the rolling chip business, which targets VIP customers from Northeast Asia.
- Rolling chip turnover has been increasing on a month-on-month basis since its inception in November 2015. Monthly rolling chip turnover increased from HK\$258.0 million in November 2015 to HK\$2.0 billion in July 2016 and HK\$2.2 billion in August 2016 respectively. This validates the key aspect of our investment thesis – that the Primorsky Krai Integrated Entertainment Zone is the ideal location to capture the drastically underserved gaming demand from Northeast Asia.
- Based on the latest available management information, it is expected that the operating results of Tigre de Cristal in the second half of this year will be better than those in the first half.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six-month period ended 30 June 2016

		Six-month period ended 30 June	
	<i>NOTES</i>	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited) (Restated)
Continuing operations			
Revenue from gaming and hotel operations	4	79,152	–
Other income	5	15,943	21,991
Gaming tax and special levies		(3,107)	–
Inventories consumed		(1,864)	–
Marketing and promotion expenses		(4,905)	–
Employee benefits expenses		(42,181)	(27,843)
Depreciation and amortisation		(23,723)	(68)
Other expenses		(17,030)	(5,357)
Gain on deemed disposal of interest in a joint venture	15(i)	20,180	–
Finance costs		(6,328)	–
Share of losses of joint ventures		(17,028)	(30,613)
Loss before taxation		(891)	(41,890)
Income tax	7	–	–
Loss for the period from continuing operations	8	(891)	(41,890)
Discontinued operations			
Profit (loss) for the period from discontinued operations	9	2,607	(1,873)
Profit (loss) for the period		1,716	(43,763)
Other comprehensive income			
Share of exchange differences of a joint venture, which may be reclassified subsequently to profit or loss		–	10,201
Total comprehensive income (expense) for the period		1,716	(33,562)

		Six-month period ended 30 June	
		2016	2015
	<i>NOTE</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited) (Restated)
Profit (loss) for the period attributable to owners of the Company			
– from continuing operations		3,648	(41,890)
– from discontinued operations		2,607	(1,873)
		<hr/>	<hr/>
Profit (loss) for the period attributable to owners of the Company		6,255	(43,763)
		<hr/>	<hr/>
Loss for the period attributable to non-controlling interests			
– from continuing operations		(4,539)	–
– from discontinued operations		–	–
		<hr/>	<hr/>
Loss for the period attributable to non-controlling interests		(4,539)	–
		<hr/>	<hr/>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		6,255	(33,562)
Non-controlling interests		(4,539)	–
		<hr/>	<hr/>
		1,716	(33,562)
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings (loss) per share	11		
From continuing and discontinued operations			
Basis		0.42	(2.99)
		<hr/> <hr/>	<hr/> <hr/>
Diluted		0.42	(2.99)
		<hr/> <hr/>	<hr/> <hr/>
From continuing operations			
Basis		0.25	(2.86)
		<hr/> <hr/>	<hr/> <hr/>
Diluted		0.24	(2.86)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

		As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, operating right and equipment		1,540,831	280
Long-term prepayments		13,533	–
Goodwill	15	116,853	–
Intangible assets		187	–
Interests in a joint venture	15	655	324,404
Loans to a joint venture	15	1,486	385,049
		1,673,545	709,733
Current assets			
Inventories		3,731	17
Trade and other receivables	12	31,072	1,443
Amounts due from joint ventures		–	2,241
Amount due from a related party		15,782	–
Bank balances and cash		221,569	130,276
		272,154	133,977
Current liabilities			
Trade and other payables	13	86,704	5,467
Amounts due to related parties		660	–
Obligations under finance leases – due within one year		996	–
		88,360	5,467
Net current assets		183,794	128,510
Total assets less current liabilities		1,857,339	838,243

		As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary		270,490	–
Provision for value-added tax arrangements		21,432	–
Long-term payable		5,255	–
Obligations under finance leases – due after one year		1,669	–
		<u>298,846</u>	<u>–</u>
Net assets		<u>1,558,493</u>	<u>838,243</u>
Capital and reserves			
Share capital	14	37,137	37,137
Reserves		1,157,355	801,106
Equity attributable to owners of the Company		1,194,492	838,243
Non-controlling interests		364,001	–
Total equity		<u>1,558,493</u>	<u>838,243</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The unaudited condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards (“HKFRS”) financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2015.

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

On 14 March 2016, the Company disposed of the entire equity interest in a subsidiary which carried out most of the Group’s trading of tiles and engineering operations products business and accordingly, such business was discontinued thereafter during the period (see note 9).

On 14 April 2016, the Investment Agreement (as defined in note 15) of Oriental Regent Limited (“Oriental Regent”), previously a joint venture of the Group, was amended. Oriental Regent together with its wholly-owned subsidiary, G1 Entertainment Limited Liability Company (“G1 Entertainment”), are engaged in the development and operation of a gaming and resort project in the Primorye Region of the Russian Federation (“Primorye Gaming Project”). As a result of the amendments to the Investment Agreement and the additional rights to appoint two extra directors to the board of Oriental Regent by the Group, the Group has obtained control of Oriental Regent which has become a subsidiary of the Group. This acquisition has been accounted for using the acquisition method and the details are set out in note 15.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The directors of the Company anticipate that the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group applied the following new accounting policies in the current interim period subsequent to the acquisition of Oriental Regent (See details in note 15).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property and equipment

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

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such property and equipment are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as property assets, commences when the assets are ready for their intended use.

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

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

Revenue recognition

Casino revenues are measured by the aggregate net difference between gaming wins and losses less accruals for the anticipated payouts of progressive slot jackpots, with liabilities recognised for chips in the customers' possession. Revenues are recognised net of certain sales incentives and points earned in customer royalty programs.

Revenue from hotel operations is recognised when services are performed.

Gaming tax and special levies

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

Leasing

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Revenue from gaming and hotel operations:		
– Casino revenue	74,693	–
– Rooms revenue	2,934	–
– Food and beverage revenue	1,525	–
	<hr/>	<hr/>
	79,152	–
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME

	Six-month period ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Continuing operations		
Bank interest income	277	339
Imputed interest income on loans to joint ventures	12,678	19,633
Others	2,988	2,019
	<u>15,943</u>	<u>21,991</u>

6. SEGMENT INFORMATION

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

The Group's operating and reportable segments in prior financial period under HKFRS 8 *Operating Segments* were as follows:

- (a) Trading of tiles and engineering operations products.
- (b) Gaming and hotel operations.

After the disposal of the subsidiaries as described in note 9, the tiles and engineering operations product business were discontinued.

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

During the current period, all revenue from the continuing operation is derived from customers patronising in the Group's property located in the Russian Federation.

7. INCOME TAX

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for taxation in Hong Kong has been made as the Group has no estimated assessable profit for both periods.

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for the period. No Russian corporation tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation and no Russian corporation tax has been made as the Group has no assessable profit for the period.

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

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six-month period ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Loss for the period from continuing operations has been arrived at after charging:		
Directors' remunerations	369	318
Share-based compensation benefits to directors	7,545	18,556
Salaries, wages, bonus and other benefits	28,597	5,511
Contributions to retirement benefits schemes, excluding directors	5,670	75
Share-based compensation benefits excluding directors and consultants	–	3,383
Total employee benefits expenses (including directors' emoluments)	42,181	27,843
Minimum lease payments under operating leases	1,151	845
Share-based compensation benefits to consultants	165	1,633
Exchange gains or losses, net	1,548	–

9. DISCONTINUED OPERATIONS

On 14 March 2016, the Company entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which the Company has conditionally agreed to dispose of the entire equity interest in Easy Market Trading Limited (“Easy Market”) for a cash consideration of HK\$200,000 (the “Disposal”). Completion of the sale and purchase of Easy Market under the Sale and Purchase Agreement took place on 14 March 2016 on which date control of Easy Market was passed to the acquirer. Easy Market is the owner of the entire issued share capital of Arnhold Trading Limited (“Arnhold Trading”) which carried out majority of the Group’s trading of tiles and engineering operations products business. After the completion of the Disposal, Easy Market and Arnhold Trading ceased to be subsidiaries of the Company and the assets, liabilities and financial results of Easy Market and Arnhold Trading are no longer consolidated in the consolidated financial statements of the Group. Details of the Disposal of the trading of tiles and engineering operations products business are set out in the announcement of the Company dated 14 March 2016.

The results from the discontinued trading of tiles and engineering operations products business for the current and proceeding interim periods are analysed as follows. The comparable figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the trading of tiles and engineering operations products business as discontinued operations.

	Six-month period ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss of trading of tiles and engineering operations products business for the period	(4)	(1,873)
Gain on disposal of trading of tiles and engineering operations products business	2,611	–
	2,607	(1,873)

Analysis of loss for the period from discontinued operations

The results of the discontinued operations for the period from 1 January 2016 to 14 March 2016, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 January to 14 March 2016	Six-month period ended 30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	29	18,568
Changes in inventories	(22)	(18,327)
Employee benefits expenses	–	(1,582)
Operating lease rental expense	–	(376)
Other expenses	(11)	(156)
	<hr/>	<hr/>
Loss before taxation	(4)	(1,873)
Income tax	–	–
	<hr/>	<hr/>
Loss for the period from discontinued operations	(4)	(1,873)
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Loss for the period from discontinued operations include the following:

	1 January to 14 March 2016	Six-month period ended 30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, wages, bonus and other benefits	–	1,510
Contributions to retirement benefits schemes	–	72
	<hr/>	<hr/>
Total employee benefits expenses	–	1,582
Changes in inventories	22	18,327
Write-back of provision of stock obsolescence	–	(11)
	<hr/> <hr/>	<hr/> <hr/>

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2016, nor has any dividend been proposed since the end of the reporting period (six-month period ended 30 June 2015: Nil).

11. EARNINGS (LOSS) PER SHARE

For continuing and discounted operations

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

	Six-month period ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	<u>6,255</u>	<u>(43,763)</u>
	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	1,485,496	1,465,103
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>3,498</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,488,994</u>	<u>1,465,103</u>

The computation of diluted loss per share for the six-month period ended 30 June 2015 did not assume exercise of share options since their exercise would result in a decrease in loss per share.

From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six-month period ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Profit (loss) for the period attributable to owners of the Company	6,255	(43,763)
Less: Profit (loss) for the period from discontinued operations	<u>2,607</u>	<u>(1,873)</u>
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	<u>3,648</u>	<u>(41,890)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operations

For the six-month period ended 30 June 2016, basic and diluted earnings per share for the discontinued operations is HK0.18 cent per share (six-month period ended 30 June 2015: loss HK0.13 cent per share), based on the profit for the period from discontinued operations attributable to owners of the Company of approximately HK\$2,607,000 (2015: loss of HK\$1,873,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade receivables	9,020	27
Prepayments to services providers	4,070	–
VAT receivables	5,026	–
Customs' deposit for import purchase	6,197	–
Other receivables, deposits and prepayments	6,759	1,416
	<u>31,072</u>	<u>1,443</u>

Trade receivables for the current period represent outstanding amounts pending settlements by patrons which are unsecured, non-interest bearing and repayable on demand. The Group extends short-term temporary credit to approved casino patrons following background checks and credit risk assessments of these patrons. The amount has been fully settled subsequent to end of the reporting period.

In prior year, the Group allowed an average credit period of 30 to 90 days to its trade customers. All of the Group's trade receivables as at 31 December 2015 were within their credit terms with no default history and neither past due nor impaired.

The following is an aging analysis of trade receivables presented based on the revenue recognition date and/or invoice date at the end of the reporting period:

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Within 30 days	9,020	20
31 – 90 days	–	7
	<u>9,020</u>	<u>27</u>

13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Trade payables	740	320
Payables for purchase of property and equipment and construction costs	58,870	–
Gaming taxes payables	1,238	–
Current portion of payable in respect of transfer of connection right to local electricity supply network	6,164	–
Accruals and other payables	15,440	3,222
Outstanding gaming chips	1,587	–
Provision for VAT arrangements	2,381	–
Deposits received from customers	284	1,925
	<u>86,704</u>	<u>5,467</u>

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

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Within 30 days	740	–
31 – 90 days	–	4
over 90 days	–	316
	<u>740</u>	<u>320</u>

The average credit period on purchases of goods ranged from 30 to 90 days.

14. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.025 each		
<u>Authorised:</u>		
At 1 January 2015 (Audited), 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	3,200,000,000	80,000
<u>Issued and fully paid:</u>		
At 1 January 2015 (Audited)	1,463,113,836	36,578
Exercise of share options	22,382,000	559
At 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	1,485,495,836	37,137

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

15. ACQUISITION OF SUBSIDIARIES

On 14 April 2016, the Group, Oriental Regent and the other shareholders of Oriental Regent entered into an amendment agreement (“Amendment Agreement”) to the investment and shareholders’ agreements of Oriental Regent dated 23 August 2013 (“Investment Agreement”), as amended, pursuant to which the shareholders of Oriental Regent have agreed to amend the Investment Agreement as follows:

- (a) The number of directors on the board of Oriental Regent is increased from 5 to 7.
- (b) The Group is entitled to increase board seats by appointing 4 out of 7 directors on the board of Oriental Regent, while the rights for the other two shareholders to appoint 1 director and 2 directors, respectively, remained unchanged.
- (c) Certain reserved matters relating to relevant activities of Oriental Regent affecting the Group’s variable return from Oriental Regent for which the unanimous written approval of all the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent is required, are deleted or amended.

The Amendment Agreement was entered into as the shareholders of Oriental Regent believe that the board composition of Oriental Regent should accurately reflect the respective shareholdings and economic interests of the shareholders in Oriental Regent and having seen the Company has successfully managed the Primorye Gaming Project, the other shareholders of Oriental Regent consider that it would be beneficial to all Oriental Regent shareholders, and would improve operational efficiency, for the Company to have the control and flexibility to manage the project.

As a result of the above changes effected under the Amendment Agreement and following the appointment of two additional directors by the Group to the board of Oriental Regent which is the body delegated with the power to make decisions on relevant activities affecting variable returns, the Group obtained control over Oriental Regent which has become a subsidiary of the Group. This acquisition has been accounted for as a business combination using acquisition accounting.

As the business combination is achieved without transfer of consideration from the Group, therefore, the consideration transferred for the purpose of purchase price allocation is deemed as the acquisition-date fair value of the Group's previously held equity interest in Oriental Regent.

Further, the loan to Oriental Regent amounting to approximately HK\$396,242,000 at the date of business combination of Oriental Regent on 14 April 2016 was eliminated at consolidation.

As of the date of approval of these condensed consolidated financial statements, the process of allocating the deemed purchase price for the acquisition of Oriental Regent was still on-going by the directors of the Company with the assistance of an independent professional valuation firm. The preliminary purchase price allocation as set out below is also based on preliminary appraisals and other estimates by management and is subject to change, pending finalisation of the valuation of the assets acquired and liabilities assumed. The difference between the deemed purchase price and the value of the assets acquired and the liabilities assumed of approximately HK\$116,853,000 was provisionally recognised as goodwill.

Assets acquired and liabilities recognised at the date of acquisition (determining on a provisional basis)

	<i>HK\$'000</i>
Inventories	4,840
Trade and other receivables	55,626
Amounts due from related parties	15,782
Other intangible assets	198
Bank balances and cash	82,470
Property, operating right and equipment	1,556,454
Long-term prepayments	13,222
Trade and other payables	(113,286)
Amount due to a related party	(640)
Obligations under finance leases	(2,699)
Loans from shareholders	(264,161)
Long-term payables	(4,732)
Provision for VAT arrangements	(21,432)
	<u>1,321,642</u>

Goodwill arising on acquisition (determined on a provisional basis)

	<i>HK\$'000</i>
Interest in a joint venture	
– Previously held interest before the acquisition (<i>note i</i>)	1,069,955
Non-controlling interest (<i>note ii</i>)	368,540
Less: fair value of identifiable net assets acquired (100%)	<u>(1,321,642)</u>
Goodwill arising from acquisition (<i>note iii</i>)	<u>116,853</u>

Notes:

- (i) As the business combination is achieved without the transfer of consideration, the Group uses the acquisition-date fair value of its interest in Oriental Regent as the acquisition-date fair value of the consideration transferred for purchase price allocation and determination of goodwill. The net difference between the fair value and the Group's carrying amount of its equity interest in Oriental Regent before the business combination of approximately HK\$362,464,000 together with the translation reserve of approximately HK\$342,284,000 that was previously recognised in other comprehensive income are recognised in the profit or loss as a gain on deemed disposal of the previously held interest in Oriental Regent as a joint venture of approximately HK\$20,180,000.
- (ii) The non-controlling interest (40%) in Oriental Regent recognised at the acquisition date was measured at the non-controlling interest's proportion of the recognised amounts of net assets of Oriental Regent amounting to approximately HK\$368,540,000.
- (iii) Goodwill arose on the acquisition of Oriental Regent because the acquisition included the assembled workforce of Oriental Regent and some potential arrangements which are still under negotiation with prospective agents in respect to its rolling chip business as at the date of acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

16. EVENT AFTER THE REPORTING PERIOD

On 12 August 2016, the Company entered into a non-legally binding memorandum of understanding with Kangwon Land ("KWL") in respect of the potential areas of cooperation and strategic partnership including training exchange program, mutual marketing program and phase 2 development of the Primorye Gaming Project. KWL is the operator of the largest integrated resort "High1 Resort" in the Republic of Korea. High1 Resort is the only casino in which Korean nationals are allowed to engage in gaming activities in the Republic of Korea.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Restructuring

Discontinued operations – Trading of tiles and engineering operations products

On 14 March 2016, the Company disposed of the entire equity interest in a subsidiary which was engaged in the trading of tiles and engineering operations products for a cash consideration of HK\$200,000. Having regard to the increasingly challenging business environment in the construction sector and the lack of scale of the Group's trading of tiles and engineering operations products business, we consider that it would be in the best interests of the Company to focus our time and resources on the development of the Group's gaming and hotel operations business.

Consolidation of the gaming and hotel operations for financial reporting purposes

On 14 April 2016, the shareholders of Oriental Regent Limited ("Oriental Regent"), a 60% owned subsidiary of the Group, entered into an amendment agreement to amend certain terms of the shareholders' agreement pursuant to which the Group has obtained additional rights to appoint two extra directors and certain reserved matters for which unanimous written approval of all the members of the board of the Oriental Regent Group are required have been deleted or amended.

As a result of the amendments referred to above, Oriental Regent is no longer accounted for as a joint venture for financial reporting purposes and its results are consolidated, instead of being equity accounted for, in the financial statements of the Group from 14 April 2016.

Event after the Reporting Period

Memorandum of Understanding with respect to potential areas of cooperation and strategic partnership with Kangwon Land

On 12 August 2016, the Company entered into a non-legally binding Memorandum of Understanding with Kangwon Land ("KWL") in respect of certain potential areas of co-operation and strategic partnership including exchange training programs, mutual marketing programs and potential joint venture investment in Phase 2 development of the Primorye Gaming Project. KWL is the operator of the largest integrated resort "High1 Resort" in the Republic of Korea. High1 Resort is the only casino in which Korean nationals are allowed to engage in gaming activities in the Republic of Korea.

Business and Financial Review

The Group's gaming and hotel operations are conducted through its 60% equity interest in Oriental Regent. The Group also derives a management fee income calculated at 3% of the total gaming revenue generated by G1 Entertainment Limited Liability Company ("G1 Entertainment").

Oriental Regent is an investment holding company, which holds the entire equity interest in G1 Entertainment. G1 Entertainment holds a gaming license awarded by the Administration of the Primorye Region to conduct gaming activities in the Integrated Entertainment Zone ("IEZ") of the Primorye Region of the Russian Federation.

G1 Entertainment holds development rights on two parcels of land in the Primorsky Krai IEZ, namely, Lot 9 and Lot 10. The first casino hotel, trading as Tigre de Cristal, is built on Lot 9 and staged its test launch on 8 October 2015 and officially opened on 11 November 2015. We expect to commence construction on our Phase 2 project on Lot 10 in the second half of 2017, and open the first stage of our Phase 2 for operations in the first half of 2019.

Operation of Tigre de Cristal

Tigre de Cristal, the international standard casino and resort operated by G1 Entertainment, has continued to ramp up its business and has seen month-on-month improvements in most operational aspects. Tigre de Cristal is the first gaming property among a number of groups to open an integrated resort in the Primorsky Krai IEZ. The resort welcomes international customers as well as domestic Russian visitors. There are currently five IEZs in the Russian Federation, and the Primorsky Krai IEZ is the only IEZ in the Russian Far East, ideally located in the heart of Northeast Asia.

The Russian Government does not impose any limits on the number of gaming tables or slot machines and therefore Tigre de Cristal is at liberty to adjust its gaming capacities according to business needs.

Key features of Tigre de Cristal are as follows:

- Approximately 36,000 square feet of casino and resort space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- Luxury hotel with a total of 121 rooms and suites;
- Casual and fine dining in 2 restaurants and 4 bars;
- Recreation and leisure facilities, including spa and health club, karaoke rooms and a virtual golf zone; and
- A jewelry store, a travel agency and a convenience store also set to open in the very near future.

Since the grand opening of Tigre de Cristal on 11 November 2015, the Company has continuously focused on the ramp up of its gaming business, while maintaining strict cost controls and optimizing all operational aspects of the property. Despite the inclement weather over the first few months of operations, a less than ideal road infrastructure to the resort, both visitation and gross gaming revenues have shown consistent month-on-month improvements.

The health spa and the virtual golf zone were recently opened for operation. Completion of these facilities has enhanced the resort's non-gaming facilities and helped to drive visitation, longer stays, and underpin growth in gaming activities. We expect to open the jewelry shop, convenience store and on-site travel agency very soon.

In line with this increased visitation, we have also seen increased hotel occupancy rates. Since July, most weekends are at or close to 100% occupancy, and weekdays are running at above 66% occupancy. Food and beverage covers have also increased dramatically as we have implemented more non-gaming entertainment such as our “Cristal Broadway” talent competition in the summer of 2016.

Pro forma Adjusted EBITDA of Oriental Regent for the six-month period ended 30 June 2016

Adjusted EBITDA is used by management as the primary measure of operating performance of our gaming and hotel operations. Adjusted EBITDA is defined as net income including adjustment for management fee payable to the holding company, depreciation and amortisation, interest, and taxes. Oriental Regent generated an Adjusted EBITDA of HK\$35.2 million in the first half of 2016 (for the six-month period ended 30 June 2015: Negative EBITDA of HK\$37.6 million) as a result of operation of Tigre de Cristal. The following table sets forth a pro forma presentation of the Adjusted EBITDA of Oriental Regent for the six-month period ended 30 June 2016.

	Six-month period ended 30 June 2016 <i>HK\$'000</i> (Unaudited)
Net gaming revenue	160,638
Non-gaming revenue	9,576
	<hr/>
Total revenue	170,214
Other income	1,164
Gaming tax	(7,022)
Inventories consumed	(4,177)
Marketing and promotion expenses	(10,389)
Employee benefits expenses	(70,897)
Management fee payable to holding company	(4,818)
Other operating expenses	(38,828)
	<hr/>
Adjusted EBITDA of Oriental Regent	<u><u>35,247</u></u>

Reconciliation of Adjusted EBITDA of Oriental Regent to the Group's Profit for the period as shown in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Adjusted EBITDA of Oriental Regent		35,247
<u>Add</u> Management fee payable to holding company		4,818
<u>Less</u> Holding company corporate expenses		(8,415)
<u>Add</u> Bank interest receivable		277
		31,927
<i>Consolidation items:</i>		
<u>Less</u> EBITDA of Oriental Regent from 1 January to 14 April	(12,435)	
<u>Less</u> Share of losses of joint ventures	(17,028)	
		(29,463)
<i>Notional non-cash items:</i>		
<u>Add</u> Imputed Interest income	12,678	
<u>Less</u> Notional Finance costs	(6,328)	
<u>Add</u> Net exchange gain	1,548	
<u>Add</u> Gain on deemed disposal of interest in a joint venture	20,180	
<u>Less</u> Depreciation and amortisation	(23,723)	
<u>Less</u> Notional share-based payment expense	(7,710)	
<u>Add</u> Gain on disposal of discontinued operations	2,607	
		(748)
Profit for the period of the Group		1,716

Gaming revenue of Tigre de Cristal

Gaming revenue comprises three main sources, namely, rolling chip business, mass table business and slots business.

Rolling chip business

Our rolling chip business, targeting the Asian VIP market, has seen phenomenal month-on-month growth, vindicating our investment thesis that the Primorsky Krai IEZ is an ideal location to capture the significantly underserved gaming demand in Northeast Asia.

Our strategy has been to start our rolling chip business using only casual junkets initially without fixed-room operators. This strategy is deemed necessary in order to preserve the bargaining power of the casino vis-à-vis fixed-room operators. Thus far, our strategy has been proven to be correct. This is evidenced by the fact that rolling chip turnover has been increasing on a month-on-month basis since the commencement of business in November last year and dramatically increased following the start of two fixed-room operators in late June 2016.

The table below sets forth the key performance indicators of our rolling chip business from November 2015 to 30 August 2016.

	2015		2016							
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul (Note)	Aug (Note)
Rolling chip turnover (HK\$'million)	258	312	355	382	598	649	739	733	2,009	2,218
Gross win (HK\$'million)	17	11	10	20	12	19	39	24	72	115
Less: Rebate (HK\$'million)	(7)	(6)	(6)	(11)	(7)	(8)	(21)	(17)	(44)	(74)
Net win after rebate (HK\$'million)	10	5	4	9	5	11	18	7	28	41
Daily average number of tables opened	8	10	9	8	8	8	9	9	14	14

Note: Based on unaudited management accounts. August 2016 figures are only given up to 30 August 2016, the latest practicable date.

Mass table business

The table below sets forth the key performance indicators of our mass table business from October 2015 to 30 August 2016.

	2015			2016							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul (Note)	Aug (Note)
Total table drop (RUB' million)	278	434	448	407	412	374	377	345	379	336	303
Table net win (RUB' million)	59	83	101	107	89	118	73	74	94	77	63
Daily average number of tables opened	29	24	23	23	23	24	23	21	23	23	23

Note: Based on unaudited management accounts. August 2016 figures are only given up to 30 August 2016, the latest practicable date.

As can be seen from the above figures, mass table business has been relatively disappointing. This can be ascribed to the following two reasons:

- (1) Our top 30 premium local customers account for approximately 40% of our total mass market drop. The spending power of our premium local customers has been constrained by the continuing weakness in the Russian economy as a result of the economic sanctions imposed on the Russian Federation and weak energy prices.

- (2) Under the current Russian legislation, foreign banknotes are not allowed to be used for settling gaming wins or losses. Foreign currency banknotes have to be converted into Russian Ruble banknotes first for the purpose of chip buying. This has discouraged a lot of our Asian customers from making big bets on mass tables. We are currently lobbying with the Russian Government to allow foreign currency banknotes to be used by foreign patrons for the purpose of settling gaming wins or losses.

Slot business

The slot market is primarily a local market for Russians. The ramp-up of the slots business since opening has been satisfactory. During the review period, there were 319 slot machines in operation at Tigre de Cristal and the table below sets forth the key performance indicators from October 2015 to 30 August 2016:

	2015			2016							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul (Note)	Aug (Note)
Total slot handle (RUB' million)	473	778	763	1,010	1,058	1,071	972	886	982	1,421	1,177
Slot net win (RUB' million)	36	54	56	60	75	79	73	49	63	86	57

Note: Based on unaudited management accounts. August 2016 figures are only given up to 30 August 2016, the latest practicable date.

Tax

Gaming tax in the Russian Federation is determined by applying a fixed monthly rate to the number of gaming tables and slots. The monthly rates per table and per slot are RUB125,000 and RUB7,500 respectively. G1 Entertainment has an exemption from corporate tax on profit generated from gaming operations. As for non-gaming revenues, G1 Entertainment is subject to the Russian Federation's standard corporate tax rate which currently stands at 20%.

Anti-money laundering policy

Tigre de Cristal is governed by the Russian Federal Law No. 115-FZ of 7 August 2001 "On Anti-Money Laundering and Combating Financing of Terrorism" (the "Russian AML/CFT Law"), which is aimed at protecting the rights and lawful interests of citizens, society and the state by means of building up legal mechanism to counter the legalisation of illegal earnings (money laundering) and the financing of terrorism. According to the Financial Action Task Force's (FATF) 6th Follow-up Report of Mutual Evaluation of the Russian Federation dated October 2013 (the "Follow-up Report"), since the adoption of the 2008 FATF Mutual Evaluation Report (the "MER"), the Russian Federation has focused its attention on updates of the Russian AML/CFT Law, which has been regarded as the main legal instrument for the implementation of the FATF Recommendations in the Russian Federation. The Follow-up Report also mentioned that the Russian Federation had focused its attention to the correction of the most important deficiencies identified in the MER.

In accordance with the provisions of the Russian AML/CFT Law, Tigre de Cristal has adopted its own anti-money laundering and combating financing of terrorism policies and the key components include: internal control systems in the casino; a special officer to oversee the daily compliance; client identification and screening; and reporting unusual transactions subject to mandatory requirements.

Liquidity, Financial Resources and Capital Structure

Equity attributable to owners of the Company at 30 June 2016 was HK\$1,194.5 million (31 December 2015: HK\$838.2 million). The increase was mainly attributable to the re-measurement of the previously held equity interest in the Oriental Regent at its fair value on 14 April 2016 after the results of Oriental Regent were consolidated to the financial statements of the Group, as mentioned in the section on “Group Restructuring”.

At 30 June 2016, cash and bank balances held by the Group amounted to HK\$221.6 million (31 December 2015: HK\$130.3 million), of which 64% was denominated in Hong Kong dollar, 19% in Russian Ruble, 14% in United States dollar and 3% in Euro. The increase was mainly contributed by the Oriental Regent.

The Group continues to maintain a strong financial position with no borrowings throughout the six-month period ended 30 June 2016, except for the non-interest bearing loans of HK\$270.5 million from the non-controlling shareholders of Oriental Regent.

The Group remains conservative in its working capital management. Net current assets of the Group were maintained at HK\$183.8 million at 30 June 2016 (31 December 2015: HK\$128.5 million).

The following table sets forth a summary of our cash flows for the first half of 2016:

	Six-month period ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Net cash generated from (used in) operating activities	18,988	(10,056)
Net cash generated from (used in) investing activities	72,817	(2,234)
Net cash generated from financing activities	–	34,600
	<hr/>	<hr/>
Net increase in cash and cash equivalents	91,805	22,310
Cash and cash equivalents at beginning of the period	130,276	113,242
Effects of exchange rate changes on cash and cash equivalents	(512)	–
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>221,569</u>	<u>135,552</u>

Net cash generated from operating activities of HK\$19.0 million (used in the six-month period ended 30 June 2015: HK\$10.1 million) represents the positive EBITDA attributable to the gaming and hotel operations after the results of Oriental Regent were consolidated by the Group from 14 April 2016.

Net cash generated from investing activities of HK\$72.8 million for the six-month period ended 30 June 2016 was mainly attributable to the acquisition of subsidiaries. No consideration was actually transferred in the business combination.

Net cash generated from financing activities for the six-month period ended 30 June 2015 of HK\$34.6 million represented the proceeds from the exercise of share options.

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 30 June 2016 and 31 December 2015.

Exposure to Fluctuations in Exchange Rates

The functional currency of the Company and its subsidiaries is Hong Kong dollar and the consolidated financial statements of the Group are presented in Hong Kong dollars. The Group's monetary assets, liabilities and transactions are principally denominated either in United States dollars or Hong Kong dollars. Given that Hong Kong dollar is pegged to the United States dollar, exchange rate fluctuation is minimal and hedging against foreign currency exposure is not necessary.

Capital Commitment

The Group had no capital commitment as at 30 June 2016 and 31 December 2015.

Contingent Liabilities

There were no contingent liabilities as at 30 June 2016 and 31 December 2015.

Employees

As at 30 June 2016, total number of employees employed by the Group was approximately 1,032 after consolidation of Oriental Regent (31 December 2015: 13). The Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs, the Company has a share option program in place and occasionally may grant shares options to directors, employees and consultants of the Group as incentives.

Outlook

Management believes that there are several reasons that the business has significant room to continue its growth trajectory and that additional ramp-up should be achieved in the coming months. In our 2015 annual report we highlighted several conditions that need to be met to achieve full ramp up. Below is a recap and update on the status of the aforementioned conditions.

- (1) What we said Additional and higher value gaming tour operators or “casual junkets” are signed over the next quarter and one or two VIP fixed-room operators start to operate at the property.

Update Our rolling chip business has seen tremendous improvement. Since late June, two fixed-room junket operators have commenced business at Tigre de Cristal, resulting in a dramatic increase in rolling chip turnover and net gaming revenue from this business segment. Currently we also have casual junkets bringing customers from Korea, Mainland China and Japan. We expect to add another fixed-room operator in the near future.

- (2) What we said Local Russian gaming business continues to show incremental improvement over the coming quarter, and domestic Russian tourism to Primorsky Krai increases as expected during the summer months. Any rebound in the Russian economy or currency would also have a positive incremental impact as we believe that these strengthen local spending power and would outpace increases in operating expenses.

Update The weakness of the Russian economy and the Russian currency temporarily constrained the growth of our mass table business during the review period. However, our slot business, targeting the grind mass, has continued to ramp up satisfactorily. Going forward, the stabilization of the Russian Ruble and the recovery in oil prices give us optimism that there is further room for improvement from our local customer base.

- (3) What we said Non-gaming amenities at Tigre de Cristal such as the jewelry store, travel agency, golf simulator area, spa and health club, and convenience store are completed in the second quarter of 2016.

Update The spa and health club, karaoke rooms, and golf simulator are all open for operation. We expect the jewelry store, convenience store, and travel agency to open in the third quarter of 2016.

- (4) What we said International tourism to the Russian Far East, in particular from Northeast Asia, continues its year-on-year acceleration.

Update We have witnessed explosive growth in visitation to the Primorsky Krai – in particular, from Northeastern China. According to the local tourism authorities, up to July 2016, they have seen more visitations from China than for the entire calendar year of 2015. This follows overall Chinese tourist visitation growth of 58% year-on-year from 2014 to 2015.

- (5) What we said The expressway from the Vladivostok International Airport to the IEZ is completed.

Update This expressway has been opened for public use as from 26 August 2016. It makes the journey from the airport and downtown Vladivostok to our casino much more pleasant and reduces travelling time substantially. We expect our mass table and slot business to benefit from the opening of this expressway.

- (6) What we said The new “visa free” regime that is part of the free port initiative and already legally in force is implemented at working levels in key air, land, and sea immigration entry points.

Update Unfortunately implementation of the new visa regime has taken longer than anticipated. The latest update that we have from the federal government is that an online visa application with visa on arrival for 8 days for visitors from most countries will be implemented in the fourth quarter of 2016 – while full visa free entry should be implemented in the months following.

- (7) What we said Additional flights to/from key feeder markets from domestic and international airlines are added over the coming months.

Update We have seen additional direct flights added from Beijing, Shanghai, Dalian and other key markets. We are very encouraged by the progress in this area.

- (8) What we said Player acquisition programs are accelerated and expanded in key feeder markets.

Update Player acquisition and player development programs are proceeding as expected, in particular in the VIP segment of the business.

Conclusion

Our rolling chip business, targeting the Asian VIP market, has seen phenomenal month-on-month growth since its inception. Monthly rolling chip volume has grown from HK\$258.0 million in November 2015 to HK\$2.0 billion in July 2016 and HK\$2.2 billion in August 2016 respectively. This validates the key aspect of our investment thesis – that the Primorsky Krai Integrated Entertainment Zone is the ideal location to capture the drastically underserved gaming demand from Northeast Asia.

Whilst the ramp-up of the local market has thus far been constrained by the weakness in the Russian economy, we remain sanguine on its growth potential as we have witnessed the tremendous efforts made by the Russian federal government and the Primorye provincial government to encourage the growth of tourism and business investment in the region (e.g. the Vladivostok Free Port Initiative, additional direct flights, significant growth in tourist visitation from neighboring Asian countries, etc.). Further improvements in the local economy from the aforementioned efforts may assist in more growth in our mass business.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. Our business culture and practices are founded upon a common set of values that govern our relationships with customers, employees, shareholders, suppliers and the communities in which we operate.

The Company has complied with the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the period from 1 January 2016 to 30 June 2016.

The Board reviews the Company’s corporate governance practices from time to time to cope with the evolving needs of the Company. To comply with the amendments of the Corporate Governance Code on “Risk Management and Internal Control”, the Company has reviewed and enhanced its risk management framework and processes.

The Company has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Corporate Governance Committee to ensure maintenance of a high corporate governance standard. Terms of reference of the aforesaid committees have been posted on the Company’s website at www.saholdings.com.hk under the “Corporate Governance” section.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code for dealing in the Company's securities by Directors, 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 as set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2016.

AUDIT COMMITTEE

The Company's audit committee is currently composed of three Independent Non-executive Directors. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the Board; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited interim results of the Group for the six-month period ended 30 June 2016.

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

During the six-month period ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENT REVIEW

The interim results for the six-month period ended 30 June 2016 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by the Company's auditor, whose independent review report is included in the interim report.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Ho, Lawrence Yau Lung* (Chairman), Mr. Wang, John Peter Ben[#] (Deputy Chairman), Mr. Tsui Yiu Wa, Alec⁺, Mr. Pang Hing Chung, Alfred⁺ and Dr. Tyen Kan Hee, Anthony⁺.

[#] Executive Director

^{*} Non-executive Director

⁺ Independent Non-executive Director

On behalf of the Board of
Summit Ascent Holdings Limited
Wang, John Peter Ben
Deputy Chairman and Executive Director

Hong Kong, 31 August 2016