



Interim Report 2014

Summit Ascent Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 102

The directors have pleasure in submitting the interim report and the unaudited condensed consolidated financial information of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2014 (the "Period").

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the six-month period ended 30 June 2014, the Group continued to conduct trading of tiles and engineering operations products as the Group's principal business.

The Group recorded a turnover of HK\$3.6 million for the first half-year of 2014, representing an increase of 142% over the corresponding period in 2013 (six-month period ended 30 June 2013: HK\$1.5 million). The increase was mainly attributable to unit volume increases stemming from customers in Macau. However, this volume increase came at a reduced gross margin of 19% for the six-month period ended 30 June 2014 down from 39% for the six-month period ended 30 June 2013 due to competitive pricing pressure.

The Group's loss for the six-month period ended 30 June 2014 amounted to HK\$51.4 million (six-month period ended 30 June 2013: loss of HK\$4.0 million), mainly attributable to non-cash share-based compensation benefits of HK\$40.6 million in share options granted by the Company predominantly to Mr. Ho, Lawrence Yau Lung, Chairman and Non-executive Director ("Mr. Ho") in 2013 (six-month period ended 30 June 2013: HK\$340,000). The grant of share options to Mr. Ho was made in accordance with market rates and practice and given in lieu of a director's fee for acting as non-executive chairman of the Company. Mr. Ho is currently co-chairman and chief executive officer of Melco Crown Entertainment Limited ("MCE"), an operator of casino gaming and entertainment casino resort facilities in Asia, and the chairman and chief executive officer of Melco International Development Limited ("Melco"), a major shareholder of MCE. Both MCE and Melco are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The board of directors of the Company (the "Board") believes Mr. Ho's in-depth knowledge of the gaming and entertainment sector along with extensive business network and connections are vital to the Group's future success.

The Group shared a loss of HK\$5.8 million from joint ventures for the six-month period ended 30 June 2014 attributable to pre-opening expenses incurred by its joint ventures currently developing a gaming and resort project in Primorye, Russia (six-month period ended 30 June 2013: Nil).

The Group also generated other income of HK\$4.5 million for the six-month period ended 30 June 2014, which included interest income for the bank deposits (six-month period ended 30 June 2013: Nil).

Segmental Information

The Group's sole operating segment for the six-month period ended 30 June 2013 was engaged in the trading of tiles and engineering operations products. In October 2013, the Group acquired an equity interest in Oriental Regent Limited ("Oriental Regent") which involves with the development of a hotel and gaming business in Russia. The Group subsequently added another operating and reportable segment: "Gaming and Hotel Operations". The analysis of the Group's turnover and results by operating and reportable segment is stated in note 4 to the Condensed Consolidated Financial Statements.

Significant Acquisition and Investment Held

On 23 April 2014, Summit Ascent Russia Limited (“SARL”), a wholly-owned subsidiary of the Company, New Crescent Investments Limited (“New Crescent”), a wholly-owned subsidiary of Melco, Firich Investment Limited (“Firich”), Elegant City Group Limited (“Elegant City”) and Oriental Regent entered into an acquisition agreement, pursuant to which, SARL and Firich have conditionally agreed to acquire 14% and 1% of the equity interest in Oriental Regent, respectively, from Elegant City (the “Acquisition”). The consideration for the Acquisition paid by SARL for its additional 14% equity stake in Oriental Regent was US\$20,244,000 (equivalent to approximately HK\$156,891,000). This valuation equates to two times the consolidated net asset value of Oriental Regent as at 31 December 2013.

With shareholders’ approval at the special general meeting held on 13 June 2014 and upon completion of the Acquisition on 15 July 2014, SARL, New Crescent, Firich and Elegant City own 60%, 5%, 20% and 15% of Oriental Regent respectively, compared to 46%, 5%, 19% and 30% respectively on 31 December 2013. Oriental Regent will continue to be accounted for as a joint venture for financial reporting purpose of the Company and its results will be equity accounted for in the financial statements of the Group on the basis that SARL will continue to be subject to the mutual consents among the shareholders of Oriental Regent in all material decisions and/or transactions.

The Acquisition constituted a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) due to New Crescent being a substantial shareholder of Oriental Regent under the Listing Rules and an associate of Mr. Ho, who is the controlling shareholder of the Company. Details of the connected transaction have been set out in the circular of the Company dated 27 May 2014.

Oriental Regent represents a valuable opportunity for the Company to diversify into a new business with a great deal of potential. The proposed casino resort being developed by Oriental Regent is geographically close to the target feeder markets of Heilongjiang, Jilin and Liaoning provinces in Northeastern China, carries a very favourable tax environment for gaming activity compared to other jurisdictions, and is expected to be the first and only legitimate casino operating in the Far Eastern region of Russia for at least several years. For these reasons, the Group remains optimistic and moreover sought to acquire an additional 14% equity interest in the project.

Liquidity and Financial Resources

As at 30 June 2014, the Group maintained cash and bank balances of HK\$916.1 million (31 December 2013: HK\$359.6 million), which is sufficient to meet its capital commitments including the Acquisition and its pro rata proportion of a shareholder convertible loan as detailed in note 16 to the Condensed Consolidated Financial Statements. Approximately 100% of cash and bank balances are currently denominated in Hong Kong dollar (31 December 2013: 100%). The Group maintained a healthy financial position with no outstanding borrowing throughout the six-month period ended 30 June 2014.

The Group remained conservative in its working capital management. Net current assets of the Group increased by HK\$560.5 million to HK\$919.3 million as at 30 June 2014 from HK\$358.8 million as at 31 December 2013. The Group's principal source of liquidity for the six-month period ended 30 June 2014 was cash inflows from the new issuance of equity shares. Pursuant to the placing agreement dated 23 April 2014 (the "Placing Agreement") entered into among the Quick Glitter Limited, a company owned by Mr. Ho (the "Vendor"), the Company and BNP Paribas Securities (Asia) Limited (the "2014 Placing Agent"), the Vendor has sold and the 2014 Placing Agent has successfully placed 52,000,000 shares (the "2014 Placing Shares") at a placing price of HK\$11.30 per share (the "2014 Placing Price") to no fewer than six independent third-party investors otherwise unrelated to the Company. Pursuant to the subscription agreement dated 23 April 2014 (the "Subscription Agreement") entered into between the Vendor and the Company, the Vendor has subscribed for, and the Company has issued, such number of ordinary shares which is equal to the number of the 2014 Placing Shares sold by the Vendor at the 2014 Placing Price. The closing price per share in the Company as quoted on the Stock Exchange on 22 April 2014 was HK\$12.86, being the date on which the terms of the Placing Agreement and the Subscription Agreement were fixed. The net proceeds from the placement after relevant expenses and costs amounted to approximately HK\$564.8 million with a corresponding net price per 2014 Placing Share of approximately HK\$10.86, have been used for the purpose of financing further investments into the gaming and resort project in Russia and as general working capital. The completion of the Placing Agreement and the Subscription Agreement took place on 28 April 2014 and 5 May 2014, respectively.

Capital Structure

On 10 April 2014, the Company proposed a 2 for 1 share split whereby each of the existing issued and unissued shares of the Company with a par value of HK\$0.05 be divided into two shares with a new par value of HK\$0.025 each (the "Share Subdivision"). The Share Subdivision reduced the nominal value and trading price of each share and increased the total number of shares of the Company in issue, but did not otherwise affect the corresponding rights of the Company's shareholders. Subsequent to the Share Subdivision, the authorized share capital of the Company becomes HK\$80,000,000 divided into 3,200,000,000 shares. The purpose of the Share Subdivision was to increase in number of the shares of the Company enabling the Company to attract more investors thereby broadening its shareholders' base. Following the passing of an ordinary resolution at the annual general meeting of the Company, the Share Subdivision became effective on 16 June 2014.

Charges on Assets

None of the Group's assets was pledged or otherwise encumbered as of 30 June 2014 or 31 December 2013.

Exposure to Fluctuations in Exchange Rates

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

Capital Commitment

The Group's pro-rata share of the capital commitments relating to acquisition of property, plant and equipment in Oriental Regent totaled HK\$312.7 million as at 30 June 2014 (31 December 2013: HK\$54.4 million).

Contingent Liabilities

There were no contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

Employees

At 30 June 2014, the Group had 17 employees for its operations based in Hong Kong (31 December 2013: 14). The Group continues to provide remuneration packages and training programmes to employees in line with prevailing market practices. In addition to the contributory provident fund and medical insurance, the Company has a share option program in place and occasionally may grant share options to directors, employees and consultants of the Group as incentives.

Outlook

Following our new share issuance in April 2014 which yielded net proceeds of HK\$564.8 million, the Group acquired an additional 14% stake in Oriental Regent bringing our total ownership percentage to 60% effective July 2014. The placement also provided sufficient funding to cover both our portion of the expanded capital expenditures for Phase 1 of the Vladivostok project and our portion of the capital required to secure the investment rights and sublease agreement for a planned Phase 2 of the development. Further, the Group appointed China Construction (Russia) Company Limited, a wholly-owned subsidiary of China State Engineering Corporation Limited, in May 2014 to perform certain building construction works in Phase 1. The Russian government is also moving forward with their planned infrastructure developments in and around the Primorsky Integrated Entertainment Zone ("IEZ").

The Group remains optimistic as relations between China and Russia appear to be strengthening. The Russian government has further demonstrated its commitment to developing integrated resorts and growing the tourism industry by adding two additional IEZs by the Sea of Azov in Southwestern Russia. As the first major foreign-invested integrated resort project in a Russian IEZ, it is expected that our project can continuously receive strong local and federal support in order to attract additional foreign investment in the other IEZs.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: Nil).

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six-month period ended 30 June 2014 or at any time during such period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of each director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(I) Long position in the shares of the Company

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	% of issued share capital	Note(s)
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	Corporate	411,712,464	28.14%	2, 3
Mr. Wang, John Peter Ben	Beneficial owner	Personal	159,899,980	10.93%	3

Notes:

- As at 30 June 2014, the total number of issued shares of the Company was 1,463,113,836.
- 411,712,464 shares are held by Quick Glitter Limited, a company wholly owned by Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by Quick Glitter Limited.
- On 13 June 2014, an ordinary resolution for the subdivision of each of the Company's existing issued and unissued shares of HK\$0.05 each into two subdivided shares of HK\$0.025 each was passed at the annual general meeting of the Company (the "Share Subdivision"). The Share Subdivision was effective from 16 June 2014. As a result of the Share Subdivision, the number of shares held by Quick Glitter Limited and Mr. Wang, John Peter Ben was adjusted from 205,856,232 to 411,712,464 and from 79,949,990 to 159,899,980 respectively.

(II) Long position in the underlying shares of the Company

Details of share options held by the directors of the Company are set out below:

Name of Director	Number of share options						As at 30 June 2014	% of issued share capital	Date of grant	Exercise price (Note 2) HK\$	Exercisable period (Note)
	Before the Share Subdivision			After the Share Subdivision							
	As at 1 January 2014	Granted	Exercised	Adjustment for Share Subdivision	Granted	Exercised					
Mr. Ho, Lawrence Yau Lung	20,000,000	-	-	20,000,000	-	-	40,000,000	2.73%	10.07.2013	1.73	4
Mr. Wang, John Peter Ben	590,000	-	-	590,000	-	-	1,180,000	0.08%	26.08.2011	0.375	3
Mr. Tsui Yiu Wa, Alec	590,000	-	-	590,000	-	-	1,180,000	0.08%	26.08.2011	0.375	3
Mr. Pang Hing Chung, Alfred	590,000	-	-	590,000	-	-	1,180,000	0.08%	26.08.2011	0.375	3
Dr. Tyen Kan Hee, Anthony	390,000	-	-	390,000	-	-	780,000	0.05%	26.08.2011	0.375	3
Total	22,160,000	-	-	22,160,000	-	-	44,320,000	3.02%			

Notes:

- As at 30 June 2014, the total number of issued shares of the Company was 1,463,113,836.
- As a result of the Share Subdivision, the exercise prices of the share options granted on 26 August 2011 and 10 July 2013 were adjusted from HK\$0.75 to HK\$0.375 and from HK\$3.46 to HK\$1.73 respectively.
- The share options are divided into 2 tranches exercisable from 26 August 2011 and 26 August 2012 respectively to 25 August 2021.
- The share options are divided into 4 tranches exercisable from 31 October 2013, 31 October 2014, 31 October 2015 and 31 October 2016 respectively to 9 July 2018.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

Long position in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	% of issued share capital	Note(s)
Quick Glitter Limited	Beneficial owner	411,712,464	–	28.14%	2, 3
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	411,712,464	–	28.14%	3
	Beneficial owner	–	40,000,000	2.73%	5
Ms. Lo Sau Yan, Sharen	Interest of spouse	411,712,464	40,000,000	30.87%	4
Mr. Wang, John Peter Ben	Beneficial owner	159,899,980	1,180,000	11.01%	2, 5

Notes:

- As at 30 June 2014, the total number of issued shares of the Company was 1,463,113,836.
- As a result of the Share Subdivision, the number of shares held by Quick Glitter Limited and Mr. Wang, John Peter Ben was adjusted from 205,856,232 to 411,712,464 and from 79,949,990 to 159,899,980 respectively.
- Quick Glitter Limited is wholly owned by Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho was deemed to be interested in the shares held by Quick Glitter Limited.
- Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and was deemed to be interested in the shares and underlying shares of the Company through the interest of her spouse, Mr. Ho, Lawrence Yau Lung, under the SFO.
- Regarding the interests of Mr. Ho, Lawrence Yau Lung and Mr. Wang, John Peter Ben in the underlying shares of the Company (in respect of the share options granted by the Company), please refer to the section "Directors' interests in shares, underlying shares and debentures" in this report.

Save as disclosed above, as at 30 June 2014, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

A summary of the movements of the share options, which were granted under the Share Option Scheme, during the period is set out below:

Category of Participants	Number of share options						As at 30 June 2014	% of issued share capital	Date of grant	Exercise price (Note 2) HK\$	Note
	Before the Share Subdivision			After the Share Subdivision							
	As at 1 January 2014	Granted	Adjustment for the Share Subdivision Exercised	Granted	Exercised						
Directors	2,160,000	-	-	2,160,000	-	-	4,320,000	0.30%	26.08.2011	0.375	3
	20,000,000	-	-	20,000,000	-	-	40,000,000	2.73%	10.07.2013	1.73	5
Sub-total	22,160,000	-	-	22,160,000	-	-	44,320,000	3.03%			
Consultants	472,000	-	-	472,000	-	-	944,000	0.06%	26.08.2011	0.375	4
	2,500,000	-	(250,000)	2,250,000	-	-	4,500,000	0.31%	10.07.2013	1.73	5
Sub-total	2,972,000	-	(250,000)	2,722,000	-	-	5,444,000	0.37%			
Total	25,132,000	-	(250,000)	24,882,000	-	-	49,764,000	3.40%			

Notes:

1. As at 30 June 2014, the total number of issued shares of the Company was 1,463,113,836.
2. As a result of the Share Subdivision, the exercise prices of the share options granted on 26 August 2011 and 10 July 2013 were adjusted from HK\$0.75 to HK\$0.375 and from HK\$3.46 to HK\$1.73 respectively.
3. The share options are divided into 2 tranches exercisable from 26 August 2011 and 26 August 2012 respectively to 25 August 2021.
4. The share options are divided into 2 tranches exercisable from 26 August 2012 and 26 August 2013 respectively to 25 August 2021.
5. The share options are divided into 4 tranches exercisable from 31 October 2013, 31 October 2014, 31 October 2015 and 31 October 2016 respectively to 9 July 2018.
6. During the period, no share options were cancelled or lapsed under the Share Option Scheme. In respect of the share options exercised during the period, the weighted average closing price of the shares immediately before the dates on which the share options were exercised was HK\$5.95. As at 30 June 2014, there were no outstanding share options under the Old Share Option Scheme.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling the responsibilities to shareholders. 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 also acknowledges and appreciates its responsibility towards society at large and has embarked upon various initiatives to effectuate this.

The Company has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules during the period from 1 January 2014 to 30 June 2014.

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 <http://www.summitascentholdings.com> under the "Corporate Governance" section.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six-month period ended 30 June 2014.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the date of the 2013 Annual Report of the Company are set out below:

Name of Director	Details of Change
Mr. Tsui Yiu Wa, Alec	Appointed as an independent non-executive director of Kangda International Environmental Company Limited ("Kangda") with effect from 30 October 2013. Kangda was listed on the Hong Kong Stock Exchange in July 2014.

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 interim report of the Group for the six-month period ended 30 June 2014.

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

During the six-month period ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this report, 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, 28 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

		(Unaudited)	
		Six-month period ended	
	Notes	30.6.2014 HK\$'000	30.6.2013 HK\$'000
Turnover	3	3,558	1,469
Cost of sales		(2,875)	(896)
Gross profit		683	573
Other Income		4,455	–
Selling and distribution expenses		(49)	(59)
General and administrative expenses		(50,705)	(4,525)
Share of loss of joint ventures		(5,773)	–
Loss before taxation		(51,389)	(4,011)
Income tax expense	5	–	–
Loss for the period, attributable to owners of the Company	6	(51,389)	(4,011)
Other comprehensive income			
– share of exchange differences of a joint venture, which may be reclassified subsequently to profit or loss		1,351	–
Total comprehensive loss for the period, attributable to owners of the Company		(50,038)	(4,011)
Loss per share			(Restated)
– Basic and diluted (HK cents)	7	(3.68)	(0.34)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	(Unaudited) At 30.6.2014 HK\$'000	(Audited) At 31.12.2013 HK\$'000
Non-current assets			
Equipment	9	172	73
Investments in joint ventures	10	253,486	257,908
		<u>253,658</u>	<u>257,981</u>
Current assets			
Inventories		1	81
Trade and other receivables	11	37,096	37,574
Amount due from a joint venture		1,087	–
Bank balances and cash		916,099	359,635
		<u>954,283</u>	<u>397,290</u>
Current liabilities			
Trade and other payables	12	34,961	38,090
Amount due to a joint venture		–	372
		<u>34,961</u>	<u>38,462</u>
Net current assets		<u>919,322</u>	<u>358,828</u>
Net assets		<u>1,172,980</u>	<u>616,809</u>
Capital and reserves			
Share capital	13	36,578	33,965
Reserves		1,136,402	582,844
Equity attributable to owners of the Company		<u>1,172,980</u>	<u>616,809</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Retained profits/ (accumulated loss) HK\$'000	
At 1 January 2013 (Audited)	23,794	2,146	–	3,164	224	29,328
Loss and total comprehensive loss for the six-month period ended 30 June 2013	–	–	–	–	(4,011)	(4,011)
Exercise of share options	50	835	–	–	–	885
Shares issued	7,138	77,116	–	–	–	84,254
Recognition of equity-settled share-based payments	–	–	–	340	–	340
At 30 June 2013 (Unaudited)	30,982	80,097	–	3,504	(3,787)	110,796
At 1 January 2014 (Audited)	33,965	601,743	(1,853)	62,270	(79,316)	616,809
Loss for the period	–	–	–	–	(51,389)	(51,389)
Share of exchange differences of a joint venture	–	–	1,351	–	–	1,351
Total comprehensive loss for the six-month period ended 30 June 2014	–	–	1,351	–	(51,389)	(50,038)
Exercise of share options	13	1,269	–	(417)	–	865
Share issued	2,600	585,000	–	–	–	587,600
Recognition of equity-settled share-based payments	–	–	–	40,568	–	40,568
Transaction costs attributable to issue of shares	–	(22,824)	–	–	–	(22,824)
At 30 June 2014 (Unaudited)	36,578	1,165,188	(502)	102,421	(130,705)	1,172,980

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	(Unaudited)	
	Six-month period ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(51,389)	(4,011)
Adjustments for:		
Share-based payment expense	40,568	340
Share of loss of joint ventures	5,773	–
Depreciation	19	–
Interest income	(3,378)	–
Write back of provision for stock obsolescence	–	(68)
	<u>(8,407)</u>	<u>(3,739)</u>
Operating cash flows before movements in working capital		
Decrease/(increase) in inventories	80	(108)
Decrease in trade and other receivables	518	3,937
Decrease in trade and other payables	(3,129)	(1,636)
	<u>(10,938)</u>	<u>(1,546)</u>
Cash used in operations	(10,938)	(1,546)
Income taxes paid	–	(253)
	<u>(10,938)</u>	<u>(1,799)</u>
INVESTING ACTIVITIES		
Interest received	3,338	–
Purchases of equipment	(118)	–
	<u>3,220</u>	<u>–</u>
Net cash generated from investing activities	3,220	–
FINANCING ACTIVITIES		
Proceeds from issue of shares	587,600	84,254
Proceeds from exercise of share options	865	885
Expenses on issue of shares	(22,824)	–
Increase in amount due to a joint venture	(1,459)	–
	<u>564,182</u>	<u>85,139</u>
Net cash generated from financing activities	564,182	85,139
Net increase in cash and cash equivalents	556,464	83,340
Cash and cash equivalents at beginning of the period	359,635	25,603
Cash and cash equivalents at end of the period represented by bank balances and cash	<u>916,099</u>	<u>108,943</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

1. Basis of preparation

These unaudited condensed consolidated financial statements are prepared in accordance 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 "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA").

2. Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2013, except for the application of all the new and amendments to Hong Kong Financial Reporting Standards, HKASs and interpretations ("HKFRSs") issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. The application of these new and amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and amendments to HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and amendments to HKFRSs issued but not yet effective will have no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Turnover

Turnover represents the amounts received or receivable for goods sold to customers during the period, less returns.

4. Segment information

The Group has single operating segment of trading of tiles and engineering operations products for the six-month period ended 30 June 2013. Since October 2013, upon the acquisition of equity interests in Oriental Regent Limited ("Oriental Regent"), a new business in relation to the development of hotel and gaming business in the Russia Federation is added as another operating and reportable segment – "Gaming and hotel operations".

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Executive Director, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. No operating segments have been aggregated in arriving at reportable segments of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

Segment revenues and results

An analysis of the Group's turnover and results by operating and reportable segment is as follows:

	(Unaudited)					
	30.6.2014			Six-month period ended 30.6.2013		
	Trading of tiles and engineering operations products <i>HK\$'000</i>	Gaming and hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of tiles and engineering operations products <i>HK\$'000</i>	Gaming and hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover – external sales	3,558	–	3,558	1,469	–	1,469
Segment results	(1,939)	(5,773)	(7,712)	(4,011)	–	(4,011)
Other income			4,455			–
Share-based payment expense			(40,568)			–
Unallocated general and administrative expenses			(7,564)			–
Loss before taxation			(51,389)			(4,011)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	(Unaudited) At 30.6.2014 <i>HK\$'000</i>	(Audited) At 31.12.2013 <i>HK\$'000</i>
Trading of tiles and engineering operations products	30,855	36,445
Gaming and hotel operations	254,573	257,908
Segment assets	285,428	294,353
Unallocated assets		
Bank balances and cash	916,099	359,635
Equipment	172	73
Other receivables and deposits	6,242	1,210
Consolidated assets	1,207,941	655,271

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

8. Dividend

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: Nil).

9. Equipment

During the six-month period ended 30 June 2014, the Group spent approximately HK\$118,000 on office equipment (six-month period ended 30 June 2013: Nil).

10. Investments in joint ventures

Details of the Group's investments in joint ventures are as follows:

	(Unaudited) At 30.6.2014 HK\$'000	(Audited) At 31.12.2013 HK\$'000
Cost of unlisted investment in joint ventures	261,043	261,043
Share of post-acquisition loss and other comprehensive expense	(7,557)	(3,135)
	253,486	257,908

Details of each of the Group's joint ventures at the end of the reporting periods are as follows:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
					30.6.2014	31.12.2013	30.6.2014	31.12.2013	
Oriental Regent Limited ("Oriental Regent")	Incorporated	Hong Kong	Hong Kong	Ordinary	46%	46%	25%	25%	Investment holding
First Gambling Company of the East LLC (Note)	Incorporated	Russian Federation	Russian Federation	Chartered	46%	46%	25%	25%	Development of hotel and gaming business in the Integrated Entertainment Zone in Russia Federation

Note: First Gambling Company of the East LLC ("FGCE") is a wholly-owned subsidiary of Oriental Regent.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

Summarised Financial information of joint ventures

Summarised financial information in respect of the Group's joint venture, on a consolidation basis, is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRS.

The joint ventures are accounted for using the equity method in these condensed consolidated financial statements.

Oriental Regent

	At 30.6.2014
	HK\$'000
Current assets	
Bank balances and cash	196,745
Others	21,030
	<hr/>
	217,775
	<hr/>
Non-current assets	
Construction in progress	191,828
Long term prepayments, other receivables and other asset	168,328
Others	2,191
	<hr/>
	362,347
	<hr/>
Current liabilities	
Other payables	3,452
Others	1,102
	<hr/>
	4,554
	<hr/>
Non-current liability	
Long term payables	24,512
	<hr/>
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	196,745
	<hr/>
Current financial liabilities (excluding trade and other payables and provisions)	15
	<hr/>
Non-current financial liabilities (excluding trade and other payables and provisions)	24,512
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Six-month period ended 30.6.2014 HK\$'000
Revenue	–
Loss for the period and total comprehensive expense for the period	12,552
The above loss for the period includes the following:	
Depreciation	111
Interest income	532
Income tax credit	510

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements is as follows:

	30.6.2014 HK\$'000
Net assets of Oriental Regent	551,056
Proportion of the Group's ownership interests in Oriental Regent	46%
Carrying amount of the Group's interest in Oriental Regent	253,486

Oriental Regent is engaged in a gaming and resort business in the Russia Federation through its wholly-owned subsidiary, FGCE. The project is currently under development stage. According to the investment plan set out in the circular of the Company dated 30 September 2013, the initial estimated total capital expenditures (including pre-opening expenses of US\$10 million (equivalent to approximately HK\$77.5 million) but exclusive of VAT (value-added tax)) for the casino resort complex to be constructed were approximately US\$130 million (equivalent to approximately HK\$1,008.2 million). As further announced on 23 April 2014, the management of Oriental Regent has investigated and conducted a cost analysis of the project, taking into account the new redesign which is considered to be necessary to bring the casino resort to an international standard, and the revised total capital expenditures (including pre-opening expenses of approximately US\$12.5 million (equivalent to approximately HK\$96.9 million) but exclusive of VAT) are approximately US\$172 million (equivalent to approximately HK\$1.33 billion). The increase is mainly attributable to the design changes, equipment and furniture upgrades, enhancement of casino security and surveillance systems as well as increase in material and labour costs. In addition, it is expected that working capital of approximately US\$10 million (equivalent to approximately HK\$77.5 million) would be required for the project.

Upon completion of the acquisition of additional 14% equity interest in Oriental Regent on 15 July 2014, the Group holds 60% equity interest in Oriental Regent. Oriental Regent will continue to be accounted for as a joint venture for financial reporting purpose and its results will be equity accounted for in the financial statements of the Group on the basis that the Group will continue, whether before or after completion of the acquisition, not to have the ability to direct the relevant activities of Oriental Regent unilaterally but subject to the mutual consents among the shareholders of Oriental Regent in making the decisions on significant decisions and/or transactions.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

11. Trade and other receivables

The aging analysis of trade, retention and other receivables is as follows:

	(Unaudited) At 30.6.2014 HK\$'000	(Audited) At 31.12.2013 HK\$'000
Trade receivables	118	1,896
Prepayments to a supplier	29,085	28,426
Other receivables, deposits and prepayments	7,893	7,252
	<u>37,096</u>	<u>37,574</u>

Included in other receivables was an amount of HK\$6,042,000 at 31 December 2013 (30 June 2014: Nil) due from Arnhold & Co., Ltd. ("ACL"), a company controlled by a director of a subsidiary of the Company. The receivables were mainly arisen from sales receipts collected on behalf of a subsidiary of the Company. The receivables were unsecured, non-interest bearing and repayable on demand. No provisions were held against the receivables from ACL.

The Group allows an average credit period of 30 to 90 days to its trade customers. All of the Group's trade receivables are 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 invoice date at the end of the reporting period:

	(Unaudited) At 30.6.2014 HK\$'000	(Audited) At 31.12.2013 HK\$'000
Within 30 days	118	1,032
31-90 days	-	864
	<u>118</u>	<u>1,896</u>

12. Trade and other payables

	(Unaudited) At 30.6.2014 HK\$'000	(Audited) At 31.12.2013 HK\$'000
Trade payables	318	1,004
Accruals and other payables	4,272	6,775
Advances received from customers	30,371	30,311
	<u>34,961</u>	<u>38,090</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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

	(Unaudited) At 30.6.2014 HK\$'000	(Audited) At 31.12.2013 HK\$'000
Within 30 days	–	462
31-90 days	318	266
over 90 days	–	276
	<u>318</u>	<u>1,004</u>

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. Share capital of the Company

	Issued and fully paid:	
	Number of shares	Share capital HK\$'000
Shares of HK\$0.1 each at 1 January 2013	237,939,584	23,794
Shares issued under open offer (Note a)	71,381,875	7,138
Exercise of share options		
– before subdivision of shares	500,000	50
– after subdivision of shares	5,746,000	287
Subdivision of shares (Note b)	309,821,459	–
Shares issued under placement (Note c)	53,918,000	2,696
	<u>679,306,918</u>	<u>33,965</u>
Shares of HK\$0.05 each at 31 December 2013 and 1 January 2014	679,306,918	33,965
Exercise of share options	250,000	13
Shares issued under placement (Note d)	52,000,000	2,600
Subdivision of shares (Note e)	731,556,918	–
	<u>1,463,113,836</u>	<u>36,578</u>

Notes:

- (a) In April 2013, the Company raised gross proceeds of approximately HK\$85.7 million by issuing 71,381,875 new shares in the Company of HK\$0.10 each in an open offer on the basis of three offer shares for every ten existing shares at a subscription price of HK\$1.20 per offer share ("Open Offer"). The net proceeds, after deduction of related expenses, of approximately HK\$84.3 million from the Open Offer is applied for general working capital purposes and for financing new investment opportunities.
- (b) On 3 June 2013, the Company had completed a capital reorganisation in which each of the existing issued and unissued shares of par value of HK\$0.10 each in the share capital of the Company had been subdivided into two subdivided shares of par value of HK\$0.05 each. Following the effective date of share subdivision, the authorised share capital of the Company became HK\$80,000,000 divided into 1,600,000,000 subdivided shares of HK\$0.05 each, of which 619,642,918 subdivided shares were in issue and fully paid.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

- (c) 53,918,000 shares (the "2013 Placing Shares") of the Company of HK\$0.05 each was issued and sold at the price of HK\$10.00 per share (the "2013 Placing Price") pursuant to the placing and subscription agreement dated 17 October 2013 (the "Placing and Subscription Agreement") entered into among Quick Glitter Limited, a company owned by Mr. Ho, Lawrence Yau Lung, non-executive director and Chairman of the Company (the "Vendor"), Mr. Wang, John Peter Ben, director of the Company, the Company and Deutsche Bank AG, Hong Kong Branch, the sole placing agent (the "2013 Placing Agent") in which the Vendor has sold and the 2013 Placing Agent has purchased the 2013 Placing Shares at the 2013 Placing Price; and the Vendor has subscribed for, and the Company has issued, such number of shares as equal to the number of 2013 Placing Shares sold by the Vendor at the price equals to the 2013 Placing Price. The closing price per share in the Company as quoted on the Stock Exchange on 17 October 2013 was HK\$11.96, being the date on which the terms of the Placing and Subscription Agreement were fixed. The net proceeds (after deduction of related expenses) amounted to approximately HK\$517.9 million, with the net price per 2013 Placing Share of approximately HK\$9.60, have been used to fund the joint ventures' investment in the gaming and resort development project in Russia. The completion of the Placing and Subscription Agreement took place on 31 October 2013.
- (d) Pursuant to the placing agreement dated 23 April 2014 (the "Placing Agreement") entered into among the Vendor, the Company and BNP Paribas Securities (Asia) Limited (the "2014 Placing Agent"), the Vendor has sold and the 2014 Placing Agent has successfully placed 52,000,000 shares (the "2014 Placing Shares") to not less than six placees who are independent third parties and not connected with the Company at the placing price of HK\$11.30 per share (the "2014 Placing Price"). Pursuant to the subscription agreement dated 23 April 2014 (the "Subscription Agreement") entered into between the Vendor and the Company, the Vendor has subscribed for, and the Company has issued, such number of ordinary shares which is equal to the number of the 2014 Placing Shares sold by the Vendor at the price equals to the 2014 Placing Price. The closing price per share in the Company as quoted on the Stock Exchange on 22 April 2014 was HK\$12.86, being the date on which the terms of the Placing Agreement and the Subscription Agreement were fixed. The net proceeds from the placing (after deduction of the relevant expenses and costs) amounted to approximately HK\$564.8 million, with the net price per 2014 Placing Share of approximately HK\$10.86, have been used for the purpose of financing further investments into the gaming and resort project in Primorye, Russia and as general working capital. The completion of the Placing Agreement and the Subscription Agreement took place on 28 April 2014 and 5 May 2014, respectively.
- (e) On 16 June 2014, the Company had completed a capital reorganisation in which each of the existing issued and unissued shares of par value of HK\$0.05 each in the share capital of the Company has been subdivided into two subdivided shares of par value of HK\$0.025 each. Following the effective date of share subdivision, the authorised share capital of the Company becomes HK\$80,000,000 divided into 3,200,000,000 subdivided shares of HK\$0.025 each, of which 1,463,113,836 subdivided shares are in issue and fully paid.

14. Capital Commitment

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Oriental Regent, to contribute funds for the acquisition of property, plant and equipment amounted to HK\$312.7 million as at 30 June 2014 (31 December 2013: HK\$54.4 million).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

15. Related party transactions

Other than those disclosed elsewhere in this condensed consolidated financial statements, the Group entered into the following transactions with related parties during the period:

	(Unaudited)	
	Six-month period ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
Operating lease rentals expense	78	144
Service fees expense	120	–
	78	144

The operating lease rentals for the six-month period ended 30 June 2014 and 2013 were paid to a related company controlled by one of the key management personnel of a subsidiary of the Company.

The services fees for the six-month period ended 30 June 2014 were paid to a related company controlled by a key management personnel of the Company.

Compensation of key management personnel

The emoluments of directors and other members of key management during the period were as follows:

	(Unaudited)	
	Six-month period ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
Short-term benefits	318	90
Share-based payments	39,771	–
	39,771	90

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

16. Event after the end of the reporting period

On 15 July 2014, each of the shareholders of Oriental Regent entered into a loan agreement with Oriental Regent whilst they agreed to provide their pro rata proportion of the additional capital amount of totally US\$137,691,000 required by Oriental Regent to continue to fund the gaming and resort project in Russia by way of ordinary shareholder convertible loan (the "Loan") as contemplated under the investment and shareholders agreement dated 23 August 2013. The Group as one of the lenders will provide its pro rata proportion of the Loan amounted to US\$82,614,600 (equivalent to approximately HK\$640,263,000) from its internal resources. The Loan is non-interest bearing, unsecured and due to mature after 3 years, which shall automatically renew for another term of three years. No repayment shall be made by Oriental Regent unless there are sufficient free cash flows generated from the operations of Oriental Regent and its subsidiary to make the repayment. The Loan can only be converted into new shares of Oriental Regent at the option of Oriental Regent at such conversion price(s) and ratio(s) as Oriental Regent shall agree with the shareholders of Oriental Regent at the relevant time.