SUMMIT ASCENT
凱升控股有限公司 Holdings Limited

Annual Report 2015

Summit Ascent Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:102

CONTENTS

HIGHLIGHTS

- The Group's first casino hotel in Vladivostok, Russia, Tigre de Cristal, staged its test launch on 8 October and celebrated its Grand Opening on 11 November 2015.
- Loss for the year attributable to owners of the Company amounted to HK$85.4 million (2014: Loss of HK$78.9 million). The loss incurred during the year was mainly due to the Group's share of pre-opening expenses in preparation for the opening of Tigre de Cristal.
- The Group's 60%-owned gaming and hotel operations generated an adjusted EBITDA of HK$14.3 million during the period from 8 October 2015 (the test launch date of Tigre de Cristal) to 31 December 2015.
- Management continues to work hard to ramp up the business at Tigre de Cristal. Thus far, the consistent month-on-month improvements have been encouraging.

CHAIRMAN'S STATEMENT

We are proud to have conducted the grand opening of our majority-owned Tigre de Cristal integrated resort in Primorsky Krai Integrated Entertainment Zone ("IEZ") of the Russian Far East on 11 November 2015. The grand opening of the property was a major milestone in Summit Ascent's history, and is a significant step forward in our maturation as a listed company. Tigre de Cristal is the largest integrated resort ever built in the Russian Federation and is one of the largest foreign investment projects in the Primorsky Krai.

The management and operating team at G1 Entertainment LLC are working diligently to ramp up the business at Tigre de Cristal. When operating at full capacity, the Tigre de Cristal integrated resort and the operating company G1 Entertainment LLC are expected to have approximately 1,100 staff. We expect to be running at close to optimal levels on a ramped-up basis sometime during the summer of 2016. We are further encouraged by the month-on-month improvements seen thus far during the winter season.

With the local government continuing to heavily promote Russian Far East as a tourist destination, the expressway between the Vladivostok International Airport and the IEZ nearing completion, key parts of the "free port" initiative being implemented and the opening of more non-gaming facilities at Tigre de Cristal, we only expect our visitation and gaming metrics to increase. In fact, according to Russian Government statistics, tourism to the Primorsky Krai increased by nearly 60%, on a year–on-year basis with the largest portion of this growth coming in the fourth quarter of 2015. We believe that our project has been a major driver to this impressive increase.

Our business proposition has been further validated by the commitment from several operators to develop other integrated resorts in the IEZ. While we expect our monopoly position to remain intact until at least 2018, we do look forward to the positive effect these resorts, our own Phase II project, and other non-gaming developments in and near the IEZ will have on our business, the Primorsky Krai, and the attractiveness of the region as a tourist destination.

In 2016, we will continue to ramp up our business at Tigre de Cristal, and expect to commence development of our Phase II project in the IEZ. In addition, we are proud to serve our integral role as a pioneer in the development of tourism and enhancement of economic growth in the Russian Far East.

Finally, we would like to express our sincere appreciation to our employees, shareholders, and partners for their ongoing support as we continue to develop our business.

Ho, Lawrence Yau Lung
Chairman and Non-Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

For the financial year ended 31 December 2015, the Group has two business segments: (1) trading of tiles and engineering operations products, and (2) gaming and hotel operations in the Russian Federation.

To facilitate easier understanding of the results of the year, the income statement for the Group is reproduced below with certain items rearranged and reclassified:

	Explanatory Notes	**2015 HK$'000**	2014 HK$'000
Segment loss from trading of tiles and engineering operations products as stated in note 9 to the consolidated financial statements		**(2,159)**	(3,958)
Share of loss of 60% owned Oriental Regent Limited ("Oriental Regent")	A	**(68,262)**	(407)
Management fee income		**1,963**	–
Bank interest income		**725**	4,650
Sundry income		**–**	2,562
Corporate and administrative expenses		**(15,326)**	(16,803)
Notional non-cash items	B	**(2,306)**	(64,918)
Loss before taxation		**(85,365)**	(78,874)
Income tax		**–**	–
Loss for the year		**(85,365)**	(78,874)

Explanatory Notes:

A. Share of loss of Oriental Regent

	2015 HK$'000	2014 HK$'000
Net loss of Oriental Regent	**(113,771)**	(2,723)
Attributable to the Group	**(68,262)**	(407)

The Group acquired 46% equity interest in Oriental Regent effective from 1 November 2013 and increased its shareholding from 46% to 60% as from 15 July 2014.

B. Notional non-cash items

	2015 HK$'000	2014 HK$'000
Imputed interest income from loans to Oriental Regent	**40,769**	17,373
Net foreign exchange gain	**7**	1,943
Notional share option expenses	**(43,082)**	(84,234)
	(2,306)	(64,918)

Trading of tiles and engineering operations products

Trading of tiles and engineering operations products is a legacy business of the Group. It is expected that the financial impact from this legacy business will become increasingly insignificant as our gaming operations continue to ramp up.

Gaming and hotel operations

The Group's gaming and hotel operations are conducted through its effective holding of 60% interest in Oriental Regent. The Group also derives a management fee income calculated at 3% of total gaming revenue generated by Oriental Regent.

Oriental Regent is an investment holding company, which holds the entire equity interest in G1 Entertainment LLC ("G1 Entertainment", formerly known as First Gambling Company of the East LLC). 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 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 II project on Lot 10 towards the end of 2016, and open Phase II for operations in the latter half of 2018. More details on Phase II are available in the Outlook section below.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational performance of Tigre de Cristal

Tigre de Cristal is our first casino property in the Russian Federation. It is also the first and the only casino property currently operating in the Primorsky IEZ. The Primorsky IEZ is located within a three hour flight radius of approximately 400 million Asians. Domestic Russian visitors are also allowed to game in the IEZ. There are currently 6 Integrated Entertainment Zones in the Russian Federation, all of which are located in border regions of the world's largest country in terms of land mass. The Primorsky IEZ is the only IEZ in the Russian Far East, ideally located in the heart of Northeast Asia and approximately 80 kilometers away from the border with China.

Tigre de Cristal features:

- Approximately 33,000 square meters of casino and resort space, offering a broad range of gaming options;
- Luxury hotel with a total of 121 various rooms and suites;
- Casual and fine dining in two restaurants and five bars;
- Recreation and leisure facilities, including a golf simulator area and a health club and spa which will be opened in the summer of 2016; and
- A jewelry store, travel agency and convenience store also set to open in the summer of 2016.

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.

Mass market table gaming, gaming machines, food and beverage operations started to generate revenue from the test launch on 8 October 2015 while rolling chip table gaming and hotel operations started to generate revenue from the grand opening day on 11 November 2015.

Loss incurred by Oriental Regent during the year

For the year under review, Oriental Regent incurred a loss of HK$114 million (2014: a loss of HK$2.7 million). The loss was mainly due to pre-opening costs, depreciation and amortisation, and certain notional non-cash items, offset by a positive adjusted EBITDA amounting to approximately HK$14.3 million (2014: Nil) from the start of casino operations to the end of the financial year.

Adjusted EBITDA of Oriental Regent from the start of casino operations to 31 December 2015

Adjusted EBITDA is used by management as the primary measure of operating performance of gaming operations. Adjusted EBITDA is defined as net income after adjustment for pre-opening expense, impairment loss, depreciation and amortisation, interest, and taxes. The following table sets forth a reconciliation of Adjusted EBITDA from the start of casino operations to 31 December 2015 with the reported results of Oriental Regent for the year as per note 17:

	HK$'000	HK$'000
Adjusted EBITDA for Oriental Regent from start of casino operations to 31 December 2015		**14,346**
Notional non-cash items:		
Less: Imputed interest expense	**(67,905)**	
Depreciation and amortisation	**(18,684)**	
Impairment loss	**(3,170)**	
Add: Foreign exchange gain arising from re-translation of monetary items	**34,684**	**(55,075)**
Other items:		
Less: Pre-opening expenses incurred prior to casino opening	**(75,278)**	
Add: Interest income	**1,686**	
Income tax credit	**550**	**(73,042)**
Net loss attributable to owners of Oriental Regent as per note 17 to the consolidated financial statements		**(113,771)**

Imputed interest expense arose from shareholders' convertible loans granted by the shareholders of Oriental Regent. The loans are non-interest bearing and the imputed interest expense is a non-cash item calculated according to the fair interest rate for accounting purposes.

Pre-opening costs consist of expenses, predominantly project management, staff and training costs, incurred prior to the start of the casino operations.

Foreign exchange gain generated from the continuing depreciation of the Russian Ruble and on the re-translation of monetary items, which are not denominated in the Russian Ruble.

Gaming revenue of Tigre de Cristal consists of three main sources, namely, rolling chip business, mass table business and slots business.

Rolling chip business

Tigre de Cristal commenced its rolling chip business from the date of official opening on 11 November 2015. Our strategy is to start our rolling business using only casual junkets initially without fixed-room operators. This decision is deemed necessary in order to preserve the bargaining power of the casino vis-à-vis fixed room operators. It is our plan that fixed room junket operators will start to operate at Tigre de Cristal starting from May of 2016 when we have fully ramped up our own casual junket business. The table below sets forth the key performance indicators of our rolling chip business from commencement:

	2015		2016	
	November	**December**	**January** (Note)	**February** (Note)
Rolling chip turnover *(HK$'000)*	258,197	312,277	355,055	382,412
Gross win *(HK$'000)*	16,990	10,928	10,233	19,963
Less: Rebate *(HK$'000)*	(6,879)	(6,160)	(5,879)	(11,131)
Net win after rebate *(HK$'000)*	10,111	4,768	4,354	8,832
Daily average number of tables opened	8	10	9	8

Note: Based on unaudited management accounts.

So far, our strategy appears to have been correct as rolling chip turnover has been increasing on a month-on-month basis since commencement of business and we expect to see marked improvements on this business over the next several months. In addition, the existing casual junket business has given us the flexibility to add fixed room operators at a later date from a stronger negotiating position.

Mass table business

Tigre de Cristal commenced its mass table business from the test launch date on 8 October 2015. Despite the inability to legally advertise casinos in all of our target feeder markets and the onset of the Russian winter, the ramp-up of the mass table business in the initial months has been satisfactory. The table below sets forth the key performance indicators:

	2015			2016	
	October	**November**	**December**	**January** (Note)	**February** (Note)
Total table drop *(RUB' million)*	278	434	448	407	412
Table net win *(RUB' million)*	59	83	101	107	89
Daily average number of tables opened	29	24	23	23	23

Note: Based on unaudited management accounts.

On average, there were 612 registered players entering the casino daily for the period from the test launch date to 31 December 2015 of which approximately 50% were non-Russian (predominantly Asians).

Mass table drop did not show a meaningful improvement in January and February of 2016. We believe this is due to a seasonal factor. Traditionally, organised tour groups from China normally operate during the warmer months in Vladivostok. As a result of the dwindling down of organised Chinese tour groups during the winter season, the number of non-Russian mass market players started to decrease between October 2015 and February 2016. This is evidenced by the fact that in February 2016, non-Russian patron visitation dropped to approximately 16%. That said, thanks to the continuing ramp-up of our domestic Russian business, table drop has managed to hold up at reasonable levels. We expect mass table drop to increase substantially when organised tour groups from our target markets in Northeast Asia start to operate again in the warmer months. In addition, we expect the Russian mass business to also increase during the summer months as Vladivostok is a major domestic tourist destination for Russians during the summer period.

Slot business

Tigre de Cristal commenced its slots business from the test launch date on 8 October 2015. As expected, the slot market is primarily a local market. The ramp-up of the slots business in the initial months has been satisfactory. The table below sets forth the key performance indicators:

	2015			2016	
	October	**November**	**December**	**January** (Note)	**February** (Note)
Total slot handle *(RUB' million)*	473	778	763	1,010	1,058
Slot net win *(RUB' million)*	36	54	56	60	75

Note: Based on unaudited management accounts.

As at both 31 December 2015 and 29 February 2016, there were 321 slot machines in operation at Tigre de Cristal. We remain upbeat on the continuing ramp-up of our slots business over the rest of 2016.

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 generating 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%. There have been media reports of potential increases to the gaming tax rate, but none of them have been substantiated, and in our view the current tax regime will remain in place for the foreseeable future.

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"), Russia 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 Russia. The Follow-up Report also mentioned that Russia 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 31 December 2015 was HK$838.2 million (31 December 2014: HK$1,002.3 million). The decrease was mainly attributable to the share of losses and exchange differences of joint ventures.

At 31 December 2015, cash and bank balances held by the Group amounted to HK$130.3 million (31 December 2014: HK$113.2 million), nearly 100% of which was denominated in Hong Kong dollar. The Group continues to maintain a strong financial position with no borrowings throughout the years ended 31 December 2014 and 2015.

The Group remained conservative in its working capital management. Net current assets of the Group were maintained at HK$128.5 million at 31 December 2015 (31 December 2014: HK$110.0 million).

The following table set forth a summary of our cash flows for the year:

	2015 **HK$'000**	2014 HK$'000
Net cash used in operating activities	**(14,504)**	(12,905)
Net cash used in investing activities	**(3,955)**	(796,411)
Net cash generated from financing activities	**35,493**	562,923
Net increase (decrease) in cash and cash equivalents	**17,034**	(246,393)
Cash and cash equivalents at beginning of the year	**113,242**	359,635
Cash and cash equivalents at end of the year	**130,276**	113,242

Net cash used in operating activities of HK$14.5 million (2014: HK$12.9 million) represented the operating loss attributable to the trading of tiles and engineering operations products and the corporate administrative expenses.

Net cash used in investing activities of HK$4.0 million for the year ended 31 December 2015 was mainly attributable to a loan granted to a joint venture engaged in the travel agency business for provision of services to Tigre de Cristal. Net cash used in investing activities of HK$796.4 million for the year ended 31 December 2014 was primarily attributable to the acquisition of additional 14% equity interest in Oriental Regent amounted to HK$157.5 million and shareholders' loans of HK$642.7 million provided to Oriental Regent on a pro rata basis in proportion to the shareholding in Oriental Regent.

Net cash generated from financing activities of HK$35.5 million for the year ended 31 December 2015 was the proceeds from exercise of share options. Net cash generated from financing activities of HK$562.9 million for the year ended 31 December 2014 was primarily attributable to the proceeds of HK$587.6 million from issue of shares, net of expenses of HK$25.2 million.

Charges on Assets

None of the Group's assets was pledged or otherwise encumbered as at 31 December 2015 and 2014.

Exposure to Fluctuations in Exchange Rates

The functional currency of the Group is Hong Kong dollars 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 against United States dollar, exchange rate fluctuation is nominal and hedging against foreign currency exposure is not necessary.

The Group's exposure at the reporting date to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the Company. This translation gain or loss is measured by the difference between the value of the assets and liabilities at the historical rate and current rate, disclosed in the Group's consolidated statement of profit or loss and other comprehensive income as share of exchange differences of joint ventures amounted to HK$157.3 million (2014: HK$183.1 million), which may be reclassified subsequently to profit or loss and does not affect the loss for the year of the Group.

Capital Commitment

The Group had no capital commitment as at 31 December 2015. At 31 December 2014, the Group's pro-rata share of the capital commitments relating to its joint venture company, Oriental Regent, to contribute funds for the acquisition of property, plant and equipment in the gaming and resort development project in the Russian Federation totaled HK$261.1 million.

Contingent Liabilities

There were no contingent liabilities as at 31 December 2015 and 2014.

Event after the Reporting Period

Subsequent to year end date 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. Easy Market is the owner of the entire issued share capital of Arnhold Trading Limited ("Arnhold Trading") which is engaged in the trading of tiles and engineering operations products. 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 the Easy Market and Arnhold Trading will no longer be consolidated in the financial statements of the Group. For further details of the Disposal, please refer to the announcement of the Company dated 14 March 2016.

Employees

As at 31 December 2015, total number of employees employed by the Group and its joint venture companies was approximately 1,078 (31 December 2014: 102). Excluding the employees employed by joint venture companies, total number of the Group's employees was 13 as at 31 December 2015 (31 December 2014: 21). 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

The Group remains optimistic on the prospects for its majority owned integrated resort in the Russian Federation.

Since the grand opening of Tigre de Cristal on 11 November 2015, the Group has relentlessly focused on the ramp up of its gaming business and on optimising all operational aspects of property. Despite inclement weather over the first few months of operations, limited non-gaming facilities and low seasonality, overall gaming revenues have shown consistent month-on-month improvements.

After carefully considering the gaming metrics to date and with the goal of gaming yield optimisation, Tigre de Cristal is currently undergoing minor reconfigurations of certain gaming areas. As we have not yet reached full utilisation of existing gaming capacity, we expect this reconfiguration to have minimal impact on gaming operations. Completion of this reconfiguration is expected before the end of March 2016.

In addition, we expect to complete fit out of the on-site spa and health club, golf simulator area, convenience store, jewelry shop and travel agency in the second quarter of 2016. Completion of these areas will enhance the resort's non-gaming facilities and should drive additional visitation and underpin growth in gaming activities.

Management believes that there are several reasons that the business has significant room to continue its growth trajectory over the coming months and that full ramp-up should be achieved during the summer of 2016 given that the majority of the following conditions are met:

(1) 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.

(2) 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.

(3) Aforementioned 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.

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

(5) The expressway from the Vladivostok International Airport to the IEZ is completed. This expressway is nearing completion and will replace the existing road and cut the travel time from the airport to the IEZ from approximately 30 minutes to less than 15 minutes.

(6) 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.

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

(8) Player acquisition programs are accelerated and expanded in key feeder markets.

In addition, the Group has already commissioned conceptual drawings for its Phase II integrated project in the Primorsky Krai IEZ. This project is expected to have 500 total hotel rooms distributed across 2 hotels, gaming areas with 100 VIP tables, 70 mass market gaming tables, 500 slot machines, a nearby golf course and sports clubhouse, MICE (Meetings, Incentives, Conferences, and Events) facilities, a shopping mall, a nightclub and concert facility, children's play areas and food and beverage offerings including Western, Chinese, Korean, Japanese, casual dining, and bars. Construction on Phase II is expected to commence in late 2016, and the resort is expected to open for operations in the latter half of 2018.

Another potentially positive factor will be the commencement of construction on two to three additional integrated resorts in 2016. Two groups have indicated that they will commence property development in the IEZ in 2016, while two others are expected to specify their plans in the very near future. As of today, all lots in the Primorsky Krai IEZ are already spoken for. As these projects are completed and their operations commence, we believe that these resorts and our own Phase II project will create a "cluster" effect in the Primorsky Krai IEZ, and further drive visitation flow to the region and our properties. The construction of these integrated resorts further validates the viability of our first-mover investment. The master plan for the IEZ and immediately surrounding areas include a water park, amusement park, golf courses, a ski area, a yacht club and other non-gaming amenities that will enhance the Primorsky Krai IEZ's attractiveness as a tourist destination.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Ho, Lawrence Yau Lung (aged 39)
Chairman and Non-executive Director

Mr. Ho was appointed as the Chairman and a Non-executive Director of the Company in July 2013. He is also a director of certain subsidiaries of the Company. Mr. Ho is a director of Quick Glitter Limited (a substantial shareholder of the Company) which is wholly owned by him. He is currently the chairman and chief executive officer of Melco International Development Limited ("Melco"), a company listed on the Hong Kong Stock Exchange and co-chairman and chief executive officer of Melco Crown Entertainment Limited, a company listed on the NASDAQ Global Select Market in the United States, that holds one of six Macau gaming concessions and subconcessions and develops, owns and operates casino gaming and entertainment resort facilities in Asia.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho also serves on numerous boards and committees of privately held companies in Hong Kong, Macau and mainland China. He is a member of the Board of Directors and a Vice Patron of The Community Chest of Hong Kong; member of Science and Technology Council of the Macau SAR Government; member of All China Youth Federation; member of Macau Basic Law Promotional Association; chairman of Macau International Volunteers Association; member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong; honorary lifetime director of The Chinese General Chamber of Commerce of Hong Kong; honorary patron of The Canadian Chamber of Commerce in Macao; honorary president of Association of Property Agents and Real Estate Developers of Macau and director executive of Macao Chamber of Commerce.

In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor honored him as the "Best CEO" in 2005. He was also granted the "5th China Enterprise Award for Creative Businessmen" by the China Marketing Association and China Enterprise News, "Leader of Tomorrow" by Hong Kong Tatler and the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2005.

As a socially-responsible young entrepreneur in Hong Kong, Mr. Ho was selected as one of the "Ten Outstanding Young Persons Selection 2006", organized by Junior Chamber International Hong Kong. In 2007, he was elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and one of the "100 Most Influential People across Asia Pacific" by Asiamoney magazine. In 2008, he was granted the "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China. And in 2009, Mr. Ho was selected as one of the "China Top Ten Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Study Institute and Fortune Times, and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards.

In 2014, Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time, and was one of the recipients of the "Asian Corporate Director Recognition Awards" for three consecutive years. In 2015, he was also awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the fourth time, and was granted the Leadership Gold Award in the Business Awards of Macau.

Mr. Ho graduated with a Bachelor of Arts degree in commerce from the University of Toronto, Canada in June 1999 and was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland in July 2009 for his contribution to business, education and the community in Hong Kong, Macau and China.

Mr. Wang, John Peter Ben (aged 55)
Deputy Chairman and Executive Director

Mr. Wang has been an Executive Director of the Company since March 2011. He was appointed as Deputy Chairman of the Company in July 2013 and before that, he was the Chairman of the Company from March 2011 to July 2013. He is a director of certain subsidiaries of the Company. He is currently a non-executive director of Melco Crown Entertainment Limited, a company listed on the NASDAQ Global Select Market in the United States.

He previously held non-executive directorships in Anxin-China Holdings Limited, MelcoLot Limited, Oriental Ginza Holdings Limited (now renamed Carnival Group International Limited) and China Precious Metal Resources Holdings Co., Ltd, companies listed on the Hong Kong Stock Exchange. From 2004 to 2009, Mr. Wang was the chief financial officer of Melco, a company listed on the Hong Kong Stock Exchange. Prior to joining Melco in 2004, Mr. Wang had over 18 years of professional experience in the securities and investment banking industry. His previous employers include JS Cresvale Securities International Limited, Deutsche Morgan Grenfell Securities Hong Kong Limited, Credit Lyonnais Securities (Asia) Limited, Carr Indosuez Asia Limited and Bear Stearns (Hong Kong) Limited. Mr. Wang qualified as a chartered accountant with the Institute of Chartered Accountants of England and Wales in 1985.

Mr. Tsui Yiu Wa, Alec (aged 66)
Independent Non-executive Director

Mr. Tsui has been an Independent Non-executive Director of the Company since March 2011. He is also the chairman of the remuneration committee and corporate governance committee and a member of the audit committee and nomination committee of the Company.

He is currently the chairman of WAG Worldsec Corporate Finance Limited, an independent non-executive director of a number of listed public companies including COSCO International Holdings Limited, China Power International Development Limited, Pacific Online Limited, Kangda International Environmental Company Limited and DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited), all of them are listed on the Hong Kong Stock Exchange, and Melco Crown Entertainment Limited, a company listed on the NASDAQ and an independent director of ATA Inc., a company listed on NASDAQ and Melco Crown (Philippines) Resorts Corporation, a company listed on the Philippine Stock Exchange. He is also an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited ("ICBC (Asia)") starting from 2000. ICBC (Asia) was listed on the Hong Kong Stock Exchange till December 2010 when it was privatized.

Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission prior to joining the Hong Kong Stock Exchange in 1994 as an Executive Director of the Finance and Operations Services Division and becoming the chief executive in 1997. He was Chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He previously served as an independent non-executive director of certain Hong Kong listed companies, namely Synergis Holdings Limited, Vertex Group Limited, Greentown China Holdings Limited, China Huiyuan Juice Group Limited, China BlueChemical Ltd., China Chengtong Development Group Limited and China Oilfield Services Limited, a company also listed on the Shanghai Stock Exchange.

Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science degree and a Master of Engineering degree in industrial engineering. He completed a Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University.

Mr. Pang Hing Chung, Alfred (aged 54)
Independent Non-executive Director

Mr. Pang has been an Independent Non-executive Director of the Company since March 2011. He is also a member of the audit committee of the Company. He is currently the chairman of Standard Advisory Asia Ltd. ("Standard") and a member of Standard's Asia Executive Committee. He is also an independent non-executive director of MelcoLot Limited, a company listed on the Hong Kong Stock Exchange. Mr. Pang has over 25 years of financial, management and investment banking experience in China, Asia and the United States. Before joining Standard, Mr. Pang was the managing director and vice chairman, Investment Banking Division, at BOC International Holdings Ltd. ("BOCI") where he was also the Chairman of BOCI's commitment committee. Prior to joining BOCI, he was the managing director and president, Asia at the US investment banking firm of Donaldson Lufkin & Jenrette. Mr. Pang holds dual Bachelor of Arts (in Economics) & Bachelor of Science (in Electrical Engineering) Degrees from Cornell University, and MBA Degree from Stanford University Graduate School of Business in the United States.

Dr. Tyen Kan Hee, Anthony (aged 60)
Independent Non-executive Director

Dr. Tyen has been an Independent Non-executive Director of the Company since March 2011. He is also the chairman of the audit committee and nomination committee and a member of the remuneration committee and corporate governance committee of the Company. He is currently an independent non-executive director of Melco and Mastercraft International Holdings Limited, both of them are listed on the Hong Kong Stock Exchange, and an independent director of Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market and Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange in Canada. He was previously an independent non-executive director of three Hong Kong listed companies, namely, Value Convergence Holdings Limited, Recruit Holdings Limited and ASR Logistics Holdings Limited. Dr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Taxation Institute of Hong Kong. He is currently a practising certified public accountant in Hong Kong and has over 38 years' experience in auditing, accounting, management and company secretarial practice.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Craig Robertson Ballantyne (aged 66)
Chief Operating Officer – Russian Operations

Mr. Ballantyne joined the Group as Chief Operating Officer, Russian Operations in June 2014 and has been appointed as general director of G1 Entertainment LLC (formerly known as "First Gambling Company of the East LLC") in which the Group holds an equity interest of 60%, since November 2014. Mr. Ballantyne came with a wealth of international gaming and entertainment industry experience gained during his career spanning 40 years. Prior to joining the Group, Mr. Ballantyne joined Ladbrokes plc. in 1972, became a casino manager in 1976 and had since 1979 held casino general manager positions for several casino properties for Ladbrokes plc. and later Stakis Casinos in the United Kingdom. From 1990 onwards, Mr. Ballantyne managed casinos and resorts in various countries, such as Poland, Russia, Lebanon, South Africa and Greece.

Mr. Ballantyne holds Casino Management Certificates in four different gaming jurisdictions. He graduated from Morgan Academy in 1969 and continued his education at the Dundee College of Commerce in the United Kingdom, initially working in the Royal Bank of Scotland before joining the gaming industry.

Mr. Eric D. Landheer (aged 47)
Director – Corporate Finance and Strategy

Mr. Landheer joined the Company as Director – Corporate Finance and Strategy in March 2014. He is responsible for fundraising and other capital markets activities, strategic planning and execution, as well as investor and media relations. Mr. Landheer has more than 20 years of experience in the financial markets. Prior to joining the Company, he was senior vice president and head of Issuer Marketing at Hong Kong Exchanges and Clearing Limited from 2011 to 2012 and led their efforts to attract international and Chinese listings to Hong Kong as well as the promotion of offshore Renminbi products. Previously, Mr. Landheer was head of Asia Pacific for the NASDAQ OMX Group, Inc. for four years based in London and Hong Kong, and was responsible for the NASDAQ's new listings and retention business as well as media and government relations throughout Asia. Prior to his position as head of Asia Pacific for the NASDAQ OMX Group, Inc., he worked as managing director in the Corporate Client Group for The NASDAQ Stock Market, Inc. for three years and was responsible for IPOs in the Western United States. Before NASDAQ, Mr. Landheer worked for various brokerage and securities houses in the United States in equity finance and institutional sales. Mr. Landheer holds a bachelor's degree with high honours from The University of California, Berkeley in the United States.

Mr. Yip Ho Chi (aged 46)
Finance Director

Mr. Yip has been a Finance Director of the Company since October 2013. Prior to joining the Company, Mr. Yip was the chief financial officer of MelcoLot Limited, a company listed on the Hong Kong Stock Exchange, from June 2009 to September 2013. Before this, he worked over nine years with Sandmartin International Holdings Limited, a company listed on the Hong Kong Stock Exchange, and had been serving as executive director, finance director and company secretary for the last four years. Mr. Yip was previously an audit manager of Deloitte Touche Tohmatsu with whom he worked for over seven years. Mr. Yip holds a Bachelor of Business Administration degree from the University of Hong Kong. He is a fellow member of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

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.

Compliance of Corporate Governance Code

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2015.

The Board of Directors

Composition of the Board

The board of directors of the Company (the "Board") currently has five members, consisting of one Non-executive Director, Mr. Ho, Lawrence Yau Lung (Chairman), one Executive Director, Mr. Wang, John Peter Ben (Deputy Chairman) and three Independent Non-executive Directors, Mr. Tsui Yiu Wa, Alec, Mr. Pang Hing Chung, Alfred and Dr. Tyen Kan Hee, Anthony. Biographies of the directors of the Company (the "Directors") are contained in the section "Biographical Details of Directors and Senior Management" set out on pages 14 to 17 of this annual report.

The roles of Chairman and Chief Executive Officer (performed by Mr. Wang, John Peter Ben, Executive Director) are separate and held by different persons to ensure their independence, accountability and responsibility. The non-executive Chairman, Mr. Ho, Lawrence Yau Lung, is responsible for setting the Group's strategy and ensuring the Board is functioning properly. The Deputy Chairman, Mr. Wang, John Peter Ben, supported by management, is responsible for managing the Group's business, including implementing the Group's strategies, making day-to-day decisions and managing business operations. The division of the responsibilities between the Chairman and the Deputy Chairman has been established and set out clearly in writing.

The Non-executive Directors, all of whom are independent of the management of the Group's business, are professionals with substantial experience in accounting, banking, financial management and business. The mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they ensure the Company maintains a high standard of financial and legal reporting and provide checks and balances to safeguard the interests of the shareholders.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines.

All Directors have formal letters of appointment with the Company, which set out the key terms and conditions of their appointment. Each Independent Non-executive Director was appointed for a term of three years.

Every Director will retire once every three years. This year, Mr. Ho, Lawrence Yau Lung and Mr. Tsui Yiu Wa, Alec, will retire and will offer themselves for re-election at the forthcoming annual general meeting. The biographies of Mr. Ho and Mr. Tsui have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

Board diversity policy

The Board adopted a board diversity policy in August 2013 which sets out the approach by the Company to achieve diversity on the Board. The Company considers diversity can be achieved from different age, gender, cultural and educational background, ethnicity, professional experience, skills and knowledge. All Board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

The Nomination Committee is charged with implementation of this policy and reports annually on Board appointment process in the corporate governance report.

Directors' training

The Company Secretary is responsible for keeping Directors informed of changes in laws and regulations and organizing continuing development programme. Every Director will receive a comprehensive orientation package on appointment.

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. The Company has sent information on external training courses and articles to Directors. A summary of training received by Directors during 2015 is set out below:

	Type of Continuous Professional Development	
Directors	**Attending seminars/ workshops/conferences relevant to the business of the Company or directors' duties**	**Reading regulatory updates**
Mr. Ho, Lawrence Yau Lung	✓	✓
Mr. Wang, John Peter Ben	✓	✓
Mr. Tsui Yiu Wa, Alec	✓	✓
Mr. Pang Hing Chung, Alfred	✓	✓
Dr. Tyen Kan Hee, Anthony	✓	✓

Board meetings

The Board met four times during 2015. In addition, the Chairman met the Non-executive Directors once without the presence of the Executive Director.

Wherever possible, ample notice of the Board meetings was given, and Board papers were provided in advance to Directors to enable them to prepare for the meetings. The Company Secretary keeps full records of the Board meetings.

Board and committee attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meetings during the year ended 31 December 2015 are as follows:

	No. of meetings attended/held					
Name of Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Corporate Governance Committee meeting	Annual general meeting
Mr. Ho, Lawrence Yau Lung*	3/4	–	–	–	–	0/1
Mr. Wang, John Peter Ben#	4/4	–	–	–	–	1/1
Mr. Tsui Yiu Wa, Alec+	3/4	1/2	1/1	1/1	1/1	0/1
Mr. Pang Hing Chung, Alfred+	4/4	2/2	–	–	–	1/1
Dr. Tyen Kan Hee, Anthony+	4/4	2/2	1/1	1/1	1/1	1/1
Average Attendance Rate	**90%**	**83.3%**	**100%**	**100%**	**100%**	**60%**

Executive Director

* Non-executive Director

+ Independent Non-executive Director

Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2015.

Securities dealings by Directors and employees

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year 2015.

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company.

Delegation by the Board

Management functions

The Board delegates day-to-day operations of the Group to management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The ultimate responsibility for the day-to-day management of the Company is delegated to the Deputy Chairman and Executive Director, and the management.

The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of senior management and assuming responsibility for major decisions, significant transactions and corporate governance. The Board also reviews and approves the Company's annual budget and business plans, which serve as important benchmarks in assessing and monitoring the performance of the management.

The management, under the leadership of the Deputy Chairman and Executive Director, is responsible for implementing the strategies and plans established by the Board. To ensure effective discharge of the Board's responsibilities, the management submits monthly, quarterly and annual operations reports to the Board. Directors have full and ready access to the management on the Company's business and operations.

Board committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to committees, which review and make recommendations to the Board in specific areas. Chairmen and members of the committees are set out in the "Corporate Information" on page 92 of this annual report.

Each committee has its defined terms of reference and has power to decide on matters within its terms of reference. The Board committees' terms of reference have been posted on the Company's website at www.saholdings.com.hk under the section "Corporate Governance".

Each committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense, where necessary.

(1) Audit Committee

The Audit Committee is made up of three Independent Non-executive Directors. They all possess appropriate professional qualifications and expertise required by Rule 3.21 of the Listing Rules. The role of the Audit Committee is to (a) monitor external auditor's work, appointment and remuneration, (b) review the Group's financial statements and published reports, (c) provide advice and comments thereon to the Board and (d) review and supervise the financial reporting process and internal control procedures of the Group.

The detailed duties and powers of the Audit Committee are set out in the committee's terms of reference, which align with the requirements of the CG Code and the guidelines issued by the Hong Kong Institute of Certified Public Accountants, and are published on the Company's website under the section "Corporate Governance".

The Audit Committee met twice during the year and reviewed the final financial results of 2014 and interim financial results of 2015, the remuneration of external auditor and the internal control report.

(2) Nomination Committee

The Nomination Committee is made up of two Independent Non-executive Directors. It reviews the Board's size and composition and advises the Board on Director appointment. It met once during the year and:

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

(3) Remuneration Committee

The Remuneration Committee is made up of two Independent Non-executive Directors. It reviews the remuneration packages of the Executive Director and senior management as well as guidelines on salary revision and bonus distribution to the Group's employees.

It met once during the year and reviewed the remuneration of Directors and senior management of the Company.

When considering remuneration of the Executive Director and senior management, the committee considers a number of factors, including salaries paid by comparable companies, job responsibilities, and individual and company performance. Details of remuneration of the Directors, Chief Executive and senior management are set out in note 12 to the consolidated financial statements.

(4) Corporate Governance Committee

The Corporate Governance Committee was formed to assist the Board to perform corporate governance functions. It is made up of two Independent Non-executive Directors.

The Board has delegated the following corporate governance duties to the Corporate Governance Committee:

(a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
(b) review and monitor the training and continuous professional development of Directors and senior management;
(c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
(e) review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Corporate Governance Committee met once during the year to review the Company's compliance with the CG Code and training and continuous professional development of Directors and senior management.

Company Secretary

The Company Secretary supports the Board and Board committees and facilitates good information flow between them and the Company's management. During the year, the Company has engaged Mr. Leung Hoi Wai, Vincent, an external secretarial service provider, as its Company Secretary with effect from 8 December 2015, following the resignation of Mr. Tsang Yuen Wai, Samuel as the Company Secretary of the Company on the same date.

Mr. Leung is qualified as a solicitor in Hong Kong and England and Wales with over 17 years of experience in the legal profession. He reports directly to Mr. Wang, John Peter Ben, the Group's Deputy Chairman and Executive Director. All Directors have access to the Company Secretary's advice and services. Being the primary channel of communications between the Company and the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Group's corporate governance practices.

During the year, both Mr. Tsang and Mr. Leung have complied with the training requirement of the Listing Rules.

Directors' and Auditor's Responsibilities for Accounts

The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining the necessary internal controls system, ensuring the Group's financial statements are free from material misstatement, applying the appropriate accounting policies and making reasonable accounting estimates. The responsibilities of external auditor are set out in the Independent Auditor's Report on page 38 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2015, the Group paid and committed to pay to its auditor, Deloitte Touche Tohmatsu, approximately HK$1,691,000 for audit services and HK$108,000 for non-audit services.

Internal Controls

The Group's internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company maintains a well-established control framework comprising clear structures and accountabilities, well understood policies and procedures and budgeting and review process. The management meets on every occasion to review divisional financial performance, business development plans, management issues, financial budgets and forecasts and capital expenditure proposals. Management accounts of the operating subsidiaries are reported to the Board on a monthly basis.

The Board works together with the Audit Committee to discharge its internal control responsibility for the ongoing oversight of the internal control framework, which provides an important key to reinforcing the organisation's commitment to internal controls.

The Company has implemented an annual programme to conduct an in-depth review of financial, operational and compliance controls and compliance with the Company's financial policies at business units. The Company reports its findings to the Audit Committee and any material issues are reported and discussed with the Board.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for 2015 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, qualifications, experience, training programmes and budget of the Group's Finance Department and considers that they are adequate.

Constitutional Documents

During the year ended 31 December 2015, there was no change in the Company's constitutional documents.

Shareholders' Rights

Right to convene special general meeting

Pursuant to the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half (1/2) of the total voting rights of all of them, may themselves convene a meeting in accordance with the provision of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

The written requisition requiring a special general meeting to be called must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Under Section 79 of the Companies Act, shareholders may by written request include a resolution in a general meeting. The request must be made by shareholders holding in aggregate not less than one-twentieth (1/20) of the total voting rights of those shareholders having the right to vote at the general meeting or not less than one hundred (100) shareholders. The written requisition must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Right to put enquiries to the Board

Shareholders have a right to put enquiries to the Board. All enquiries should be in writing and sent to the Company Secretary at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong or by e-mail to info@saholdings.com.hk.

Procedures for nomination of Directors for election

Under Clause 88 of the Company's Bye-laws, shareholders are entitled to elect a person to be a Director at a general meeting or at any special general meeting by following the requirement set out in said bye-law. The procedures for nomination of Directors for election are available on the Company's website at www.saholdings.com.hk.

Communication with Shareholders

The Company considers the annual general meeting ("AGM") an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed. The Deputy Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2015 AGM and were on hand to answer questions.

The Company Secretary responds to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors may contact the Company by email to info@saholdings.com.hk or by mail to the Company Secretary at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at www.saholdings.com.hk also provides a medium to make information of the Group available to shareholders. Shareholders may refer to the "Shareholders' Communication Policy" posted on the Company's website for further details.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are shown in note 30 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 9 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 December 2015, including uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out on pages 12 to 13 of this annual report and the paragraphs below.

Particulars of an important event affecting the Group that has occurred since the end of the financial year ended 31 December 2015 are provided in note 29 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-year Financial Summary on page 91 of this annual report.

Key Risks and Uncertainties

The Group's business is sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending

Demand for gaming services and leisure activities which the Group offers is sensitive to downturns and uncertainty in the global and regional economy and corresponding decreases in discretionary consumer spending, including on gaming services and leisure activities. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual general economic conditions, energy, fuel and other commodity costs, the cost of travel, employment and job market conditions, actual or perceived levels of disposable consumer income and wealth, and consumer confidence in the economy. These and other factors may reduce consumer demand for gaming services and leisure activities the Group offers, imposes practical limits on pricing and materially and adversely affected the Group's business, financial condition and results of operations and could affect its liquidity position.

The Group's business depends on its ability to attract and retain a sufficient number of employees to run its gaming operations

The Group's success may rely on its ability to attract, train, retain and motivate employees, including dealers, pit bosses and security personnel. Competition for employees may increase significantly when new casinos and hotels of competitors open for business in the Integrated Entertainment Zone of the Primorye Region, the Russian Federation (the "IEZ"). Since a lot of the employees must possess certain requisite gaming knowledge and foreign language skills, these requirements may result in significant competition among gaming operators in the IEZ for eligible employees. The competition may make it more difficult to attract and retain employees.

Increase in competition

The gaming and gaming-related businesses in the IEZ are expected to be competitive and the Group could encounter intense competition as other gaming operators could open new projects in the IEZ in the future. The Group currently only secured Lot 9 in the IEZ for the operation of the proposed casino and resort complex while there are a number of other lots in the IEZ designated for operations of casinos, which could be taken up and run by potential competitors of the Group. The potential opening of additional casinos and resorts by competitors may result in a significant increase in gaming tables and slot machines as well as hotels, other entertainment and convention centre facilities, services and amenities in the IEZ, which will intensify competition in the IEZ. The demand for gaming facilities may not increase in line with or may outpace the supply of gaming tables and slot machines in the future. Accordingly this may lead to a decrease in the Group's revenue or the Group may not be able to maintain or grow its market share in the future or otherwise compete effectively.

The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements.

Environmental Policies and Performance

The Group recognizes the importance of environmental sustainability against modern ecological challenges. To enhance environmental awareness and encourage daily participation among staff in the continuous improvement of environmental protection, the Company implements green office practices, such as implementing paperless practice whenever possible, engaging staff regularly on low carbon office measures and encouraging them to switch off non-essential lights and maintain an average indoor temperature between 24-26 degree Celsius. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability.

Compliance with the Relevant Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. The Board considers that there is no compliance issue that has a significant impact of the Group.

Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Relationships with Employees, Suppliers and Customers

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and retain the best people. The Group regularly reviews the remuneration package of employees and makes necessary adjustments taking into account the prevailing market conditions.

The Group also understands the importance of maintaining good relationship with its suppliers and customers. The Group has established long term business relationship with the suppliers which ensures delivering constantly high standards of quality in the products and services. The Group maintains close relationship with the customers to fulfil their immediate and long-term need. During the year, there was no material and significant dispute between the Group and its suppliers and/or customers.

REPORT OF THE DIRECTORS

Results

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40 of this annual report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 91 of this annual report.

Share Capital

Details of the movements in share capital of the Company are set out in note 23 to the consolidated financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda in relation to issue of shares by the Company.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements, respectively. As at 31 December 2015, no reserve was available for distribution to the owners of the Company (31 December 2014: Nil).

Major Customers and Suppliers

In 2015, sales to the Group's five largest customers accounted for almost 100% of the total sales for the year and sales to the largest customer included therein amounted to 85%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and the Group's largest supplier accounted for 87% of its total purchases.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued shares) had an interest in these major customers or suppliers.

Directors

The directors of the Company during the year and up to the date of this report are:

Mr. Ho, Lawrence Yau Lung* *(Chairman)*
Mr. Wang, John Peter Ben# *(Deputy Chairman)*
Mr. Tsui Yiu Wa, Alec+
Mr. Pang Hing Chung, Alfred+
Dr. Tyen Kan Hee, Anthony+

Executive Director
* Non-executive Director
+ Independent Non-executive Director

In accordance with Clause 87(1) and (2) of the Company's Bye-laws, Mr. Ho, Lawrence Yau Lung and Mr. Tsui Yiu Wa, Alec will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmation from each of the Independent Non-executive Directors concerning his independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

Biographical details of the directors of the Company as at the date of this report are set out on pages 14 to 16 of this annual report.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Permitted Indemnity Provision

The Bye-laws of the Company provides that each director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto, save for matters in respect of his wilful negligence, wilful default, fraud or dishonesty.

Directors' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

Directors' Rights to Acquire Shares or Debentures

Save for the share option scheme of the Company as disclosed in this report, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of each director and chief executive of the Company 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 ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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:

Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of the Company

	Number of ordinary shares held				
Name of Director	**Personal interests** (Note 2)	**Corporate interests** (Note 3)	**Other interests**	**Total**	**Approximate % of total issued shares**
Mr. Ho, Lawrence Yau Lung	20,000,000	371,712,464 (Note 4)	–	391,712,464	26.37%
Mr. Wang, John Peter Ben	161,079,980	–	–	161,079,980	10.84%

(b) Share options granted by the Company

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 5)	Approximate % of total issued shares
Mr. Ho, Lawrence Yau Lung	20,000,000	1.35%
Mr. Tsui Yiu Wa, Alec	1,180,000	0.08%
Mr. Pang Hing Chung, Alfred	1,180,000	0.08%
Dr. Tyen Kan Hee, Anthony	522,000	0.04%

Notes:

1. As at 31 December 2015, the total number of issued shares of the Company was 1,485,495,836.

2. This represents interest held by the relevant director as beneficial owner.

3. This represents interest held by the relevant director through his controlled corporation.

4. 371,712,464 shares of the Company 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.

5. Details of share options granted to the directors pursuant to the share option scheme of the Company are set out in the "Share Option Scheme" section of this report.

Save as disclosed above, as at 31 December 2015, 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.

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.

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.

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

	Number of share options						
Category of participants	As at 1 January 2015	Granted during the year	Exercised during the year	As at 31 December 2015	Date of grant	Exercise price HK$	Exercise period *(Note)*
Directors							
Mr. Ho, Lawrence Yau Lung	40,000,000	–	(20,000,000)	20,000,000	10.07.2013	1.73	4
Mr. Wang, John Peter Ben	1,180,000	–	(1,180,000)	–	26.08.2011	0.375	2
Mr. Tsui Yiu Wa, Alec	1,180,000	–	–	1,180,000	26.08.2011	0.375	2
Mr. Pang Hing Chung, Alfred	1,180,000	–	–	1,180,000	26.08.2011	0.375	2
Dr. Tyen Kan Hee, Anthony	780,000	–	(258,000)	522,000	26.08.2011	0.375	2
Employees	6,892,000	–	–	6,892,000	09.12.2014	4.218	5
Consultants	944,000	–	(944,000)	–	26.08.2011	0.375	3
	4,500,000	–	–	4,500,000	10.07.2013	1.73	4
	2,512,000	–	–	2,512,000	09.12.2014	4.218	5
Total	**59,168,000**	**–**	**(22,382,000)**	**36,786,000**			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 26 August 2011 are divided into 2 tranches exercisable from 26 August 2011 and 26 August 2012 respectively to 25 August 2021.

3. The share options granted on 26 August 2011 are divided into 2 tranches exercisable from 26 August 2012 and 26 August 2013 respectively to 25 August 2021.

4. The share options granted on 10 July 2013 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.

5. The share options granted on 9 December 2014 are divided into 2 tranches exercisable from 9 December 2014 and 9 December 2015 respectively to 8 December 2019.

6. During the year, no share options were cancelled or lapsed under the Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the date on which the options were exercised was HK$4.68.

Directors' Interests in Competing Business

As at 31 December 2015, none of the directors of the Company or their respective associates had any interest in a business, which competes or may compete, either directly or indirectly with the business of the Company pursuant to the Listing Rules.

Continuing Connected Transactions

During the year, the Company has entered into the following continuing connected transactions which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

On 20 January 2015, Oriental Regent Limited ("Oriental Regent"), a subsidiary of the Company for the purpose of the Listing Rules, entered into a management services agreement ("Management Services Agreement") with Tiga Gaming Incorporated ("TGI"), pursuant to which Oriental Regent agreed to receive from TGI certain services, including installing electronic gaming machines and other equipment, reviewing and analyzing the performance of the equipment and repair and maintenance of the equipment etc. ("Services") for the casino and resort complex on Lot 9 within the Integrated Entertainment Zone of the Primorye Region of the Russian Federation ("Casino") for a term of three years commencing from 20 January 2015, which shall be automatically extended for further periods of three years each under the same terms and conditions as set forth in the Management Services Agreement.

After the Casino has commenced operation where the average daily gross gaming revenue (the "GGR") generated per unit of the equipment for such month exceeds the baseline GGR (which was set at US$150 initially for 2015) (the "Baseline GGR") in effect for that month, TGI shall be entitled to claim from Oriental Regent a participation fee. If the average GGR per unit of the equipment for such month is less than the Baseline GGR in effect for that month, TGI shall be liable for making a guaranteed win payment to Oriental Regent.

The annual caps in respect of the Services for the years ended 31 December 2015, 2016 and 2017 are HK$29,000,000, HK$70,000,000 and HK$95,000,000 respectively. During the year ended 31 December 2015, the total amount of the aforesaid transactions receivable by Oriental Regent amounted to HK$19,224,691 (the "Continuing Connected Transactions") and is within the annual cap.

Oriental Regent is a subsidiary of the Company. Firich Investment Limited ("Firich"), which owns 25% of the total number issued shares of Oriental Regent, is a substantial shareholder of Oriental Regent and hence is a connected person of the Company. Firich is a wholly owned subsidiary of Firich Enterprises Co., Ltd ("FEC"). TGI is owned by FEC as to 54.22%. Therefore, TGI is a connected person of the Company at the subsidiary level of the Company. As such, the transactions contemplated under the Management Services Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the transactions are set out in the announcement of the Company dated 20 January 2015.

The Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that they have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the Management Services Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions as disclosed by the Company in the annual report in accordance with Rule 14A.56 of the Listing Rules.

Connected Transactions

During the year, the Company has entered into the following connected transactions which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(1) Tiga Equipment Purchase Agreement in relation to the gaming and resort development project in Russia

On 20 January 2015, G1 Entertainment LLC (formerly known as First Gambling of the East LLC) ("G1 Entertainment") entered into an equipment purchase agreement ("Tiga Equipment Purchase Agreement") with Tiga Rus LLC ("Tiga Rus"), pursuant to which G1 Entertainment agreed to acquire 300 electronic gaming machines and the related accessories from Tiga Rus at a total cash consideration of US$3,218,500.

G1 Entertainment, which is wholly owned by Oriental Regent, is a subsidiary of the Company for the purpose of the Listing Rules. Firich, which owns 25% of the total number of issued shares of Oriental Regent, is a substantial shareholder of Oriental Regent and hence is a connected person of the Company. Firich is a wholly owned subsidiary of FEC. Tiga Rus, through TGI, is indirectly held by FEC as to 54.22%. Therefore, Tiga Rus is a connected person of the Company at the subsidiary level of the Company and the entering into the Tiga Equipment Purchase Agreement constituted a connected transaction under Rule 14A.101 of the Listing Rules.

Further details of the transaction are set out in the announcement of the Company dated 20 January 2015.

(2) Gaming Products Purchase Contract and Supplemental Agreement in relation to the gaming and resort development project in Russia

On 15 April 2015, Oriental Regent and Dolphin Products Limited ("Dolphin Products") entered into a contract (the "Gaming Products Purchase Contract") pursuant to which Dolphin Products agreed to sell and Oriental Regent agreed to purchase a total of 258,680 gaming chips and gaming plaques (to be issued to players in exchange for cash, which may be used to place bets on gaming tables, in lieu of cash and ultimately can be returned for cash) (the "Gaming Products") at a cash consideration of US$1,286,065. The Gaming Products shall be used in the Casino.

On 20 November 2015, Oriental Regent and Dolphin Products entered into a supplemental agreement to the gaming products purchase contract (the "Supplemental Agreement"), pursuant to which Dolphin Products agreed to sell and Oriental Regent agreed to purchase a total of 16,400 gaming chips and gaming plaques and 2 gaming chip authenticators (the "Additional Gaming Products") at a total cash consideration of US$198,648. The Additional Gaming Products shall be used in the Casino.

Dolphin Products is a subsidiary of Melco International Development Limited and an associate of Mr. Ho, Lawrence Yau Lung, who is the Chairman and Non-executive Director and substantial shareholder of the Company, under the Listing Rules. Accordingly, Dolphin Products is a connected person of the Company and the entering into the Gaming Products Purchase Contract, the Supplemental Agreement and the transactions contemplated thereunder constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the transactions are set out in the announcements of the Company dated 15 April 2015 and 20 November 2015.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2015, which do not constitute connected transactions under the Listing Rules, are disclosed in note 28 to the consolidated financial statements.

Substantial Shareholders' Interests in the Shares, Underlying Shares and Debentures

As at 31 December 2015, the following persons/corporations had interests in five per cent or more of the issued shares 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 and underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Approximate % of total issued shares	Note(s)
Quick Glitter Limited	Beneficial owner	371,712,464	–	25.02%	2
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	371,712,464	–	25.02%	2
	Beneficial owner	20,000,000	20,000,000	2.69%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	391,712,464	20,000,000	27.72%	3, 4
Mr. Wang, John Peter Ben	Beneficial owner	161,079,980	–	10.84%	–

Notes:

1. As at 31 December 2015, the total number of issued shares of the Company was 1,485,495,836.

2. Quick Glitter Limited is 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.

3. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and was deemed to be interested in the shares through the interest of her spouse, Mr. Ho, Lawrence Yau Lung, under the SFO.

4. Regarding the interests of Mr. Ho, Lawrence Yau Lung 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 31 December 2015, 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.

Equity-Linked Agreements

Other than the Share Option Scheme as disclosed in this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into during the year or subsisted at the end of the year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

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.

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 18 to 25 of this annual report.

Emolument Policy

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Particulars of the emoluments of directors on a named basis for the year are set out in note 12 to the consolidated financial statements.

The Company has adopted a share option scheme as an incentive to directors, employees and consultants. Details of the scheme are set out in note 24 to the consolidated financial statements.

Audit Committee

The Company has an Audit Committee, which was established for the purpose of reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Audit Committee, made up of three Independent Non-executive Directors, met twice during the year. At the meetings, the Audit Committee reviewed the accounting principles and practices, the interim report and the annual report of the Group, and discussed auditing, internal controls and financial reporting matters with management.

Charitable Donations

During the year, the Group did not make any charitable and other donations (2014: Nil).

Auditor

The consolidated financial statements for the year ended 31 December 2015 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wang, John Peter Ben
Deputy Chairman and Executive Director

Hong Kong, 18 March 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF SUMMIT ASCENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 90, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Turnover	7	**18,832**	21,926
Cost of sales		**(18,524)**	(20,314)
Gross profit		**308**	1,612
Other income	8	**43,464**	26,528
Selling and distribution expenses		**(28)**	(103)
General and administrative expenses		**(60,382)**	(106,504)
Share of losses of joint ventures		**(68,727)**	(407)
Loss before taxation		**(85,365)**	(78,874)
Income tax expense	10	**–**	–
Loss for the year, attributable to owners of the Company	11	**(85,365)**	(78,874)
Other comprehensive expense			
– share of exchange differences of a joint venture, which may be reclassified subsequently to profit or loss		**(157,298)**	(183,133)
Total comprehensive expense for the year, attributable to owners of the Company		**(242,663)**	(262,007)
Loss per share	15		
– Basic (HK cents)		**5.79**	5.52
– Diluted (HK cents)		**5.79**	5.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Equipment	16	**280**	306
Interests in joint ventures	17	**324,404**	549,080
Loans to joint ventures	17	**385,049**	342,901
		709,733	892,287
Current assets			
Inventories	18	**17**	22
Trade and other receivables	19	**1,443**	20,449
Amounts due from joint ventures	20	**2,241**	437
Bank balances and cash	21	**130,276**	113,242
		133,977	134,150
Current liabilities			
Trade and other payables	22	**5,467**	24,106
Net current assets		**128,510**	110,044
Net assets		**838,243**	1,002,331
Capital and reserves			
Share capital	23	**37,137**	36,578
Reserves		**801,106**	965,753
Equity attributable to owners of the Company		**838,243**	1,002,331

The consolidated financial statements on pages 40 to 90 were approved and authorised for issue by the Board of Directors on 18 March 2016 and are signed on its behalf by:

Ho, Lawrence Yau Lung
DIRECTOR

Wang, John Peter Ben
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	33,965	601,743	(1,853)	62,270	(79,316)	616,809
Loss for the year	–	–	–	–	(78,874)	(78,874)
Share of exchange differences of a joint venture	–	–	(183,133)	–	–	(183,133)
Total comprehensive expense for the year	–	–	(183,133)	–	(78,874)	(262,007)
Exercise of share options	13	1,269	–	(417)	–	865
Recognition of equity-settled share-based payments	–	–	–	84,234	–	84,234
Shares issued	2,600	585,000	–	–	–	587,600
Transaction costs attributable to issue of shares	–	(25,170)	–	–	–	(25,170)
At 31 December 2014 and 1 January 2015	36,578	1,162,842	(184,986)	146,087	(158,190)	1,002,331
Loss for the year	**–**	**–**	**–**	**–**	**(85,365)**	**(85,365)**
Share of exchange differences of a joint venture	**–**	**–**	**(157,298)**	**–**	**–**	**(157,298)**
Total comprehensive expense for the year	**–**	**–**	**(157,298)**	**–**	**(85,365)**	**(242,663)**
Exercise of share options	**559**	**122,397**	**–**	**(87,463)**	**–**	**35,493**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**43,082**	**–**	**43,082**
At 31 December 2015	**37,137**	**1,285,239**	**(342,284)**	**101,706**	**(243,555)**	**838,243**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(85,365)**	(78,874)
Adjustments for:		
Share-based payment expense	**43,082**	84,234
Share of losses of joint ventures	**68,727**	407
Depreciation	**140**	72
Imputed interest income from loans to joint ventures	**(40,769)**	(17,373)
Interest income	**(725)**	(4,650)
Write back of provision for stock obsolescence	**(11)**	–
Operating cash flows before movements in working capital	**(14,921)**	(16,184)
Decrease in inventories	**16**	59
Decrease in trade and other receivables	**19,040**	17,204
Decrease in trade and other payables	**(18,639)**	(13,984)
Net cash used in operating activities	**(14,504)**	(12,905)
INVESTING ACTIVITIES		
Loans to joint ventures	**(2,723)**	(642,742)
Increase in amounts due from joint ventures	**(1,804)**	(437)
Purchases of equipment	**(114)**	(305)
Investment in joint ventures	**(5)**	(157,498)
Interest received	**691**	4,571
Net cash used in investing activities	**(3,955)**	(796,411)
FINANCING ACTIVITIES		
Proceeds from exercise of share options	**35,493**	865
Proceeds from issue of shares	**–**	587,600
Decrease in amount due to a joint venture	**–**	(372)
Expenses on issue of shares	**–**	(25,170)
Net cash generated from financing activities	**35,493**	562,923
Net increase (decrease) in cash and cash equivalents	**17,034**	(246,393)
Cash and cash equivalents at beginning of the year	**113,242**	359,635
Cash and cash equivalents at end of the year, represented by bank balances and cash	**130,276**	113,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are the trading of tiles and engineering operations products. The principal subsidiaries and their activities are set out in note 30.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year 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 consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the adoption of HKFRS 9 in the future may affect the classification, measurement and impairment assessment of the Group's financial assets.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The Directors do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

The Directors anticipate that the application of the other new and revised standards, amendments and interpretation issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

The provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. Significant Accounting Policies (continued)

Interests in joint ventures (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant Accounting Policies (continued)

Equipment

Equipment is stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives of three to five years 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 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 the disposal or retirement of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less estimated costs necessary to make the sale.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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. Where 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.

Recoverable amount is the higher of fair value less costs to sell 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 years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans to joint ventures, trade and other receivables, amounts due from joint ventures and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either other financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities, including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of joint arrangements that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve).

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in the share-based compensation reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will continue to be held in share-based compensation reserve.

Share options granted to consultants

Equity-settled share-based payment transactions with consultants are measured at the fair value of services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the counterparties render services, unless the services qualify for recognition as assets.

3. Significant Accounting Policies (continued)

Retirement benefit costs

Payments to the a defined contribution scheme registered under the Occupational Retirement Scheme Ordinance ("ORSO Scheme") and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of Oriental Regent Limited ("Oriental Regent") as joint ventures

Note 17 describes that Oriental Regent is a joint venture of the Group. The Directors assessed whether or not the Group has control over Oriental Regent based on whether the Group has the practical ability to direct the relevant activities of Oriental Regent unilaterally.

New Crescent Investments Limited ("New Crescent"), a wholly owned subsidiary of Melco International Development Limited ("Melco") has 5% equity interest in Oriental Regent. Mr. Ho, Lawrence Yau Lung is a shareholder with significant influence and a director in both the Company and Melco. Although the Group and New Crescent have in aggregate 65% equity interest in Oriental Regent, the Directors considered that Oriental Regent is not a subsidiary of the Group as Melco is a listed company which is not considered to be acting on the Group's behalf in respect of the 5% interest in Oriental Regent held by Melco. Accordingly, as the relevant activities of Oriental Regent require unanimous written approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent, Oriental Regent is considered to be under joint control of the Group and the other parties.

In addition, Oriental Regent is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the companies itself. There are also no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, the Directors classified Oriental Regent as a joint venture of the Group.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, the carrying amount of trade and other receivables is HK$1,443,000 (2014: HK$20,449,000) with no allowance for doubtful debts for both years.

Share-based payments

The Group recognises share-based compensation expense on options granted. Share-based compensation expense is based on the estimated fair value of each option at its grant date, the estimation of which requires management to make assumptions about future volatility of the Company's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value. No share option was granted by the Company during the year (2014: HK$18,558,000) and the amount associated with share-based payments for the year ended 31 December 2015 is HK$43,082,000 (2014: HK$84,234,000).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. Financial Instruments

Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**517,627**	459,604
Financial liabilities		
Amortised cost	**2,793**	3,897

Financial risk management objectives and policies

The Group's financial instruments include loans to joint ventures, bank balances and cash, trade and other receivables, amounts due from joint ventures and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Currency risk

The Group has no significant exposure to foreign exchange risk arising from various currency exposures. The commercial transactions and recognised assets and liabilities are mainly from local currency.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposits carried interest at fixed rate.

The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances. The management considers the cash flow interest rate risk in relation to variable-rate bank balances is insignificant and therefore no sensitivity analysis on such risk has been prepared.

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with two banks in Hong Kong with good reputation, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are due within twelve months from the end of the reporting period or repayable on demand and non-interest bearing for both years.

Fair value measurement of financial instruments

None of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. Turnover

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

8. Other Income

	2015 **HK$'000**	2014 HK$'000
Bank interest income	**725**	4,650
Imputed interest income from loans to joint ventures *(Note 17(i))*	**40,769**	17,373
Management fee income received from a joint venture	**1,963**	–
Others	**7**	4,505
	43,464	26,528

9. 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. No operating segments have been aggregated in arriving at reportable segments of the Group.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

(a) Trading of tiles and engineering operations products.

(b) Gaming and hotel operations.

9. Segment Information (continued)

Segment revenues and results

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

	2015			2014		
	Trading of tiles and engineering operations products HK$'000	**Gaming and hotel operations HK$'000**	**Total HK$'000**	Trading of tiles and engineering operations products HK$'000	Gaming and hotel operations HK$'000	Total HK$'000
Turnover – external sales	**18,832**	**–**	**18,832**	21,926	–	21,926
Segment results	**(2,159)**	**(66,764)**	**(68,923)**	(3,958)	(407)	(4,365)
Other income			**41,501**			23,966
Share-based payment expense			**(43,082)**			(84,234)
Unallocated general and administrative expenses			**(14,861)**			(14,241)
Loss before taxation			**(85,365)**			(78,874)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the loss before taxation incurred by each segment without allocation of bank interest income, imputed interest income from loans to joint ventures, share-based payment expense, unallocated net foreign exchange gain (loss) and unallocated general and administrative expenses. This is the measure reported to the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

9. Segment Information (continued)

Segment assets and liabilities

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

Segment assets

	2015 HK$'000	2014 HK$'000
Trading of tiles and engineering operations products	**325**	19,283
Gaming and hotel operations	**711,694**	892,418
Segment assets	**712,019**	911,701
Unallocated assets		
Bank balances and cash	**130,276**	113,242
Equipment	**280**	306
Other receivables	**1,135**	1,188
Consolidated assets	**843,710**	1,026,437

Segment liabilities

	2015 HK$'000	2014 HK$'000
Trading of tiles and engineering operations products	**2,870**	21,045
Gaming and hotel operations	**–**	–
Segment liabilities	**2,870**	21,045
Unallocated liability		
Other payables and accruals	**2,597**	3,061
Consolidated liabilities	**5,467**	24,106

9. Segment Information (continued)

Segment assets and liabilities (continued)

Other segment information (continued)

	2015				2014			
	Trading of tiles and engineering operations products HK$'000	**Gaming and hotel operations HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**	Trading of tiles and engineering operations products HK$'000	Gaming and hotel operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amount included in the measure of segment profit or loss or segment assets:								
Write back of provision for stock obsolescence	**11**	**–**	**–**	**11**	–	–	–	–

Geographical information

The information of the Group's non-current assets by geographical location of assets is detailed below:

	Non-current assets	
	2015 HK$'000	2014 HK$'000
Hong Kong	**280**	306
Russian Federation (Note)	**709,453**	891,981
	709,733	892,287

Note: This included loans to joint ventures of HK$385,049,000 and HK$342,901,000 as of 31 December 2015 and 2014 respectively.

Information about major customers

Included in revenue arising from trading of tiles and engineering operations products are revenue of approximately HK$16,068,000 (2014: HK$12,358,000) which arose from sales to the Group's largest customer.

10. Income Tax Expense

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Income tax expense for the year can be reconciled to the loss before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Loss before taxation	**(85,365)**	(78,874)
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**(14,086)**	(13,014)
Tax effect of expenses not deductible in determining taxable profit	**8,018**	13,940
Tax effect of income not taxable in determining taxable profit	**(7,190)**	(3,980)
Tax effect of share of losses of joint ventures	**11,340**	67
Tax effect of tax losses not recognised	**1,918**	2,987
Tax expense for the year	**–**	–

At the end of the reporting period, the Group has unused tax losses of HK$28,295,000 (2014: HK$16,673,000) available for offset against future profits. No deferred tax assets have been recognised on such tax losses for both years due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

11. Loss For The Year

	2015 HK$'000	2014 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,691**	1,338
Directors' remunerations (Note 12)	**34,269**	73,570
Salaries, wages, bonus and other benefits	**7,875**	11,760
Contributions to retirement benefits schemes, excluding directors	**228**	608
Share-based compensation benefits, excluding directors and consultants	**6,393**	7,197
Total staff costs	**14,496**	19,565
Bank interest income	**(725)**	(4,650)
Cost of inventories recognised as an expense	**18,524**	20,314
Depreciation	**140**	72
Imputed interest income from loans to joint ventures	**(40,769)**	(17,373)
Legal and professional fees	**445**	752
Minimum lease payments under operating leases	**2,357**	2,258
Net foreign exchange gain	**(7)**	(1,943)
Share-based compensation benefits to consultants	**3,056**	4,103
Write back of provision for stock obsolescence	**(11)**	–

12. Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the five (2014: five) directors and the chief executive were as follows:

	Year ended 31 December 2015					
	Non-executive Director and Chairman	**Executive Director and Chief Executive**	**Independent Non-executive Directors**			
	Ho, Lawrence Yau Lung HK$'000	**Wang, John Peter Ben HK$'000**	**Tsui Yiu Wa, Alec HK$'000**	**Pang Hing Chung, Alfred HK$'000**	**Tyen Kan Hee, Anthony HK$'000**	**Total HK$'000**
Fees	**–**	**180**	**168**	**120**	**168**	**636**
Other emoluments						
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**
Contributions to retirement benefits schemes	**–**	**–**	**–**	**–**	**–**	**–**
Share-based compensation benefits	**33,633**	**–**	**–**	**–**	**–**	**33,633**
Total emoluments	**33,633**	**180**	**168**	**120**	**168**	**34,269**

	Year ended 31 December 2014					
	Non-executive Director and Chairman	Executive Director and Chief Executive	Independent Non-executive Directors			
	Ho, Lawrence Yau Lung HK$'000	Wang, John Peter Ben HK$'000	Tsui Yiu Wa, Alec HK$'000	Pang Hing Chung, Alfred HK$'000	Tyen Kan Hee, Anthony HK$'000	Total HK$'000
Fees	–	180	168	120	168	636
Other emoluments						
Salaries and other benefits	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–
Share-based compensation benefits	72,934	–	–	–	–	72,934
Total emoluments	72,934	180	168	120	168	73,570

12. Directors' and Chief Executive's Emoluments (continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The executive director's emoluments shown above were mainly for his service in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were mainly for his services as director of the Company or its subsidiaries. The Independent Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

13. Employees' Remuneration

The five highest paid employees of the Group during the year included one director (2014: one director), details of whose remuneration are set out in note 12. Details of the remuneration for the year of the remaining four (2014: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries and other benefits	**3,506**	3,010
Discretionary and performance related incentive payments	**284**	1,261
Contributions to retirement benefits schemes	**54**	130
Share-based compensation benefits	**6,323**	7,129
	10,167	11,530

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1

The Group usually determines and pays discretionary bonuses to employees (including directors) around March each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the employees (including directors) during the current financial year in relation to performance for the preceding year.

14. Dividends

No dividend was paid or proposed during the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

15. Loss per Share

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

	2015	2014
	HK$'000	HK$'000
Loss for the purposes of basic and diluted loss per share	**85,365**	78,874

	Number of shares (in thousands)	
	2015	2014
Weighted average number of ordinary shares for the purposes of basic and diluted losses per share	**1,474,952**	1,429,434

The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2014 have been adjusted for the subdivision of shares on 16 June 2014, as detailed in note 23.

The computation of diluted losses per share does not assume exercise of share options since their exercise would result in a decrease in loss per share.

16. Equipment

	Office equipment HK$'000
COST	
At 1 January 2014	74
Additions	305
At 31 December 2014	379
Additions	114
At 31 December 2015	493
DEPRECIATION	
At 1 January 2014	1
Provided for the year	72
At 31 December 2014	73
Provided for the year	140
At 31 December 2015	213
CARRYING VALUE	
At 31 December 2015	280
At 31 December 2014	306

17. Interests in Joint Ventures and Loans to Joint Ventures

Details of the Group's interests in and related loans to joint ventures are as follows:

	2015 **HK$'000**	2014 HK$'000
Cost of unlisted investment in joint ventures	**418,546**	418,541
Share of post-acquisition losses and other comprehensive expenses	**(412,700)**	(186,675)
Deemed capital contribution	**318,558**	317,214
	324,404	549,080
Loans to joint ventures (Note i)	**385,049**	342,901

On 23 August 2013, a wholly owned subsidiary of the Company, Summit Ascent Russia Limited ("SARL") entered into an investment agreement ("Investment Agreement") with New Crescent, Firich Investment Limited ("Firich"), Elegant City Group Limited ("Elegant City") and Oriental Regent. Firich, Elegant City and Oriental Regent are independent third parties to the Group. The Investment Agreement provides that SARL will make an investment in a gaming and resort development project in Russia, by subscribing new shares of Oriental Regent, representing 46% of the enlarged issued share capital of Oriental Regent upon completion pursuant to the terms and conditions of the Investment Agreement. The Investment Agreement has been completed on 31 October 2013 and the consideration paid by the Group is approximately HK$184,383,000. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of Oriental Regent require unanimous written approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent and accordingly, Oriental Regent is classified as a joint venture of the Group.

On 25 November 2013, pursuant to the Investment Agreement, each shareholder is required to invest additional amount in accordance with their respective shareholding in Oriental Regent and the consideration paid by the Group is approximately HK$76,660,000.

Pursuant to the acquisition agreement signed on 23 April 2014, SARL acquired a further 14% equity interest in Oriental Regent from Elegant City for a consideration of HK$157,498,000. Upon completion, SARL holds 60% equity interest in Oriental Regent and Oriental Regent continued to be accounted for as a joint venture of the Group.

17. Interests in Joint Ventures and Loans to Joint Ventures (continued)

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

Name of entity	Country of incorporation/ registration	Principal place of operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2015	2014	**2015**	2014	
Oriental Regent	Hong Kong	Hong Kong	**60%**	60%	**33%**	33%	Investment holding
G1 Entertainment LLC (formerly known as "First Gambling Company of the East LLC") (Note ii)	Russian Federation	Russian Federation	**60%**	60%	**33%**	33%	Operation of hotel and gaming business in the Integrated Entertainment Zone in Russia Federation
Oriental Winner Limited ("Oriental Winner")	Hong Kong	Hong Kong	**50%**	–	**50%**	–	Travel and travel related business

Notes:

(i) 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 HK$1,071,236,000 in total as required by Oriental Regent to continue to fund the gaming and resort project in Russia Federation by way of ordinary shareholder convertible loan (the "Shareholder Convertible Loan") as contemplated under the investment and shareholders' agreement dated 23 August 2013. The Group as one of the lenders provided its pro rata proportion of the Shareholder Convertible Loan amounted to HK$342,901,000, after adjusting the fair value adjustment of HK$317,214,000 and imputed interest income of HK$17,373,000, from its internal resources. The Shareholder Convertible 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 Shareholder Convertible 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. Unless otherwise determined by the board of Oriental Regent, the lender of the Shareholder Convertible Loan or its permitted assignee shall not have any right of redemption or conversion in respect of the Shareholder Convertible Loan (or any part thereof).

(ii) G1 Entertainment LLC ("G1 Entertainment") is a wholly owned subsidiary of Oriental Regent.

17. Interests in Joint Ventures and Loans to Joint Ventures (continued)

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture, Oriental Regent, 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 HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Oriental Regent

	2015 **HK$'000**	2014 HK$'000
Current assets		
Bank balances and cash	**79,469**	847,830
Others	**87,120**	26,749
	166,589	874,579
Non-current assets		
Property, plant and equipment	**948,229**	221,454
Long term prepayments, other receivables and other asset	**11,931**	268,578
Deferred tax assets	**1,305**	1,089
Others	**201**	25
	961,666	491,146
Current liabilities		
Other payables and accruals	**(76,224)**	(6,564)
Obligations under finance leases	**(1,199)**	–
Others	**(2,433)**	(437)
	(79,856)	(7,001)
Non-current liabilities		
Long term payables	**(4,269)**	(8,634)
Loans from shareholders	**(639,407)**	(571,502)
Obligations under finance leases	**(1,512)**	–
	(645,188)	(580,136)

17. Interests in Joint Ventures and Loans to Joint Ventures (continued)

Summarised financial information of material joint venture (continued)

Oriental Regent (continued)

	2015 **HK$'000**	2014 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**79,469**	847,830
Current financial liabilities (excluding trade and other payables and provisions)	**(3,632)**	(437)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(645,188)**	(580,136)

	2015 **HK$'000**	2014 HK$'000
Revenue	**71,979**	–
Loss for the year	**(113,771)**	(2,723)
Other comprehensive expense for the year	**(262,163)**	(307,865)
Total comprehensive expense for the year	**(375,934)**	(310,588)

The above loss for the year includes the following:

	2015 **HK$'000**	2014 HK$'000
Depreciation and amortisation	**(18,684)**	(482)
Interest income	**1,686**	1,345
Interest expense	**(67,905)**	(28,955)
Income tax credit	**550**	1,452

17. Interests in Joint Ventures and Loans to Joint Ventures (continued)

Summarised financial information of material joint venture (continued)

Oriental Regent (continued)

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:

	2015 HK$'000	2014 HK$'000
Net assets of Oriental Regent	**403,211**	778,588
Non-controlling interests	**(558)**	–
	402,653	778,588
Proportion of the Group's ownership interests in Oriental Regent	**60%**	60%
	241,592	467,153
Excess of consideration paid over net assets acquired for the additional 14% equity interest in Oriental Regent	**81,927**	81,927
Carrying amount of the Group's interest in Oriental Regent	**323,519**	549,080

Oriental Regent is engaged in a gaming and resort business in Russia Federation through its wholly owned subsidiary, G1 Entertainment. After 2.5 years of project construction and development, in October 2015, the gaming and resort business commenced operations. In the opinion of the Directors, the investment is considered strategic to the Group as it allows the Group to be engaged in the development of casino business in a new geographical location.

Information of a joint venture that is not material

Oriental Winner

	7.7.2015 (date of incorporation) to 31.12.2015 HK$'000
The Group's share of loss and total comprehensive expense for the year	**(465)**
Carrying amount of the Group's interest	**885**

18. Inventories

	2015 HK$'000	2014 HK$'000
Goods held for trading	**17**	22

19. Trade and Other Receivables

	2015 HK$'000	2014 HK$'000
Trade receivables	**27**	1,796
Prepayments to a supplier	**281**	16,190
Other receivables, deposits and prepayments	**1,135**	2,463
	1,443	20,449

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:

	2015 HK$'000	2014 HK$'000
Within 30 days	**20**	1,250
31 – 90 days	**7**	546
	27	1,796

20. Amounts due from Joint Ventures

The amounts are unsecured, non-interest bearing and repayable on demand.

21. Bank Balances and Cash

Bank balances carry interest at market rates which ranges from 0.001% to 1.000% (2014: 0.001% to 1.375%) per annum.

22. Trade and Other Payables

	2015 **HK$'000**	2014 HK$'000
Trade payables	**320**	1,800
Accruals and other payables	**3,222**	5,268
Deposits received from customers	**1,925**	17,038
	5,467	24,106

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

	2015 **HK$'000**	2014 HK$'000
Within 30 days	**–**	1,250
31 – 90 days	**4**	175
Over 90 days	**316**	375
	320	1,800

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.

23. Share Capital of the Company

	Number of shares	Share capital HK$'000
Authorised:		
Shares of HK$0.05 each at 1 January 2014	1,600,000,000	80,000
Subdivision of shares (Note b)	1,600,000,000	–
Shares at HK$0.025 each at 31 December 2014 and 2015	3,200,000,000	80,000
Issued and fully paid:		
Shares of HK$0.05 each at 1 January 2014	679,306,918	33,965
Exercise of share options	250,000	13
Shares issued under placement (Note a)	52,000,000	2,600
Subdivision of shares (Note b)	731,556,918	–
Shares of HK$0.025 at 31 December 2014 and 1 January 2015	1,463,113,836	36,578
Exercise of share options	22,382,000	559
Shares of HK$0.025 at 31 December 2015	1,485,495,836	37,137

Notes:

(a) Pursuant to the placing agreement dated 23 April 2014 (the "Placing 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"), the Company and BNP Paribas Securities (Asia) Limited (the "Placing Agent"), the Vendor has sold and the Placing Agent has successfully placed 52,000,000 shares (the "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 "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 Placing Shares sold by the Vendor at the price equals to the Placing Price. The net proceeds, after deduction of the relevant expenses, of approximately HK$562.4 million have been used to further fund the joint ventures' investment in the gaming and resort development project in Russia and as general working capital.

(b) 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.

24. Share-Based Payment Transactions

Equity-settled share option scheme of the Company

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

Under the Scheme, the Directors may, at their discretion, grant to any directors, executives and employees of any members of the Group and consultants, professional and other advisors to any members of the Group (the "Participant(s)") share options to subscribe for the shares, subject to the terms and conditions stipulated therein.

The purpose of the Scheme is to recognise the contribution of the Participants who have made or may make to the Company, to provide them with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the shares in issue as at the date of the adoption of the Scheme, provided that the Company seeks approval from shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme (and under any other scheme of the Company) shall not exceed 30% of the shares in issue from time to time. The maximum entitlement of each Participant under the Scheme in any 12-month period is 1% of the shares in issue from time to time.

As at 31 December 2015, the number of shares in respect of the options granted and remained outstanding under the Scheme was 36,786,000 (2014: 59,168,000), representing 2.48% (2014: 4.04%) of the total number of issued shares of the Company. As at the date of this annual report, the number of shares available for issue under the Scheme was 136,907,383 (2014: 136,907,383), representing 9.22% (2014: 9.36%) of the issued shares of the Company.

The period within which an option may be exercised will be determined by the Board at its absolute discretion but no option may be exercised later than 10 years from the date on which the option is granted. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The Scheme will be valid and effective for a period of ten years from the adoption date until 6 July 2021.

24. Share-Based Payment Transactions (continued)

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

Movements of the Company's share options held by directors, employees and consultants during the year ended 31 December 2015 are set out below:

	Number of share options					
Category of participants	As at 1 January 2015	Exercised	As at 31 December 2015	Date of grant	Exercise price HK$	Notes
Director	40,000,000	(20,000,000)	20,000,000	10 July 2013	1.73	iv
Directors	4,320,000	(1,438,000)	2,882,000	26 August 2011	0.375	ii
Employees	6,892,000	–	6,892,000	9 December 2014	4.218	v
Consultants	944,000	(944,000)	–	26 August 2011	0.375	iii
Consultants	4,500,000	–	4,500,000	10 July 2013	1.73	iv
Consultants	2,512,000	–	2,512,000	9 December 2014	4.218	v
Total	59,168,000	(22,382,000)	36,786,000			
Exercisable at the end of the year			25,536,000			
Weighted average exercise price	2.005	1.586	2.260			

24. Share-Based Payment Transactions (continued)

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

Movement of the Company's share options held by directors, employees and consultants during the year ended 31 December 2014 are set out below:

	Number of share options									
		Before share subdivision			After share subdivision					
Category of participants	As at 1 January 2014	Granted	Exercised	Adjustment for share subdivision (Note vii)	Granted	Exercised	As at 31 December 2014	Date of grant	Exercise price HK$	Notes
Director	20,000,000	–	–	20,000,000	–	–	40,000,000	10 July 2013	1.73	iv
Directors	2,160,000	–	–	2,160,000	–	–	4,320,000	26 August 2011	0.375	ii
Employees	–	–	–	–	6,892,000	–	6,892,000	9 December 2014	4.218	v
Consultants	472,000	–	–	472,000	–	–	944,000	26 August 2011	0.375	iii
Consultants	2,500,000	–	(250,000)	2,250,000	–	–	4,500,000	10 July 2013	1.73	iv
Consultants	–	–	–	–	2,512,000	–	2,512,000	9 December 2014	4.218	v
Total	25,132,000	–	(250,000)	24,882,000	9,404,000	–	59,168,000			
Exercisable at the end of the year							31,966,000			
Weighted average exercise price	1.588	–	1.73	1.587	4.218	–	2.005			

24. Share-Based Payment Transactions (continued)

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

Notes:

(i) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(ii) The share options granted on 26 August 2011 are divided into 2 tranches exercisable from 26 August 2011 and 26 August 2012 respectively to 25 August 2021.

(iii) The share options granted on 26 August 2011 are divided into 2 tranches exercisable from 26 August 2012 and 26 August 2013 respectively to 25 August 2021.

(iv) The share options granted on 10 July 2013 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. The director is Mr. Ho, Lawrence Yau Lung.

(v) The share options granted on 9 December 2014 are divided into 2 tranches exercisable from 9 December 2014 and 9 December 2015 respectively to 8 December 2019.

(vi) During the year, no share options were lapsed or cancelled under the Scheme. In respect of the share options exercised during the year, the weighted average closing prices of the shares of the Company immediately before and on the date on which the options were exercised were HK$4.68 and HK$4.68 respectively.

(vii) As a result of the share subdivision which was effective on 13 June 2014, the exercise price per share and number of outstanding share options granted on 26 August 2011 were adjusted from HK$0.75 to HK$0.375 and from 2,632,000 to 5,264,000 respectively. The exercise price per share and number of outstanding share options granted on 10 July 2013 were adjusted from HK$3.46 to HK$1.73 and from 22,250,000 to 44,500,000 respectively.

On 9 December 2014, the Company granted a total of 9,404,000 share options under the Scheme to employees and consultants of the Company. The validity period of the options is five years from the date of grant of the options, i.e. from 9 December 2014 to 8 December 2019. The options will entitle the grantees to subscribe for a total of 9,404,000 new shares of HK$0.025 each at an exercise price of HK$4.218 per share. The closing prices of the shares of the Company immediately before and on the date on which the options were granted were HK$4.01 and HK$4.07 respectively.

The estimated fair value of the options granted on 9 December 2014 was approximately HK$18,558,000. The fair value per option granted was HK$1.99.

No share option was granted during the year ended 31 December 2015.

24. Share-Based Payment Transactions (continued)

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

The fair value was calculated using the Binomial model with inputs into the model as follows:

	Share options grant date			
	9 December 2014	10 July 2013 (Consultants)	17 October 2013 (Directors)	26 August 2011
Share price at date of grant	HK$4.07	HK$3.46	HK$11.96	HK$1.60
Exercise price	HK$4.218	HK$3.46	HK$3.46	HK$1.77
Expected volatility	62%	60%	60%	55%
Expected life	5 years	5 years	4.7 years	10 years
Risk-free rate	1.31%	1.37%	0.98%	1.76%
Expected dividend yield	0%	0%	0%	0%

The expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a total expense of HK$43,082,000 for the year ended 31 December 2015 (2014: HK$84,234,000) in relation to share options granted by the Company, of which HK$Nil (2014: HK$9,892,000) was in respect of share options granted during the year.

25. Retirement Benefit Plan

Defined contribution plan

The Group participates in both ORSO Scheme and MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$25,000 prior to June 2014 and HK$30,000 after June 2014 per employee, which contribution is matched by the employees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 10% of the employee's basic salary, depending on the length of service with the Group.

The amount charged to profit or loss of HK$228,000 (2014: HK$608,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2015 and 2014, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

26. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**1,709**	335
In the second to fifth years inclusive	**96**	–
	1,805	335

Operating lease payments represent rentals payable by the Group for certain of its office property. Leases are negotiated for an average term of one to two years for both years.

27. Capital Commitments

The Group's share of the capital commitments made jointly with other joint ventures relating to its joint venture, Oriental Regent, is as follows:

	2015 HK$'000	2014 HK$'000
Commitments to contribute funds for the acquisition of property, plant and equipment	**–**	261,072

28. Related Party Transactions

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

	2015 HK$'000	2014 HK$'000
Operating lease rentals expense	**–**	90
Service fees expense	**240**	240
Imputed interest income received from joint ventures	**40,769**	17,373
Management fee income received from a joint venture	**1,963**	–

The operating lease rentals for the year ended 31 December 2014 were paid to a related company controlled by one of the key management personnel of a subsidiary of the Company.

The service fees for the years ended 31 December 2015 and 2014 were paid to a related company controlled by a key management personnel of the Company.

Details of the balances with the related parties have been disclosed in the consolidated statement of financial position on page 41 and notes 17 and 20.

28. Related Party Transactions (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2015 **HK$'000**	2014 HK$'000
Short-term benefits	**3,256**	3,316
Post-employment benefits	**36**	31
Share-based payments	**39,956**	80,063
	43,248	83,410

Certain shares of the Company were issued to key management upon exercise of shares options granted to them under the share option scheme as disclosed in note 24. The estimated fair value of such share options are recognised as share-based payments expense for both years based on the accounting policy described in note 3.

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

29. Event After The Reporting Period

Subsequent to year end date on 14 March 2016, the Company entered into a shares 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. Easy Market is the owner of the entire issued share capital of Arnhold Trading Limited ("Arnhold Trading") which is engaged in the trading of tiles and engineering operations products. 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 the Easy Market and Arnhold Trading will no longer be consolidated in the financial statements of the Group.

30. Particulars of Subsidiaries of the Company

Details of the Group's subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital		Proportion of ownership/interest held by the Company				Principal activities
					Directly		Indirectly		
			2015	2014	**2015**	2014	**2015**	2014	
Easy Market	British Virgin Islands ("BVI")	Hong Kong	**642,723 ordinary shares of US$642,723**	642,723 ordinary shares of US$642,723	**100%**	100%	**–**	–	Investment holding
Colour Castle Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**100%**	100%	**–**	–	Investment holding
Summit Ascent Russia Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**100%**	100%	**–**	–	Investment holding
Arnhold Trading	Hong Kong	Hong Kong	**1 ordinary share of HK$1**	1 ordinary share of HK$1	**–**	–	**100%**	100%	Trading of tiles and engineering operations products
Worth Apex Limited	Hong Kong	Hong Kong	**1 ordinary share of HK$1**	1 ordinary share of HK$1	**–**	–	**100%**	100%	Trading of tiles and engineering operations products
Summit Ascent Services Limited	Hong Kong	Hong Kong	**1 ordinary share of HK$1**	1 ordinary share of HK$1	**100%**	100%	**–**	–	Provision of administrative services

None of the subsidiaries had issued any debt securities at the end of the year.

31. Information about Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 HK$'000	2014 HK$'000
Non-current assets		
Equipment	**107**	182
Unlisted investments in subsidiaries (Note ii)	**119,321**	118,437
Advance to subsidiaries	**949,866**	948,021
	1,069,294	1,066,640
Current assets		
Other receivables	**412**	492
Amounts due from subsidiaries	**34,081**	18,165
Bank balances and cash	**123,001**	109,117
	157,494	127,774
Current liabilities		
Trade and other payables	**2,215**	2,780
Amounts due to subsidiaries	**4,967**	5,281
Amount due to a joint venture	**10**	–
	7,192	8,061
Net current assets	**150,302**	119,713
Net assets	**1,219,596**	1,186,353
Capital and reserves		
Share capital (Note 23)	**37,137**	36,578
Reserves (Note i)	**1,182,459**	1,149,775
Total equity	**1,219,596**	1,186,353

31. Information about Financial Position of the Company (continued)

Note i: Movement in reserves

	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	601,743	62,270	(78,363)	585,650
Loss and total comprehensive expense for the year	–	–	(80,791)	(80,791)
Exercise of share options	1,269	(417)	–	852
Recognition of equity-settled share-based payments	–	84,234	–	84,234
Shares issued	585,000	–	–	585,000
Transaction costs attributable to issue of shares	(25,170)	–	–	(25,170)
At 31 December 2014 and 1 January 2015	1,162,842	146,087	(159,154)	1,149,775
Loss and total comprehensive expense for the year	**–**	**–**	**(45,332)**	**(45,332)**
Exercise of share options	**122,397**	**(87,463)**	**–**	**34,934**
Recognition of equity-settled share-based payments	**–**	**43,082**	**–**	**43,082**
At 31 December 2015	**1,285,239**	**101,706**	**(204,486)**	**1,182,459**

Note ii: Interests in subsidiaries

	2015 HK$'000	2014 HK$'000
Unlisted interests, at cost	**5,000**	5,000
Deemed capital contribution (Note)	**114,321**	113,437
	119,321	118,437

Note: Deemed capital contribution represented the imputed interest on the interest-free advances provided to a subsidiary.

Five-year Financial Summary

	Continuing and discontinued operations 2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Results					
Turnover	92,813	9,845	7,913	21,926	**18,832**
Operating profit/(loss)	3,282	(6,008)	(80,567)	(100,897)	**(126,859)**
Finance income	34	–	976	22,023	**41,494**
Finance costs	–	–	–	–	**–**
Loss on disposal of subsidiaries	(329)	–	–	–	**–**
Profit/(loss) before income tax	2,987	(6,008)	(79,591)	(78,874)	**(85,365)**
Income tax (expenses)/credit	(1,012)	–	51	–	**–**
Profit/(loss) attributable to shareholders	1,975	(6,008)	(79,540)	(78,874)	**(85,365)**
Proposed special dividend	–	–	–	–	**–**
Assets and liabilities					
Total assets	43,721	37,360	655,271	1,026,437	**843,710**
Total liabilities	(10,241)	(8,032)	(38,462)	(24,106)	**(5,467)**
Shareholders' funds	33,480	29,328	616,809	1,002,331	**838,243**

CORPORATE INFORMATION

Board of Directors

Mr. Ho, Lawrence Yau Lung* *(Chairman)*
Mr. Wang, John Peter Ben# *(Deputy Chairman)*
Mr. Tsui Yiu Wa, Alec+
Mr. Pang Hing Chung, Alfred+
Dr. Tyen Kan Hee, Anthony+

\# Executive Director
* Non-executive Director
\+ Independent Non-executive Director

Audit Committee

Dr. Tyen Kan Hee, Anthony *(Chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Pang Hing Chung, Alfred

Remuneration Committee

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Dr. Tyen Kan Hee, Anthony

Nomination Committee

Dr. Tyen Kan Hee, Anthony *(Chairman)*
Mr. Tsui Yiu Wa, Alec

Corporate Governance Committee

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Dr. Tyen Kan Hee, Anthony

Company Secretary

Mr. Leung Hoi Wai, Vincent

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office in Hong Kong

Room 3701, 37th Floor
The Centrium
60 Wyndham Street
Central, Hong Kong
Tel: (852) 3151-3740
Fax: (852) 3162-3579
Email: info@saholdings.com.hk

Principal Place of Business in Hong Kong

6th Floor, Victoria Centre
15 Watson Road
North Point
Hong Kong

Principal Bankers

Dah Sing Bank, Limited
Bank of Communications Co., Ltd., Hong Kong Branch
DBS Bank (Hong Kong) Limited
Bank of China Limited, Macau Branch
Tai Fung Bank Limited

Auditor

Deloitte Touche Tohmatsu

Legal Advisor

Gibson, Dunn & Crutcher LLP

Principal Share Registrar and Transfer Agent

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Stock Code

102 (Listed on the Hong Kong Stock Exchange)

Website

www.saholdings.com.hk