Summit Ascent Holdings Limited

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

Annual Report 2018

SUMMIT ASCENT
凱升控股有限公司 Holdings Limited

CONTENTS

HIGHLIGHTS

- The Adjusted Property EBITDA generated by Oriental Regent Limited, a subsidiary of the Group and the majority shareholder of Tigre de Cristal, our integrated resort in the Russian Far East, was HK$181.4 million for the year 2018 (2017: HK$173.7 million), up 4% year-over-year and representing continuous growth over the past three years.

- Adjusted Property EBIDTA margin also improved, increasing to 39.2% in 2018 versus 36.9% in 2017.

- Profit for the year of the Group was HK$4.1 million for the year ended 31 December 2018, compared to a loss of HK$10.0 million for the year ended 31 December 2017.

- The Group's total revenue for the year 2018 was HK$463.2 million (2017: HK$470.8 million), down 1.6% year-over-year, partly due to the weakening Russian ruble.

- Mass table business saw significant improvement with revenue increasing by 26% from HK$132.1 million in 2017 to HK$166.9 million in 2018 and has replaced the rolling chip business as our main revenue contributor.

- We appointed new members to the Board including Mr. Lo Kai Bong, an executive director of Suncity Group Holdings Limited (which held approximately 3.29% of the issued share capital of the Company at the date of Mr. Lo's appointment on 12 December 2018), and Dr. U Chio Ieong as Non-executive Directors as well as three new Independent Non-executive Directors, to take up the reins for three departing Independent Non-executive Directors.

CHAIRMAN'S STATEMENT

I am proud of our team's ability to continue to increase our Adjusted Property EBITDA at our majority-owned integrated resort Tigre de Cristal on a year-over-year basis. Our higher margin mass business continued to exhibit significant growth in 2018 with our mass table business and slot business revenues growing by 26% and 19% year-over-year respectively. These gains were driven by improvements in our marketing and promotional programs, ongoing growth in feeder market flight connectivity and increased foreign tourist visitation. Due to business arising from new promoters and the return of some of our agents, our rolling chip business revenue rebounded in the second half of 2018 from a relatively weak performance earlier in the year, but rolling chip turnover still dropped 17% on a year-over-year basis.

Growth in our mass business, and in particular our "premium mass" business, and strict cost controls enabled the Group to post a profit in 2018 and to maintain positive EBITDA momentum.

The Group remains fully committed to continuous enhancement of Tigre de Cristal. In order to address the room shortages we currently experience and to expand the utilization and yields on our existing property's gaming floor, we have begun preparatory works for the construction of the villas and serviced apartments beside Tigre de Cristal, which will increase our accommodation capacity by approximately 50% after its expected commissioning in early 2020. In addition, we plan to finalize the revised designs and financing for our Phase II project in the coming months and are now targeting an opening in the summer of 2021.

Accelerated construction by other integrated resort operators in the Primorye Integrated Entertainment Zone are further validating our business proposition, and we believe that the cluster effect will enable the area to achieve critical mass in the coming years.

At the Board level, we welcomed two Non-executive Directors, Mr. Lo Kai Bong and Dr. U Chio Ieong, both of them have extensive experience in gaming industry and the rolling chip business, together with three Independent Non-executive Directors, Mr. Gerard Joseph McMahon, Mr. Lau Yau Cheung and Mr. Li Chak Hung. We expect that their expertise will be of great value as we continue to drive our business forward. We also said farewell to three Independent Non-executive Directors in 2018, Mr. Tsui Yiu Wa, Alec, Mr. Pang Hing Chung, Alfred and Dr. Tyen Kan Hee, Anthony. I would like to extend my thanks to them for their hard work and insight during their time on the Board.

Our team in Hong Kong and the Russian Federation has continued to manage the business with a high degree of competence, professionalism and integrity, and I would like to thank them for their contributions. We remain optimistic about our business prospects going forward due to the ongoing development and transformation of the Primorye region, and the support and cooperation of our staff, management, and new Directors, the Russian government, and our shareholders and investment partners.

Kuo Jen Hao
Chairman and Non-executive Director

Hong Kong, 18 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The gaming and hotel operations of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are conducted through its 60% equity interest in Oriental Regent Limited ("Oriental Regent"). The Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by G1 Entertainment Limited Liability Company ("G1 Entertainment"), a company incorporated in the Russian Federation and wholly owned by Oriental Regent.

G1 Entertainment holds a gaming license granted indefinitely, and the development rights on two adjacent parcels of land, namely, Lot 9 and Lot 10, in the Primorye Integrated Entertainment Zone ("IEZ Primorye") of the Russian Far East, the largest of five designated zones in the Russian Federation where gaming and casino activities are legally permitted. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. Due to changes in our substantial shareholders, we are currently refining the design and construction elements of our Phase II project on Lot 10, and we now target an opening of the first stage of our Phase II property in the summer of 2021.

Tigre de Cristal is currently the only casino, hotel and entertainment destination operating in the IEZ Primorye. We continuously strive to enhance our property and the key features of Tigre de Cristal are as follows:

- Approximately 36,000 square meters of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;
- The finest luxury hotel in the Russian Far East with 121 rooms and suites;
- Casual and fine dining in 2 restaurants and 4 bars;
- Karaoke rooms, a virtual golf zone and a soon to be opened private club;
- A convenience store, a health food store and a Tigre de Cristal branded shop;
- A jewelry boutique and a Montblanc outlet; and
- A high-end diamond and luxury watch boutique "DOMINO".

Since October 2017, Tigre de Cristal has been certified as a 5-star hotel. The property was also named "Russia's Leading Resort 2018" at the Europe Gala Ceremony 2018 organized by the World Travel Awards on 30 June 2018.

Financial Review

Segment Information

The Group operates only in gaming and hotel operations. Accordingly, the Group does not present separate segment information other than entity-wide disclosures.

Foreign Exchange Impact on Revenue

The Group's total revenue in 2018 was HK$463.2 million, a decrease of 1.6% compared to HK$470.8 million in 2017. Other than the rolling chip business of Tigre de Cristal, the revenues of the Group are denominated in the Russian ruble and a weak ruble during 2018 had a negative impact on the Group's revenue reported in Hong Kong dollars. If the Group had translated its total revenue for 2017 and 2018 using the monthly average exchange rates into Russian ruble, the Group's revenue would have been RUB3,523.3 million and RUB3,734.4 million, respectively, which would have represented an increase of 6% year-over-year.

Revenue from Gaming Operations

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

Rolling chip business

Our rolling chip business primarily targets foreign players. The table below sets forth the key performance indicators of our rolling chip business in 2018.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	**FY2018**	FY2017
(HK$'million)						*(restated)*
Rolling chip turnover	3,239	3,268	4,505	4,550	**15,562**	18,791
Gross win	120	69	135	160	**484**	689
Less: Rebate	(87)	(61)	(106)	(121)	**(375)**	(520)
Net win after rebate	33	8	29	39	**109**	169
Gross win %	3.70%	2.11%	3.00%	3.52%	**3.11%**	3.67%
Daily average number of tables opened	12	12	13	19	**14**	16

Rolling chip turnover (measured as the sum of all non-negotiable chips wagered and lost by players) at Tigre de Cristal in 2018 was HK$15.6 billion, representing a decrease of 17% year-over-year. Net win after all commissions rebated directly or indirectly to customers from rolling chip business decreased by 35% year-over-year to HK$109 million in 2018. Gross win percentage (represented the ratio of gross win to rolling chip turnover) decreased from 3.67% in 2017 to 3.11% in 2018.

Earlier in the year, we experienced increasing pressure from VIP room operators requesting higher levels of rebates but we refused to give in and erode our own margins. Therefore, we focused our efforts on further developing our foreign mass business and bringing in new VIP agents. The results thus far have been encouraging as indicated in the following summaries of our mass business. While the rolling chip business was indeed weak in the first half of the year, it rebounded in the second half contributed by new agents and the return of some of other VIP room operators. We are still of the opinion that our unique competitive advantages and location will attract new agents, particularly those from Macau, to work at our property in the near future. We therefore maintain a positive view on the prospects of our rolling chip business.

Mass table business

Our mass table business targets both the foreign tourists and the local market. The table below sets forth the key performance indicators of our mass table business in 2018.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	**FY2018**	FY2017
(HK$'million)						*(restated)*
Total table drop	164	184	183	169	**700**	577
Table net win	43	41	44	39	**167**	132
Hold %	26.2%	22.3%	24.0%	23.1%	**23.9%**	22.9%
Daily average number of tables opened	20	21	23	21	**21**	20

The Group continuously monitors and assesses its product offerings, sales incentives and customer loyalty program, in order to improve the experience for all of our customers. From the beginning of 2018, we have placed increasing emphasis on the development of our "premium mass" business which targets Asian players. The results so far have been quite positive and were also supported by increased flight connectivity and increasing awareness of our property in our target feeder markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Total table drop (measured as the sum of gaming chips purchased or exchanged at the cage) increased by 21% year-over-year to HK$700 million in 2018. Table net win from mass table business increased by 26%, from HK$132 million in 2017 to HK$167 million in 2018, and became the main contributor to the profitability of the Group for the year. Hold percentage (represented table net win as a percent of table drop) increased from 22.9% in 2017 to 23.9% in 2018.

Slot business

Our slot business primarily targets the local market but has also seen growth from our foreign players. The table below sets forth the key performance indicators in 2018.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	**FY2018**	FY2017
(HK$'million)						*(restated)*
Total slot handle	655	693	693	818	**2,859**	2,192
Slot net win	31	35	37	40	**143**	120
Hold %	4.7%	5.1%	5.3%	4.9%	**5.0%**	5.5%
Average number of slots deployed	286	296	323	333	**310**	295

Slot net win increased by 19% year-over-year to HK$143 million in 2018. The increase was due to growth in slot handle (represented the total amount wagered at slot machines) by 30% year-over-year, though hold percentage (represented the ratio of slot net win to slot handle) decreased to 5.0% in 2018 from 5.5% in 2017. Due to increased customer demand and higher yields on our slot business, we have selectively placed additional popular slot machines on the main floor.

Revenue from Hotel Operations

Revenue from hotel operations, which heavily relies on guests from the rolling chip business, was HK$43.8 million in 2018, a decrease of 13% compared to HK$50.1 million in 2017. Average hotel occupancy was 63.4% in 2018, compared to 62.2% in 2017. The drop in revenue presented in Hong Kong dollars despite a slight uptick in occupancy was partially due to the depreciation of the Russian ruble.

Effect Arising from Initial Application of HKFRS 15

Since 1 January 2018, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* on a full retrospective basis, resulted in an increase in the revenue from hotel operations and a decrease in revenue from gaming operations for 2017. The comparative figures in 2017 have been restated to re-present the retrospective reclassifications.

Effect on the revenue from gaming and hotel operations for the year ended 31 December 2017 is as follows:

	Year ended 31 December 2017 HK$'000	**Effects on adoption of HKFRS 15** HK$'000	**Year ended 31 December 2017** HK$'000
	(as previously stated)		*(as restated)*
Revenue from gaming and hotel operations:			
– Gaming operations	434,106	(13,351)	420,755
– Hotel operations	36,715	13,351	50,066

Adjusted Property EBITDA of Tigre de Cristal

Adjusted Property EBITDA is used by management as the primary measure of operating performance of our gaming and hotel operations under Tigre de Cristal. Adjusted Property EBITDA is defined as net income before management fee payable to the holding company, corporate expenses, unrealised exchange gains or losses, interest, taxes, depreciation and amortisation, and notional non-cash items like share-based compensation benefits. The following table sets forth a reconciliation of Adjusted Property EBITDA to the reported profit for the year as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018. Adjusted Property EBITDA of Tigre de Cristal increased by 4% year-over-year to HK$181.4 million in 2018. Adjusted Property EBITDA margin, as a percentage of the Group's total revenue, increased to 39.2% in 2018, compared with 36.9% in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation of Adjusted Property EBITDA to the profit (loss) for the year of the Group

	2018 HK$'000	2017 HK$'000 *(restated)*
Gross revenue from rolling chip business	**484,385**	689,329
Less: Rebates	**(374,850)**	(520,782)
Revenue from rolling chip business	**109,535**	168,547
Revenue from mass table business	**166,917**	132,146
Revenue from slot business	**142,889**	120,062
Net revenue from gaming operations	**419,341**	420,755
Revenue from hotel operations	**43,809**	50,066
Total revenue from gaming and hotel operations	**463,150**	470,821
Add: Other income	**1,784**	1,071
Less: Other gains and losses	**(171)**	(265)
Gaming tax	**(13,134)**	(13,899)
Inventories consumed	**(13,291)**	(12,311)
Marketing and promotion expenses	**(16,177)**	(19,236)
Employee benefits expenses	**(135,605)**	(146,278)
Other expenses	**(105,188)**	(106,175)
Adjusted Property EBITDA of Tigre de Cristal	**181,368**	173,728
Add: Management fee payable to the Company	**12,914**	13,023
Less: Company corporate expenses	**(17,950)**	(16,307)
	176,332	170,444
Add: Bank interest income	**3,864**	1,567
Less: Interest on obligations under finance leases	**(91)**	(883)
Income tax expense	**(108)**	(109)
	179,997	171,019

MANAGEMENT DISCUSSION AND ANALYSIS

		2018 HK$'000	2017 HK$'000 *(restated)*
Notional non-cash items:			
Add:	Imputed interest income from loans to a joint venture	**101**	187
	Net exchange gains	**6,261**	7,593
Less:	Depreciation and amortisation	**(115,537)**	(133,717)
	Imputed interest expenses	**(36,371)**	(43,081)
	Loss on deemed disposal of interest in a joint venture	**(659)**	–
	Share of losses of a joint venture	**(119)**	(284)
	Notional share-based compensation benefits	**(29,175)**	(3,149)
Non-recurring write-off relating to goodwill		**–**	(8,525)
Non-recurring write-offs relating to construction		**(442)**	(3)
Profit (loss) for the year of the Group		**4,056**	(9,960)

Expenses

The Group maintained its strict cost controls and further streamlined our operations. Marketing and promotion expenses of the Group were HK$16.2 million in 2018, a decrease of 16% compared to HK$19.2 million in 2017. Employee benefits expenses of Tigre de Cristal, exclusive of share-based compensation benefits, were HK$135.6 million in 2018, a decrease of 7% compared to HK$146.3 million in 2017, mainly by means of localization.

Share-based compensation benefits were HK$29.2 million in 2018, and represented the full fair value arising from the share options granted on 13 December 2018.

Depreciation and amortisation of the Group decreased by 14% to HK$115.5 million in 2018 as compared to HK$133.7 million in 2017. The decrease was primarily due to some assets, which were depreciated over a three-year time period, having become fully depreciated as Tigre de Cristal has been operating for three years. Depreciation provided for buildings, operating right and leasehold improvements represents a big portion of depreciation and amortisation of the Group and the property of the Group mainly comprises a hotel and entertainment complex, which is situated on land plots under a medium-term lease in the Russian Federation with a lease term of 14 years. It is expected that the lease terms could be renewed upon expiry of the relevant lease or the land plots could be acquired by the Group at a minimal consideration if the land lease is not extended, to match with the estimated useful lives of the buildings of 30 years.

Finance costs of the Group, primarily imputed interest expenses, were HK$36.5 million in 2018, a decrease of 17% compared to HK$44.0 million in 2017. These finance costs were mainly comprised non-cash items by applying the effective notional interest rate on the interest-free loans from non-controlling shareholders of Oriental Regent. The decrease was due to the continuous repayments by way of internally generated cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

Gaming Tax

Unlike in Macau and most other jurisdictions in Asia, gaming tax in the Russian Federation is not levied on a percentage of gaming revenue. The Russian Federation has established a gaming tax system which is based on a fixed levy on each gaming table and gaming machine deployed in a particular calendar month in the casino. Gaming taxes are payable monthly to the local governments, who can set their own tax rates based on a range stipulated by the Tax Code of the Russian Federation as follows:

Since 2004 up to 31 December 2017

	Minimum (RUB)	*Maximum (RUB)*
Each gaming table	25,000	125,000
Each gaming machine	1,500	7,500

Effective from 1 January 2018

	Minimum (RUB)	*Maximum (RUB)*
Each gaming table	50,000	250,000
Each gaming machine	3,000	15,000

On 28 February 2018, the local parliament of Primorsky Krai voted overwhelmingly to maintain the gaming tax rates at the same levels as they are within the ranges stipulated by the new federal law enacted on 27 November 2017. Accordingly, no changes in gaming tax regime have been applied to Tigre de Cristal.

For the year ended 31 December 2018, the monthly tax rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively (2017: RUB125,000 and RUB7,500 respectively), resulting in total gaming tax of HK$13.1 million for the year (2017: HK$13.9 million) which corresponded to approximately 3.1% of the Group's revenue from gaming operations (2017: 3.3%).

Income Tax Expense

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. Income and expenses relating to gambling activities are disregarded for the purposes of calculation of the corporate income tax base. As for non-gaming revenues, the Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%.

No provision for taxation in Hong Kong has been made as the Group has no assessable profit generated from business activities in Hong Kong for the year 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

Profit for the year of the Group was HK$4.1 million for the year ended 31 December 2018, compared to a loss of HK$10.0 million for the year ended 31 December 2017.

Anti-money Laundering Policy

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

Alongside banks, insurance companies and others, Tigre de Cristal is considered as one of the "entities dealing in cash funds and property" and is heavily regulated under the Russian AML/CFT Law. Tigre de Cristal must undertake certain anti-money laundering ("AML") procedures, including mandatory review of payouts of more than RUB600,000 (equivalent to approximately HK$68,000) in value and the filing of reports with the Federal Financial Monitoring Services of the Russian Federation, also known as Rosfinmonitoring, which is directly under the authority of the President of the Russian Federation and aimed to collect and analyze information about financial transactions in order to combat domestic and international money laundering, terrorist financing, and other financial crimes. Furthermore, Tigre de Cristal has adopted its own AML and combating financing of terrorism policies in accordance with the provisions of the AML/CFT Law and the key components include: internal control systems; a special officer to oversee the daily compliance; client identification and screening; and reporting unusual transactions subject to mandatory requirements.

Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position and finances its business operations with internal resources and cash revenues generated from operating activities. As at 31 December 2018, equity attributable to owners of the Company was HK$1,250.7 million (2017: HK$1,213.9 million).

The Group had no outstanding external borrowings as at 31 December 2018 (2017: obligations under finance leases of HK$1 million). Thus, the gearing ratio, expressed as a percentage of total borrowings divided by total assets, was 0% as of 31 December 2018 and 2017.

The Group remains conservative in its working capital management. As at 31 December 2018, net current assets were HK$451.6 million (2017: HK$382.5 million) and bank balances and cash were HK$479.8 million (2017: HK$400.2 million), of which 57% was denominated in United States dollar, 31% in Hong Kong dollar, and 12% in Russian ruble.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a summary of our cash flows for 2018:

	2018 **HK$'000**	2017 HK$'000
Net cash from operating activities	**195,536**	180,136
Net cash used in investing activities	**(34,564)**	(58,440)
Net cash used in financing activities	**(69,759)**	(58,225)
Net increase in cash and cash equivalents	**91,213**	63,471
Cash and cash equivalents at 1 January	**400,208**	335,138
Effect of foreign exchange rate changes	**(11,599)**	1,599
Cash and cash equivalents at 31 December	**479,822**	400,208

Net cash from operating activities for the year ended 31 December 2018 increased 9% to HK$195.5 million (2017: HK$180.1 million). The increase was in line with the increase in operating income and the positive cash flows from our gaming and hotel operations.

Net cash used in investing activities of HK$34.6 million for the year ended 31 December 2018 (2017: HK$58.4 million) was mainly due to the capital expenditure for regular maintenance of property and equipment in Tigre de Cristal.

Net cash used in financing activities of HK$69.8 million for the year ended 31 December 2018 (2017: HK$58.2 million) represented primarily the partial repayment of the interest-free loans from non-controlling shareholders of Oriental Regent.

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 31 December 2018 and 2017.

Exposure to Fluctuations in Exchange Rates

The functional currency of the Company and its subsidiaries is the Hong Kong dollar and the consolidated financial statements of the Group are presented in Hong Kong dollars.

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

Other than the rolling chip business, the revenues of Tigre de Cristal are denominated in the Russian ruble and a weak ruble during 2018 had a negative impact on the Group's revenue reported in Hong Kong dollar. Notwithstanding, the majority of our costs incurred by subsidiaries operating in the Russian Federation are denominated in Russian rubles. The risk of Russian ruble fluctuation impacting the results of the Group is substantially mitigated by a natural hedge in matching our costs with revenue denominated in the same currency that is generated from the mass table and slot businesses.

Capital Commitments

The Group's capital commitments as at 31 December 2018 amounted to approximately HK$1,776,000 (2017: nil).

Contingent Liabilities

There were no contingent liabilities as at 31 December 2018 and 2017.

Employees

As at 31 December 2018, total number of employees employed by the Group was 1,050 (2017: 1,000). Currently, 97% of our full time employees are Russian citizens (2017: 97%). The Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs, the Company has a share option program in place and occasionally may grant shares options to directors, employees and consultants of the Group as incentives.

Outlook

Our mass table and slot businesses exhibited solid growth on a year-over-year basis driven by continuous improvement in our marketing programs and customer offerings, and ongoing growth in feeder market flight connectivity and foreign tourist arrivals. We expect both our mass table and slot gaming segments to continue their growth trajectory in 2019.

In addition, our rolling chip business demonstrated a solid recovery in the second half of 2018 as business arising from new VIP room operators and the return of some of our agents partially offset the poor win percentage and the weakness this segment of our business experienced earlier in the year. We believe that we can not only maintain but grow our rolling chip business further in 2019.

We expect the following factors will assist the expansion of our business going forward:

- **Growth in cooperation with the Suncity Group**. On 12 December 2018, Mr. Lo Kai Bong was appointed as a Non-executive Director of the Company. Mr. Lo is an executive director of Suncity Group Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited ("Suncity", which held approximately 3.29% of the issued share capital of the Company at the date of Mr. Lo's appointment). Mr. Lo is also the chief investment officer of the Suncity Group, which is one of Asia's leading VIP services and entertainment conglomerates. Mr. Lo has been involved in the development of the Suncity Group's overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of Suncity and the Suncity Group and is experienced in the gaming industry. We are optimistic about the potential collaboration with the Suncity Group.

- **Expansion of our existing integrated resort**. In order to address the acute shortage of hotel rooms during weekends at Tigre de Cristal, provide additional lodging options to our mass and VIP customers, and maximize our existing property's gaming yields, we are about to commence the construction of 8 villas and 22 serviced apartments beside Tigre de Cristal. We expect that these luxury accommodations will increase our lodging capacity by approximately 50% and are targeting an opening in early 2020. We will finance the capital expenditure for this expansion organically.

- **Phase II**. We are now targeting an opening of the first stage of our Phase II property by summer 2021, owing to our recent changes in substantial shareholders and subsequent alterations in the design and financing options. The first stage of Phase II is expected to significantly increase the existing hotel capacity, gaming tables and slots. This expansion will also include additional restaurants and bars, an indoor beach club, and a premium outlet mall.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Acceleration of tourism**. Tourism to the Primorye region grew significantly in recent years with neighboring countries China, South Korea and Japan contributing the largest amount of visitors respectively. The Primorsky Krai Department of Tourism has continued to expand its marketing efforts, and direct flights from our feeder markets increased by more than 40% year-over-year. Overall tourism has been growing at an annualized rate of over 30% over the past five years and is expected to continue its positive momentum as the region's international reputation as a destination grows.

- **The cluster effect**. We have observed an acceleration of building works by other integrated resort operators in the IEZ Primorye. Assuming that our own Phase II project and the other operators' development plans remain on track, we may see the benefits of a cluster effect as early as 2021.

- **Refinement of our non-gaming facilities**. We are very proud that Tigre de Cristal was named "Russia's Leading Resort in 2018" at the Europe Gala Ceremony 2018 organised by the World Travel Awards on 30 June 2018, but we continuously strive to cater to our mass and VIP players by adjusting our gaming offerings, refurbishing our property where needed, and modifying customer-facing areas like our main stage and bar.

We maintain our belief in the potential for the ongoing growth of tourism in the Russian Far East from neighboring Asian jurisdictions and plan to expand both our gaming and non-gaming offerings to further increase the attractiveness of Tigre de Cristal as a destination for both mass and VIP customers.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Kuo Jen Hao (aged 42)
Chairman and Non-executive Director

Mr. Kuo has been the Chairman and a Non-executive Director of the Company since December 2017. He is currently the chairman and the general manager of First Steamship Co., Ltd. ("First Steamship"), a company listed on the Taiwan Stock Exchange Corporation ("TWSE") and a substantial shareholder of the Company. He is also a director and the chairman of Grand Ocean Retail Group Limited, a company listed on the TWSE and a subsidiary of First Steamship, a director and the chairman of Taiwan Environment Scientific Co., Ltd., a company listed on the Taipei Exchange, and a non-executive director of Sandmartin International Holdings Limited ("Sandmartin"), a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin (the "Petition"), which was prior to the appointment of Mr. Kuo as a non-executive director of Sandmartin on 18 August 2017. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed. Save as the above, he was also a director of IRC Properties, Inc., a company listed on the Philippine Stock Exchange until 17 May 2018.

Mr. Kuo has several years of experience in investment advisory, financial advisory and corporate finance at PricewaterhouseCoopers, Bank of America Merrill Lynch and Private Equity Management Group and held various key roles at several private and listed companies engaging in (i) administrative and corporate business; (ii) corporate finance; and (iii) general management in real estate development, shipping business, retail business and logistics business. Mr. Kuo has a wealth of experience in business strategy development and innovation management.

Mr. Kuo graduated with a bachelor's degree in Business Administration from Aletheia University in Taiwan and holds a master's degree in Business Administration from Pace University in the United States. He is a certified public accountant of the New Jersey State Board of Accountancy.

Mr. Wang, John Peter Ben (aged 58)
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.

Mr. Wang previously held non-executive directorships in Anxin-China Holdings Limited, MelcoLot Limited (now known as Loto Interactive Limited), Oriental Ginza Holdings Limited (now known as Carnival Group International Holdings Limited) and China Precious Metal Resources Holdings Co., Ltd (now known as Munsun Capital Group Limited), companies listed on the Hong Kong Stock Exchange, and Melco Crown Entertainment Limited (now known as Melco Resorts & Entertainment Limited), a company listed on the NASDAQ Global Select Market in the United States. From 2004 to 2009, Mr. Wang was the chief financial officer of Melco International Development Limited ("Melco International"), a company listed on the Hong Kong Stock Exchange. Prior to joining Melco International 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Eric Daniel Landheer (aged 50)
Executive Director

Mr. Landheer has been an Executive Director of the Company since September 2017. He joined the Company as Director – Corporate Finance and Strategy in March 2014 and is responsible for leading the Company's fundraising and other capital markets activities, strategic planning and execution, as well as investor and media relations. He is a director of a subsidiary of the Company.

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 that, Mr. Landheer worked for various brokerage and securities houses in the United States in equity finance and institutional brokerage.

Mr. Landheer holds a bachelor's degree in Political Science with high honors from The University of California, Berkeley in the United States.

Mr. Lo Kai Bong (aged 39)
Non-executive Director

Mr. Lo has been a Non-executive Director of the Company since 12 December 2018. He has obtained a Bachelor of Arts degree from the University of Winnipeg in Canada. Mr. Lo is currently an executive director of Suncity Group Holdings Limited (stock code: 1383) (formerly known as Sun Century Group Limited, "Suncity"), a company listed on the Hong Kong Stock Exchange. Mr. Lo is also the chief investment officer of the Suncity Group, which is one of Asia's leading VIP services and entertainment conglomerates. Mr. Lo has been involved in business development of the Suncity Group's overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of Suncity and the Suncity Group and is experienced in the gaming industry. Mr. Lo was an executive director of Sun International Resources Limited (stock code: 8029) (now known as Sun International Group Limited), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange, from 13 August 2013 to 28 February 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. U Chio Ieong (aged 46)
Non-executive Director

Dr. U has been a Non-executive Director of the Company since 7 September 2018. He is a well-rounded businessman and philanthropist with a wealth of experience and connections in various fields. Dr. U has held management positions in a number of private companies in China, Hong Kong and Macau, in which he has shareholding interests. These companies are mainly engaged in real estate, graphene mining, food and beverage, hotels, finance, travel, rosewood furniture and crafts.

Dr. U is a keen supporter of community services and serves as the Standing Member of Fujian Federation of Returned Overseas Chinese, the Deputy Chairman of the International Society of Fuqing Clansmen, Permanent Honorary Chairman of the Macau Society of Fuqing Clansmen, the first Director of the Fujian Province Overseas Chinese Charity Foundation, the second Deputy Chairman of Fujian Overseas Chinese Enterprise Development Foundation, Honorary Deputy Chairman of Fujian Women and Children's Development Foundation, Executive Vice President of Fuzhou Overseas Chinese Chamber of Commerce, Deputy Chairman of Yongtai County Charity Federation, and Fuqing City Overseas Friendship Association. Dr. U was a member of the Fuzhou Committee of Chinese People's Political Consultative Conference in Fujian Province, China.

Dr. U is also the Founding Chairman of Benevolence International Charity Association. He was granted the 15th "World Outstanding Chinese Award" by World Chinese Business Investment Foundation. In 2017, Dr. U was granted an Honorary Doctorate Degree in Business Administration by Sabi University, which is an accredited international private university located in Paris, France.

Mr. Gerard Joseph McMahon (aged 75)
Independent Non-executive Director

Mr. McMahon has been an Independent Non-executive Director of the Company since 28 September 2018. 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 qualified as a barrister in Hong Kong and New South Wales, Australia. He specialized in Hong Kong company law, securities and banking laws and takeovers and mergers regulations. Mr. McMahon was an executive director and a member of the Securities and Futures Commission of Hong Kong (the "SFC") from 1989 to 1996 and the representative of the SFC on the Hong Kong Standing Committee on Company Law Reform. Mr. McMahon has been a director of a number of publicly listed companies in Hong Kong and overseas. Currently, Mr. McMahon is an independent non-executive director and chairman of the audit committee of Guangnan (Holdings) Limited, a company listed on the main board of the Hong Kong Stock Exchange. He is also an independent non-executive director of Tanami Gold NL, a company listed on the Australian Securities Exchange. Mr. McMahon is also a non-executive director and the chairman of the board of directors of Indonesian Investment Fund Limited, a company listed on the Euronext Dublin (formerly known as the Irish Stock Exchange) till 21 May 2018 when it was delisted. Besides, Mr. McMahon was a director of Oriental Technologies Investment Limited (now known as Shine Metals Limited), a company listed on the Australian Securities Exchange.

Mr. McMahon is a co-author of Longman's "The Essential Guide to the Hong Kong Takeovers and Share Repurchases Codes", first published in 1993. He was also a director of The Hong Kong Institute of Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Yau Cheung (aged 58)
Independent Non-executive Director

Mr. Lau has been an Independent Non-executive Director of the Company since 31 October 2018. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company.

Mr. Lau holds a bachelor's degree in commerce from the University of Toronto in Canada. Mr. Lau has over 25 years of experience in business strategies and corporate finance and 6 years of experience in the securities trading business. He has served in various senior management positions with both private and public companies in Hong Kong and overseas. Mr. Lau is currently an independent non-executive director and chairman of the board of the directors of Sandmartin, a company listed on the Hong Kong Stock Exchange. A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin, was prior to the appointment of Mr. Lau as an independent non-executive director of Sandmartin on 7 August 2017 and chairman of the board of directors of Sandmartin on 18 August 2017. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed.

Mr. Lau was an independent non-executive director of Walderly International Holdings Limited (now known as Fullshare Holdings Limited) from September 2005 to August 2006, an executive director of APAC Resources Limited from April 2004 to October 2007 and an executive director of Greenfield Chemical Holdings Limited (now known as Landing International Development Limited) from October 2007 to January 2010, all of these companies are listed on the Hong Kong Stock Exchange. Mr. Lau also serves as the managing director of BH Capitalink Development Limited.

Mr. Li Chak Hung (aged 54)
Independent Non-executive Director

Mr. Li has been an Independent Non-executive Director of the Company since 31 October 2018. He is also the chairman of the audit committee and a member of the corporate governance committee of the Company.

Mr. Li is graduated from The Chinese University of Hong Kong and holds a Bachelor's Degree of Business Administration. He is a practicing Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow of The Taxation Institute of Hong Kong. He has over 25 years' experience in accounting, auditing, taxation and financial management. Mr. Li is currently an independent non-executive director of DreamEast Group Limited, Asiasec Properties Limited and Sandmartin, and he was an independent non-executive director of ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited) from September 2004 to June 2014, all of them are listed on the Hong Kong Stock Exchange. A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Stylianos Tsifetakis (aged 47)
Chief Operating Officer – Russian Operations

Mr. Tsifetakis has joined the Group in a senior management capacity since September 2014. Mr. Tsifetakis has over 21 years of experience in the casino and hospitality industry. Prior to joining the Group, he was the Director of Operations at Regency Casino Mont Parnes and a Director at Hyatt Regency Casino, both of which are located in Greece. Mr. Tsifetakis also held senior managerial roles in various world class hotels in multiple jurisdictions including the United Kingdom, Romania and Kazakhstan.

Mr. Tsifetakis holds a casino management certificate in Greece and graduated from London South Bank University in the United Kingdom with a Bachelor of Arts (Honours) degree in hotel management.

Mr. Yip Ho Chi (aged 49)
Finance Director

Mr. Yip has been Finance Director of the Company since October 2013. He is a director of a subsidiary of the Company. Prior to joining the Company, Mr. Yip was the chief financial officer of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange, from 2009 to 2013. Before this, he had been serving as an executive director, finance director and company secretary of Sandmartin, a company listed on the Hong Kong Stock Exchange, for nine years. Mr. Yip was also an audit manager of Deloitte Touche Tohmatsu with whom he worked for over seven years.

Mr. Yip graduated from The University of Hong Kong with a Bachelor of Business Administration degree. 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

Summit Ascent Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2018.

The Board of Directors

Composition of the Board

As at 31 December 2018 and the date of this annual report, the board of directors of the Company (the "Board") has eight members, consisting of two Executive Directors, Mr. Wang, John Peter Ben (Deputy Chairman) and Mr. Eric Daniel Landheer, three Non-executive Directors, Mr. Kuo Jen Hao (Chairman), Mr. Lo Kai Bong and Dr. U Chio Ieong, and three Independent Non-executive Directors, Mr. Gerard Joseph McMahon, Mr. Lau Yau Cheung and Mr. Li Chak Hung. Biographies of the directors of the Company (the "Directors") are contained in the section headed "Biographical Details of Directors and Senior Management" set out on pages 15 to 19 of this annual report.

The roles of Chairman and Chief Executive Officer are separate and held by different persons to ensure their independence, accountability and responsibility. The non-executive Chairman, Mr. Kuo Jen Hao, is responsible for setting the Group's strategy and ensuring the Board is functioning properly and with good corporate governance practices and procedures. The Deputy Chairman and Executive Director of the Company, Mr. Wang, John Peter Ben, was responsible for managing the Group's business, including implementing major strategies set by the Board, making day-to-day decisions and coordinating overall 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, legal, 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. In accordance with the Bye-laws of the Company, save as Mr. Kuo Jen Hao and Mr. Eric Daniel Landheer, all the existing Directors will retire and will offer themselves for re-election at the forthcoming annual general meeting. The biographies of the retiring Directors have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

Directors' training

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a comprehensive orientation package on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by meetings with senior management of the Company.

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with code provision A.6.5 of the CG Code. The Company has also sent information on external training courses and articles to Directors from time to time. A summary of training received by Directors during the year ended 31 December 2018 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**
Executive Directors		
Mr. Wang, John Peter Ben	–	✓
Mr. Eric Daniel Landheer	–	✓
Non-executive Directors		
Mr. Kuo Jen Hao	–	✓
Mr. Lo Kai Bong (appointed on 12 December 2018)	–	✓
Dr. U Chio Ieong (appointed on 7 September 2018)	–	✓
Independent Non-executive Directors		
Mr. Gerard Joseph McMahon (appointed on 28 September 2018)	✓	✓
Mr. Lau Yau Cheung (appointed on 31 October 2018)	–	✓
Mr. Li Chak Hung (appointed on 31 October 2018)	✓	✓
Mr. Tsui Yiu Wa, Alec (resigned on 28 September 2018)	✓	✓
Mr. Pang Hing Chung, Alfred (resigned on 31 October 2018)	–	✓
Dr. Tyen Kan Hee, Anthony (resigned on 31 October 2018)	✓	✓

CORPORATE GOVERNANCE REPORT

Board meetings

Pursuant to code provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In addition, pursuant to code provision A.2.7, the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

During the year ended 31 December 2018, the Company had held four board meetings. In addition, the Chairman met all the Independent Non-executive Directors once without the presence of the Executive Directors in March 2018.

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 (or his/her delegate(s)) 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 2018 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**
						(Note 9)
Executive Directors						
Mr. Wang, John Peter Ben	4/4	–	–	–	–	1/1
Mr. Eric Daniel Landheer	4/4	–	–	–	–	1/1
Non-executive Directors						
Mr. Kuo Jen Hao	4/4	–	–	–	–	1/1
Mr. Lo Kai Bong *(Note 1)*	–	–	–	–	–	–
Dr. U Chio Ieong *(Note 2)*	1/1	–	–	–	–	–
Independent Non-executive Directors						
Mr. Gerard Joseph McMahon *(Note 3)*	1/1	–	1/1	–	1/1	–
Mr. Lau Yau Cheung *(Note 4)*	1/1	–	1/1	–	–	–
Mr. Li Chak Hung *(Note 5)*	1/1	–	–	–	1/1	–
Mr. Tsui Yiu Wa, Alec *(Note 6)*	3/3	2/2	1/1	1/1	–	1/1
Mr. Pang Hing Chung, Alfred *(Note 7)*	3/3	2/2	–	–	–	1/1
Dr. Tyen Kan Hee, Anthony *(Note 8)*	3/3	2/2	1/1	1/1	–	1/1
Average Attendance Rate	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Notes:

(1) Mr. Lo Kai Bong was appointed as Non-executive Director on 12 December 2018. No Board meeting was held after 12 December 2018.

(2) Dr. U Chio Ieong was appointed as Non-executive Director on 7 September 2018. One Board meeting was held after 7 September 2018.

(3) Mr. Gerard Joseph McMahon was appointed as Independent Non-executive Director, the Chairman of Remuneration Committee and Corporate Governance Committee and a member of Audit Committee and Nomination Committee on 28 September 2018. One Board meeting and one Nomination Committee meeting were held on or after 28 September 2018.

(4) Mr. Lau Yau Cheung was appointed as Independent Non-executive Director, the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee on 31 October 2018. One Board meeting and one Nomination Committee meeting were held on or after 31 October 2018.

(5) Mr. Li Chak Hung was appointed as Independent Non-executive Director, the chairman of Audit Committee and a member of Corporate Governance Committee on 31 October 2018. One Board meeting and one Corporate Governance Committee meeting were held on or after 31 October 2018.

(6) Mr. Tsui Yiu Wa, Alec resigned as Independent Non-executive Director, the Chairman of Remuneration Committee and Corporate Governance Committee and a member of Audit Committee and Nomination Committee on 28 September 2018. Three Board meetings, two Audit Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting were held on or before 28 September 2018.

(7) Mr. Pang Hing Chung, Alfred resigned as Independent Non-executive Director and a member of Audit Committee on 31 October 2018. Three Board meetings and two Audit Committee meetings were held on or before 31 October 2018.

(8) Dr. Tyen Kan Hee, Anthony resigned as Independent Non-executive Director on 31 October 2018, the Chairman of Audit Committee and Nomination Committee and a member of Remuneration Committee and Corporate Governance Committee. Three Board meetings, two Audit Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting were held on or before 31 October 2018.

(9) The annual general meeting was held on 1 June 2018. No extraordinary general meeting was held during the year ended 31 December 2018.

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 2018.

CORPORATE GOVERNANCE REPORT

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 (the "Model Code"). We have received confirmation from all Directors that they have complied with the required standards set out in the Model Code and the Code of Securities Dealings throughout the year of 2018.

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 Executive Directors 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 Executive Directors, 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. The 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 section headed "Corporate Information" on page 128 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 headed "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. As at the date of this annual report, the members of the Audit Committee are Mr. Li Chak Hung (chairman), Mr. Gerard Joseph McMahon and Mr. Lau Yau Cheung. 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 system, risk management and internal control systems 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.

The members of the Audit Committee met twice during the year ended 31 December 2018 and:

(a) reviewed the Group's financial results and reports;
(b) reviewed the internal control report and risk management report of the Company;
(c) approved the Group's internal audit plan;
(d) reviewed the continuing connected transactions of the Company; and
(e) approved the remuneration of external auditor.

(2) Nomination Committee

The Nomination Committee is made up of two Independent Non-executive Directors. As at the date of this annual report, the members of Nomination Committee are Mr. Lau Yau Cheung (chairman) and Mr. Gerard Joseph McMahon. It reviews the Board's size and composition and advises the Board on Director appointment.

The members of the Nomination Committee met twice during the year ended 31 December 2018 and:

(a) reviewed the structure, size, composition and diversity of the Board;
(b) assessed the independence of Independent Non-executive Directors;
(c) recommended to the Board on re-election of Directors;
(d) recommended to the Board on the appointments of Mr. Lo Kai Bong and Dr. U Chio Ieong as Non-executive Directors, and Mr. Gerard Joseph McMahon, Mr. Lau Yau Cheung and Mr. Li Chak Hung as Independent Non-executive Directors of the Company respectively; and
(e) recommended to the Board on the revision of the Board Diversity Policy and adoption of the Director Nomination Policy.

(3) Remuneration Committee

The Remuneration Committee is made up of two Independent Non-executive Directors. As at the date of this annual report, the members of Remuneration Committee are Mr. Gerard Joseph McMahon (chairman) and Mr. Lau Yau Cheung. 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.

The members of the Remuneration Committee met once during the year ended 31 December 2018 and:

(a) reviewed the remuneration of Directors and senior management of the Company;
(b) reviewed the Company's policy and structure for the remuneration of all directors and senior management;
(c) recommended to the Board on the remuneration packages of the executive Directors and senior management and evaluation system for the performance of executive directors;
(d) reviewed the performance, constitution and terms of reference of the Remuneration Committee;
(e) reviewed the remuneration packages offered to the Non-executive Directors and Independent Non-Executive Directors appointed during the year.

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 notes 13 and 14 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. As at the date of this annual report, the members of the Corporate Governance Committee are Mr. Gerard Joseph McMahon (chairman) and Mr. Li Chak Hung.

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 members of the Corporate Governance Committee met once during the year ended 31 December 2018 and:

(a) reviewed the Company's compliance with the CG Code and training and continuous professional development of Directors and senior management; and
(b) recommended to the Nomination Committee and/or Board on the revision of the Board Diversity Policy and adoption of Director Nomination Policy and dividend policy.

Board Diversity Policy

The Board adopted a board diversity policy (the "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 gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience and length of service. All Board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

The Nomination Committee is in charge of implementing the Board Diversity Policy and reports annually on Board appointment process in the corporate governance report.

Director Nomination Policy

The Board adopted a director nomination policy (the "Director Nomination Policy") in December 2018 which sets out the criteria and process in the nomination and appointment of Directors of the Company. The Director Nomination Policy applied to ensure the Board has a balance of skills, experiences and diversity of perspectives appropriate to the Company as well as the Board continuity and appropriate leadership at Board level.

A summary of the Director Nomination Policy is set out below:

Criteria adopted for selection and recommendation for directorship

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

CORPORATE GOVERNANCE REPORT

Nomination process

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

As delegated by the board, the Nomination Committee will, in addition to conducting regular review on the structure, size and composition of the Board, it will also conduct regular review on the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

Dividend Policy

The Board adopted a dividend policy in December 2018 which sets out the principle and guidelines by the Company to apply declaration, payment or distribution dividends to the shareholders.

The Board will review this policy as appropriate from time to time.

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 ended 31 December 2018, the Company has engaged Ms. Ho Siu Pik of Tricor Services Limited, an external service provider. Ms. Ho has been the Company Secretary of the Company since December 2017. Ms. Ho's main contact person at the Company is Mr. Yip Ho Chi, Finance Director. All Directors have access to the Company Secretary's advice and services.

During the year ended 31 December 2018, the Company Secretary has complied with the training requirement of the Listing Rules.

Directors' and Auditor's Responsibilities for Accounts

The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018. 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 that 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 pages 58 to 61 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2018, the Group paid and committed to pay to its external auditors, Messrs. Deloitte Touche Tohmatsu, approximately HK$4,028,000 (2017: HK$3,689,000) for audit services and approximately HK$ 1,539,000 (2017: HK$1,574,000) for non-audit services. The non-audit services mainly included interim review and advisory services on risk management and internal control systems, and environmental, social and governance reporting.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

The Board acknowledged its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has established an internal audit function and has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control assessment report are submitted to the Audit Committee at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems for 2018, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are adequate and effective.

The Board, through the Audit Committee, had also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, and considers that they are adequate.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules in relation to the handling of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Whistleblowing policy

The Group is committed to carrying out its business with the highest possible standards of professionalism, honesty, integrity and ethics. A whistleblowing policy is in place to create an anonymous channel for the employees, guests and business partners to confidentially raise any concern on potential misconduct relating to the Group to the Audit Committee and the Board and all of the cases will be independently investigated in strictest confidence to protect the whistleblowers' identities.

Constitutional Documents

During the year ended 31 December 2018, 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.

CORPORATE GOVERNANCE REPORT

Right to put enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders and investors may contact the Company and the Board and send their enquiries or requests to the following:

Address: Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
(For the attention of Mr. Eric Daniel Landheer, Executive Director)

Email: info@saholdings.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. Shareholders' information may be disclosed as required by law.

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 Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2018 AGM and were on hand to answer questions.

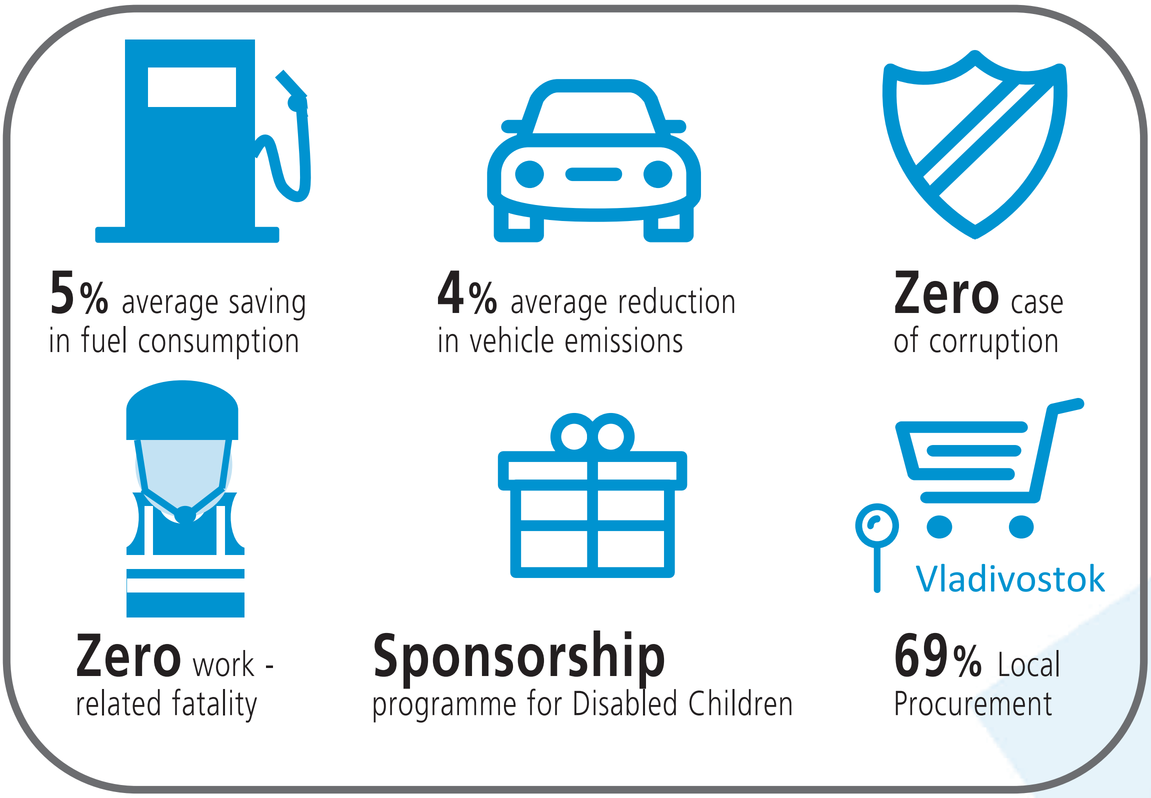
The website of the Company at www.saholdings.com.hk also provides a medium to make information of the Group available to shareholders. Shareholders may refer to the "Shareholders' Communication Policy" posted on the Company's website for further details.

Introduction

As an ongoing commitment to generating long-term value to our stakeholders, Summit Ascent Holdings Limited and its subsidiaries (the "Group" or "we") have incorporated the principles of sustainable development into our business operation to help save the environment and support the development of the community. Thus, the Group prepared this Environmental, Social and Governance ("ESG") report to provide our stakeholders with the information of our ESG policies, initiatives and performance. As our major business operation is Tigre de Cristal, the integrated resort in Vladivostok, the Russian Federation, this ESG report covers the ESG information of Tigre de Cristal for the year ended 31 December 2018 ("FY2018" or the "Reporting Period"), in accordance with the framework, reporting principles and the "comply or explain" provisions as set out in Appendix 27 of the Main Board Listing Rules issued by the Hong Kong Exchanges and Clearing Limited.

Sustainability Highlights in 2018

We have been actively enhancing our ESG performance and have invested resources in various areas of our operation. In FY2018, we have made some sustainability achievements which are highlighted as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2018

ESG Governance

The Group is dedicated to aligning ESG governance with strategic development and embedding ESG considerations in its business decision making and daily operation. To this end, the Group has established a governance framework to manage ESG matters in operation and the Board is responsible for leading the governance and the development of the Group's ESG management approach, strategies, priorities and objectives. The senior management are delegated by the Board with the authorities and responsibilities of developing, implementing and monitoring sustainable development strategies and initiatives across business operations.

To better facilitate ESG management, the senior management has formed an ESG working group which is represented by Finance Director and Senior Vice President of Operations Control of the Group, in collaboration with Vice President of Finance Department of G1 Entertainment LLC in the Russian Federation. The structure of ESG management is illustrated in the chart below. The ESG working group is responsible for coordinating with different departments to collect and analyse ESG-related operational data, promoting and monitoring the implementation of ESG strategies and initiatives, reviewing stakeholders' feedback in daily operation as well as reporting key ESG issues to the senior management and the Board. The operational departments, such as Human Resources, Construction and Facility Management, Surveillance and Security, Hotel and Catering departments, are responsible for implementing ESG initiatives in their own daily operation.

On top of the ESG management structure, the Group has established the risk management and internal control systems to identify, evaluate, monitor and manage ESG risks and opportunities such as customer data protection and ethical business behaviour. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems. The results of risk management and internal control review are reported to the Board regularly. For more details, please refer to the "Risk Management and Internal Control", a sub-section of "Corporate Governance Report".

Stakeholder Engagement

We welcome and proactively collect stakeholders' feedback to understand the ESG issues they concern and value by maintaining ongoing communication via a wide range of channels. The following list summarises the methods of communication between stakeholders and us.

Stakeholder Group	Communication Methods
Shareholders	• Annual General Meetings • Annual and Interim Reports • Company's Website • Press Releases
Employees	• Staff Meetings • Speak Up Sessions • Staff Care Activities • Newsletter and Mobile App • Staff Training
Customers	• Feedback • Satisfaction Surveys • Customer Service Hotline • Daily Contacts
Suppliers	• Quotation and Tendering Processes • Direct Communication Line for Suppliers • Supplier Evaluation Mechanism
Community	• Community Services • Social Media

Materiality Assessment

Materiality assessment has been conducted to identify ESG issues that we should focus on by carrying out stakeholder engagement and industry benchmarking. We have maintained ongoing stakeholder engagement through the aforementioned channels and collected their feedback on the prioritisation of ESG issues. Along with the stakeholder engagement, we have also performed industry benchmarking by taking reference from industry peers to identify key ESG issues.

Based on the above methods, we have developed a list of material and relevant ESG issues for the purpose of disclosure. Material ESG issues are those key concerns of both the Group and stakeholders while relevant ESG issues are those related to the Group's operations and it is necessary to disclose how the Group deals with those issues in accordance with Appendix 27 of the Main Board Listing Rules. Such list has subsequently been submitted to the senior management for confirmation to ensure the categorisation of material and relevant ESG issues are consistent with the priorities given by the Group and the stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2018

In FY2018, we identified 18 material and relevant ESG issues and they are shown as follows.

Material Issues

Relevant Issues

Based on the materiality assessment and due to the nature of the business, the issues relating to hazardous waste and packaging materials were irrelevant and there were no significant amount of hazardous waste produced and packaging materials consumed during the Reporting Period.

Environment

Use of Energy and Water

To ensure efficient use of energy and water in order to mitigate the climate change and conserve the natural resources, the Group has adopted the following principles in daily operation:

- Resource usage should be strictly monitored and any unnecessary consumption should be identified and improved as soon as possible;
- Awareness of the environmental impact of using each type of the resources should be raised among our employees and guests; and
- Resource-saving measures, technologies and equipment should be deployed and should be regularly reviewed to evaluate their applicability.

To put the principles into practice, we have developed and implemented a series of resource-saving measures in different aspects of our business operation to reduce energy and water consumption:

- An electrical heater has been installed on the hot water line to heat water in spring and autumn. The energy consumption of the new electrical heater is more efficient than that of previous liquefied petroleum gas ("LPG") heater, resulting in decrease in LPG consumption;
- The insulation of the foyer area has been improved by replacing glass doors with framed aluminium doors. The replacement of glass doors has solved the problem of cold air going through door gaps during winter, which resulted in requiring more heat to maintain indoor temperature. Besides, we have also strengthened the insulation of the revolving to reduce heat loss during winter;
- Normal bulbs have been replaced with light-emitting diode ("LED") lighting, a highly energy efficient lighting technology, in our property to reduce energy consumption;
- A key card power switch has been installed in each guest room to facilitate energy saving when the room is not in use, as well as automatic daylight switch at carriage porch which helps save electricity for lighting;
- Building Management System has been in place to regularly monitor both power and water usage, evaluate the resource-saving initiatives, and identify sources of excessive resources consumption such as facilities not in use and idle areas with full lighting;
- Water-friendly housekeeping practices have been promoted to avoid unnecessary towel and bedsheet changes while maintaining a high hygiene standard;
- Sensing faucets have been installed in washrooms to control water outflow;
- Signage has been placed in guest rooms to communicate the impacts of unnecessary washing of towels on the environment to our guests; and
- In-house training has been organised for employees to maintain water usage at an optimum level for both water reservation and business operation.

Aside from the above, we consumed the municipal water in our operation and there was no significant issue in sourcing water that is fit for purpose during the Reporting Period.

Resource Consumption

In FY2018, the amount of our resource consumption and carbon emission was as below:

Type of Resources	Petrol	Diesel	LPG	Electricity	Water
Consumption Amount	134,417 litre	323,477 litre	484,542 kg	10,522,992 kWh	62,357 m^3
Intensity Note 1	4.1 litre/m^2	9.8 litre/m^2	14.7 kg/m^2	318.9 kWh/m^2	1.9 m^3/m^2
Change from Prior Year	9.6% ↓	2.4% ↓	7.6% ↓	0.2% ↓	37.4% Note 2 ↑

Carbon Dioxide Equivalent (CO_2e) from Energy Consumption Note 3
Generation:11,602 tonnes Note 4
Intensity Note 1 0.4 tonnes/m^2
Change from Prior Year: 1.4% ↓

Note 1: The unit of intensity is a unit of consumption or generation per square metre of floor area of our property.

Note 2: The water consumption was increased because there was an underground water leakage in 2018 and it was spotted by our regular monitoring of water usage. It was tackled at once and more preventive procedures will be established to avoid future occurrence. In addition, to green our property and the nearby areas, we used more water for grass plantation during the Reporting Period.

Note 3: Carbon emissions were calculated based on the "Greenhouse Gas Protocol" published by World Resources Institute and World Business Council on Sustainable Development, "Reporting Guidance on Environmental KPIs" published by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), "Guidelines to Account for and Report on Greenhouse Gas Emission and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department, "Greenhouse Gas Reporting – Conversion Factors 2018" published by Department of Business, Energy and Industrial Strategy of the United Kingdom Government, and "Development of The Electricity Carbon Emission Factors – Baseline Study for Russia" by European Bank for Reconstruction.

Note 4: The carbon dioxide equivalent (CO_2e) from energy consumption excludes the CO_2e arising from vehicle emissions mentioned in sub-section "Air Emissions" below.

Waste Management

During the Reporting Period, 17,100.9 tonnes of non-hazardous waste were produced and handled, and no significant hazardous waste was identified due to our business nature. Also, as the current Russian laws relating to waste management such as "Federal Law No. 89-FZ on Production and Consumption Waste " mainly focuses on regulating hazardous waste management and the Group has not produced any significant types of hazardous waste, there were no Russian laws and regulations relating to waste management that have a significant impact on the Group in FY2018.

Despite the fact that there are no significant and relevant legal requirements, we have still integrated "Reduce", "Reuse" and "Replace" principles into our operation by various measures, especially for food waste due to the size of our food and beverage business. To avoid ordering excessive food, we continually make improvements on our procurement planning process. For example, we have deployed an interface between the Point of Sale System in our restaurants and the Material Control System for procurement to allow accurate consumption monitoring to control our purchases and minimise wastage.

Furthermore, although the recycling business in Vladivostok has not yet been developed, we have been continuously and actively seeking recycling partners to utilise our resources discarded instead of disposing of waste directly to landfill. In the past, we explored the opportunity for partnering with a local farm to make use of our food waste for animal feeding.

Moreover, we have launched other initiatives such as deployment of electronic communication platform to reduce printed materials, installation of recycling facilities in our properties, as well as various staff and guest education programmes for better waste management. We have also adopted waste sorting in our operations to separate cooking oil, food waste and construction waste to ensure they are properly collected and handled by relevant licensed contractors.

Air Emissions

We take an active role in minimising our air emissions and complying with the relevant legal requirements. The laws in Russia related to air emissions are Federal Law No. 96-FZ on the Protection of Atmospheric Air. According to the law, the air emissions should be controlled under the regulatory emission standards. To this end, we have carried out various means which are described below and have not identified any case of significant non-compliance with the above laws during the Reporting Period.

Indoor air quality

Since the opening of Tigre de Cristal in October of 2015, the Group has been paying attention to the indoor air quality for the health of our customers and staff. As a result, we have performed regular air quality checks and have taken timely actions to prevent air contaminants from accumulating. For instance, smoking is prohibited in our property with an exemption in the designated smoking areas to reduce the related health risks arising from cigarette smoke such as respiratory diseases.

Vehicle emissions

We are aware of the air emissions generated from our motor vehicles for transportation of customers and employees. During the Reporting Period, the emission amounts of nitrogen oxides, sulphur oxides, particulate matter and carbon dioxide equivalent arising from the vehicles are shown in the table below.

Air Emissions from Vehicles Note 5		
	FY2018	**Change from Prior Year**
Nitrogen oxides	6,471.6 kg	↓3.7%
Sulphur oxides	7.1 kg	↓5.2%
Particulate matter	457.1 kg	↓3.3%
Carbon dioxide equivalent (CO_2e)Note 3	1,216.9 tonnes	↓5.4%

Note 5: The amount of air pollutants was calculated with reference to the emission factors in the "Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.

We are dedicated to reducing the vehicles emissions so as to improve air quality, hence have chosen the vehicles that meet the European Emission Standards for our daily operation. We have also arranged for our shuttle buses to pick up the employees thereby reducing the amount of their own vehicles travelling to and from the property. In doing so, we have carefully designed the transportation schedules to avoid rush hours to ensure optimum trip duration to the property and fuel economy.

Sewage Management

During the Reporting Period, we discharged 38,164 m^3 of sewage in accordance with the regulatory requirements of the Russian Federation such as Water Code of the Russia Federation no. 74-FZ. The Water Code requires all natural persons and legal entities to protect water bodies from contamination and prohibits the discharge of wastewater which may pollute the water bodies. To control the impact of the sewage discharged from our operation, the Group has been heavily involved in the establishment of a sewage treatment plant with the local government. We have also closely monitored our sewage discharges and identified opportunities to enhance the sewage treatment process. For instance, we have installed treatment facilities to prevent the detergents from laundry, and potential engine oil and sand from both the construction sites and the parking areas from being discharged into the environment without proper treatment. Due to our effort, we have not identified any case of significant non-compliance with the relevant laws and regulations in Russia during the Reporting Period.

Biodiversity

Environmental management of the development project

We were aware that our gaming and resort development project in Vladivostok required the removal of trees in certain parts of our site. To mitigate the impact, we developed a plan for tree plantation annually which has been executed since 2017. Based on the plan, we have planted more than 340 trees of different species in FY2018 to restore the environment and maintain biodiversity.

We continually to develop the landscaping of the property and execute the plan for tree plantation in line with our commitment to keep the areas as green as possible, together with building up grass embankments to avoid any soil erosion.

We also continued the clean-up of areas around Lot 8 to ensure all construction-related items stored outdoors were handled in accordance with proper practice of the Russian Federation and minimise environmental harm.

"Save the Tiger" Campaign

We understand the importance of protecting endangered animals as extinction of any animal species poses a threat to the equilibrium of nature, causing ecological disasters such as further extinction and proliferation of certain species. Hence, we have adopted a female Siberian tiger named Crystal in order to provide our support for conserving this endangered tiger species. She has been housed at a private zoo and we are dedicated to providing a healthy and pleasant living environment for the sake of her growth.

Human Resources

Talent Development

The skills and knowledge of our talents are of vital importance to the sustainable growth of the Group. Hence, we have developed structured corporate and departmental training programmes covering a wide range of subjects including leadership skills, mentoring techniques, management approaches and language skills.

We conduct performance appraisal annually and develop a training plan for the coming year based on the improvement areas of employees identified through the appraisal as well as the operational needs. Each of our departments is required to set training targets and develop their own professional training programmes based on the training needs. During the Reporting Period, we identified the needs for enhancing the problem-solving skills and interpersonal skills of our staff and will arrange for more training courses relating to those topics to match with the improvement areas and operational needs of the Group.

In ensuring our employees to have a better understanding of the Group as well as their responsibilities, during the Reporting Period, we have conducted 19 induction training courses for 226 new joiners. Furthermore, starting from 2017, we have cooperated with an oversea casino resort to organise an exchange programme for employees of the two resorts to share their experience, develop new skills and establish professional network.

In order to build a supportive culture, we have developed a one-to-one Mentorship Programme. Under this Mentorship Programme, we assign a senior or a supervisor to each new hire as a mentor who is responsible for providing advice and guidance on daily tasks, problem solving and other career issues.

Other than internal training, we also encourage our employees to attend external professional training programmes and obtain relevant qualifications for career development. Accordingly, we sponsor employees who attend the external training in relation to their job duties as considered appropriate. During the Reporting Period, we have supported 5% of our employees for participating in external professional training. Also, employees who are enrolled in part-time courses in higher educational institutes accredited by the Russian Federation are entitled to additional paid leave.

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For the year ended 31 December 2018

Workplace Health and Safety

The Group has a long-standing commitment to maintaining a healthy and safe working environment for our people as well as meeting and exceeding the regulatory requirements as prescribed in the Labour Code of the Russian Federation No. 197-FZ and Federal Law No. 181-FZ on the Fundamentals of Occupational Safety and Health. These laws require employers to ensure the rights of employees to safe working conditions and meet the regulatory requirements of occupational safety and health such as terms of employment contract, safety of buildings, facilities and equipment, training on safe methods and techniques for work, safety rating of working conditions, handling of dangerous tasks, etc. To this end, we have developed and implemented the following workplace health and safety principles and measures:

- None of the employees, including the management, can take any actions to put our people's safety at risk;
- Employees are required to take the responsibilities for ensuring the workplace safety and strictly comply with the workplace health and safety requirements of our internal policy as well as laws and regulations;
- Our management is responsible for ensuring that the working conditions follow the relevant sanitation and hygiene standards such as Russian National Standards (GOST), Industry Specific Standards (OST) and Sanitary Norms and Regulations (SanPin);
- Employees are obligated to complete relevant training on workplace safety as required by laws and regulations before taking up their job duties. For the purpose of better quality of training, we have made a video about instructions on workplace health and safety for waiters, cooks, stewards and housekeepers;
- Workplace safety risk assessment and analysis should be conducted on a regular basis to identify and address areas of higher safety risks;
- Employees should be provided with adequate protective equipment and sanitary clothes as necessary for their job duties; and
- All work injuries and accidents, if any, should be investigated and reported in a timely manner.

With the above principles and measures, the Group has not identified any case of significant non-compliance with the aforementioned laws and regulations in Russia related to workplace and safety during the Reporting Period.

Equal Opportunities

The Group is committed to maintaining a fair workplace and observing local regulatory requirements related to equal opportunities of employees which is the Labour Code of the Russian Federation No. 197-FZ. The Labour Code requires employers to ensure equality of opportunities such as promotion, professional training, retraining and professional development, implementing labour rights and remuneration of employees. Also, the Labour Code specifies the prohibition of dismissing of employees who are temporarily disabled, pregnant, single mother or women having children under 3 years old. Thus, we have implemented the policy as described below.

In order to promote equal opportunities in the workplace, the Group has developed a number of standard operating procedures to govern human resources management. These procedures articulate systematic and objective approaches to govern different areas of human resources management including employment, dismissal, remuneration determination, performance evaluation, working hours, paid leaves, as well as other benefits to prevent employees from discrimination or unfair treatment due to age, gender, pregnancy, family background, race, skin colour and etc. We also encourage internal recruitment and provide our people with equal opportunities to develop their careers according to their own interest and strengths. During the Reporting Period, we have not identified any case of significant non-compliance with the Labour Code.

Talent Retention

The Group offers competitive remuneration packages to attract and retain the best people and regularly reviews the remuneration packages of employees to make necessary adjustments based on prevailing market conditions and our business performance. Our remuneration packages consist of basic salary, bonus, overtime pay, daily travelling allowance for business trips, regional premium payment for employees in the Far East region of Russia, long-term service award, contributions to employees' provident fund and a share option scheme for qualified directors and employees of the Group.

Our remuneration packages are determined in accordance with the Labour Code of the Russian Federation No. 197-FZ. The Labour Code requires employers to set the wage rate based on the qualifications of employees as well as the difficulty and conditions of the work and the wage rate should not be less than the minimum wage. The Labour Code also specifies that the overtime work should be compensated by means of providing additional time-off or the rates prescribed by the law and that premium for night work should not be less than the minimum requirement. According to the Labour Code, the salary must be paid in the currency of the Russia Federation and at least bi-weekly. In order to ensure the compliance with regulatory requirements, we have established a standard operating procedure of remuneration based on the relevant laws and regulations in Russia to provide detailed and clear guidance. Moreover, we have employed a legal advisor in Moscow to provide legal consultancy service and have established an in-house legal department. Whenever there is any legal inquiry, the human resources department can consult the legal advisor and the in-house legal department. Hence, we have not identified any case of significant non-compliance with the Labour Code during the Reporting Period.

The Group emphasises "work-life balance" of employees so we have granted our local Russian staff 36 calendar days of annual leave, in addition to public holidays and paid leave specified by the Labour Code of the Russian Federation, as well as granted early release on the eve of public holidays. Moreover, it is our policy to prohibit employees from working two consecutive shifts in order to ensure our employees are provided with enough rest time for the sake of their physical and mental health.

Apart from the above, we have provided medical insurance for our permanent employees so that they can receive healthcare services and emergency medical assistance. In addition, we have provided financial support for our employees in times of need, such as during severe illness and bereavement, to help them overcome hardships.

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Anti-Child And Anti-Forced Labour

The Group prohibits any child and/or forced labour in any of our operation. We do not employ any child who is below the age set by the local labour law requirements as well as relevant hotel and casino regulations. Likewise, we forbid any forced labour by means of physical punishment, abuse, involuntary servitude, peonage or trafficking. Each of our employees voluntarily signs the employment contract and accepts employment conditions under the protection of the local labour legislations such as the Labour Code of Russian Federation. Also, prior to each employment, our HR department will check the personal information provided by candidates to ensure we meet the local labour law requirements.

Furthermore, it is our highest priority to abide by the Labour Code in the Russia Federation which aims to eliminate child labour and forced labour. The Labour Code stipulates that employment is allowed if a person reaches 16 years of age and prohibits any kind of forced labour, including working under direct threat to life and health without the provision of protection facilities. With the abovementioned policy implemented by us, during the Reporting Period, the Group has not identified any cases of material non-compliance with the Labour Code.

Connecting Our People

In order to build a strong bond among our employees and ensure their understanding of the Group's missions and values, the Group has established the following communication channels and has supported the following activities:

- Quarterly staff meetings with the senior management to communicate the business performance of the operation and quarterly work plans;

- Quarterly chatting sessions with the Chief Operations Officer held in the form of casual meeting to discuss issues which employees are concerned for and also their ideas to improve business processes;

- Comment boxes to provide employees with a channel to give feedback on the Group's operation;

- Information boards and bi-weekly "Did you know?" e-mail newsletter to inform employees of current and upcoming events in the Group and important announcements;

- Summer corporate events for the employees such as "Beach clean-up" and celebration of receiving World Travel Awards 2018 which more than 250 employees participated in these events;

- Mobile social apps such as Telegram and Instagram for sharing of information with employees;

- Technical advisory and support for employees during working hours via telephone and e-mail;

- Financial support to our employees in mass participation sports events such as "Vladivostok International Marathon" and "Hero Race";

- Project "Get a Chance to Make Your Dream Come True" to help employees fulfil their dreams or achieve their targets;

- Staff party and social media contest to encourage a diverse lifestyle and promote employee well-being as well as work-life balance; and

- "Employee of the Quarter" to recognise the contribution and the loyalty of the employees who are nominated by the management.

Business Operation

Business Ethics

It is our policy to adhere to local and national laws and regulations, especially Federal Law No. 273-FZ on Anti-corruption and Federal Law No. 115-FZ on Countering the Legalisation of Illegal Earnings (Money Laundering) and the Financing of Terrorism in the Russian Federation. These laws aim at eradicating corruption, money laundering and financing of terrorism. Federal Law No. 115-FZ requires the companies to keep a record of certain requisite information about customers and corresponding transactions such as the nature, date, and amount of transaction. Moreover, under Federal Law No. 273-FZ on Anti-corruption, companies are required to establish an internal compliance program which should consist of the following elements:

- Designating responsibility for prevention of bribery offences;
- Cooperating with law enforcement authorities;
- Developing and implementing standards and procedures designed to ensure ethical business conduct;
- Adopting a code of ethics for all employees;
- Determining procedures for identifying, preventing and resolving conflicts of interest; and
- Preventing the use of false documents.

In order to achieve the highest standards of business ethics and ensure the compliance with the relevant laws and regulations, we have implemented an effective ethics management mechanism. We regularly assess our risks related to corruption and money laundering throughout our business processes, and implement appropriate internal controls such as transaction detection, information recording, transaction suspension and freezing, internal control enforcement inspection, etc., to ensure we mitigate risks to an acceptable level.

We have also cooperated with relevant authorities in order to prevent unethical business behaviour across the Group and to spot any suspicious activities. Our staff, guests and suppliers can report any potential misconduct they observe in our operation through an anonymous whistle-blowing channel. All cases reported will be independently investigated and corrective actions will be taken where necessary.

In addition, we have established standard operating procedures as well as the Code of Business Conduct and Ethics, which provide clear guidelines regarding internal controls over anti-corruption, anti-money laundering as well as handling conflict of interest, to communicate our expectation to all of our employees. The relevant trainings on business ethics and anti-money laundering are organised and conducted regularly to ensure the employees are well aware of the procedures. We have also employed a legal advisor in Moscow to provide legal consultancy service and have established an in-house legal department. Whenever there is any legal inquiry relating to anti-corruption or money laundering, we can consult the legal advisor and the in-house legal department.

As a result of our continuous effort, we have no significant non-compliance with the laws and regulations related to anti-corruption or money laundering during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2018

Responsible Gaming

Tigre de Cristal holds the gaming license to conduct gaming business in the IEZ, under Federal Law No. 244-FZ on The State Regulation of Activities Associated with the Organisation of and Carrying out Gambling and on Amending Individual Legislative Acts of the Russian Federation. Under the law, online gambling is forbidden and the gambling activities must be conducted within the designated areas with necessary security guards and the companies have to possess the minimum net assets and capital and satisfy other requirements such as reporting requirement. In order to comply with the law requirements, we have implemented a range of measures in our operations. For example, we have security and compliance department to monitor and safeguard our properties and ensure it is operated in accordance with the law. We have also assigned a dedicated team to verify our revenue on a daily basis for the purpose of accuracy of information used for reporting to the government authority. In addition, the senior management monitors the financial position of the Group every month to ensure the stability and healthiness of its financial condition.

Furthermore, although there are no regulatory requirements for gaming operators in the region about controlling problem gambling, the Group, as a responsible company, strives to promote responsible gaming through initiatives such as forbidding underage visitors to our casino, monitoring of gaming floor to identify customers with abnormal behaviour, as well as creating and promoting the responsible gaming slogan of "Winner Knows When To Stop" to build the awareness of customers.

Supply Chain Management

The Group seeks to select environmentally and socially responsible suppliers and therefore, apart from quality of goods, services and suppliers' reputation, our supplier evaluation criteria also focus on their ESG performance such as waste management practices, volunteer programmes and staff training development. On top of that, we prefer suppliers that have been certified by International Organisation for Standardisation (ISO) standards on environmental protection and social responsibility such as ISO 14001 and ISO 26001.

As the Group does not tolerate any fraud and bribery in our supply chain, we have established a fair and transparent quotation or tendering process which requires to involve at least three suppliers (where possible) each time and suppliers who meet our quality requirements of goods and services as well as relevant environmental and social measures with the best price offer will be selected. We have also established a direct communication channel allowing suppliers to submit their offers for our consideration. A response to the offer will be made as soon as possible. Furthermore, the Group regularly evaluates suppliers' performance and requires them to take remedial measures once we noted any of their non-compliance with our requirements.

Customer Satisfaction

To maintain a high quality of customer service, the Group has established a set of customer service policies to provide guidelines to our staff based on their functions and duties, on the areas such as handling customers' enquires, compliant management and standard service procedures, etc. We have also developed extensive training programmes for our frontline staff to equip them with appropriate service manner along with communicating our expectation of their service quality. In addition, we collect customers' feedback and follow up on their opinions in accordance with our internal protocol on a timely basis. The results are subsequently communicated to relevant employees as a part of their development and performance evaluation processes.

During the Reporting Period, we have also implemented a concept "Quality Circle" and developed "Cristal Standards" to set a high standard of service delivery for our employees. We have held regular meetings to evaluate the progress of our quality objectives and communicate with department heads who are accountable for measuring the performance of their teams and ensuring adherence to the Cristal Standards.

Physical Security and Food Safety

The Group strives to provide a safe and hygienic environment to our guests as well as meet and exceed the local laws and regulations such as Federal Law No. 184-FZ on Technical Regulation and Federal Law No. 162-FZ on standardization in the Russian Federation which stipulate the safety standards of food production, operation, storage and transportation process. Therefore, we have established the principles as follows:

- To maintain a sound physical security and food safety management system and ensure the effective implementation of our internal policies related to these areas;

- To adopt Hazard Analysis and Critical Control Points (HACCP) principles into our daily food safety management;

- To assign personnel dedicated to food safety matters of the Group and performance of food safety controls;

- To provide adequate emergency support for customers including 24-hour clinical services, first aid, life-saving equipment and ambulance services; and

- To organise training regularly to remind our employees of the importance of physical security and food safety as well as to promote the best practices.

Due to the effective implementation of the above principles, we have no case of significant non-compliance with the relevant laws and regulations during the Reporting Period.

Data Privacy

The Group is committed to protecting customers' data privacy and we have established standard procedures for data collection and handling based on Federal Law of the Russian Federation. During the Reporting Period, the Group has not identified any case of significant non-compliance with data privacy laws in Russia such as Federal Law No. 152-FZ on Data Protection and Federal Law No. 149-FZ on Information and Information Technologies and Information Protection. The purpose of the laws is to protect the citizens' right in the course of processing their data. Personal data holders have the right to decide on provision of personal data and consent to the processing of data unless the exemptions specified by the laws. Therefore, we request minimal personal information as required by law for our activities, and access to this information is restricted to authorised personnel with dedicated roles and responsibilities related to the purpose of data collection. Our employees are also required to sign an agreement to protect the confidential information when they are hired by us. With respect to data security, the Group has established information security policies and has deployed various measures including closed-circuit television, physical locks, firewall and prohibition of use of unauthorised computer equipment and software to protect our servers from cyber-attack and unauthorised access.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2018

Society

Impact on Local Community

The Group takes an active role on community investment and consistently makes positive contributions to our society. In the economic perspective, our integrated resort has created more than 900 jobs in Vladivostok. Also, we have enforced a local procurement policy to support the business development of the city in which we operate by making 69% of our purchases from local suppliers in FY2018.

In the community perspective, the Group has launched a disabled child sponsorship programme since 2017 to support the underserved children and render comprehensive assistance to local specialised childcare centres through collective efforts of our employees. Since 2017, our employees have joined the programme and formed a group to provide volunteer services for the following two non-profit organisations:

- Artyom City Boarding School for orphans, children without parental care, and physically challenged children; and

- Vladivostok Special Boarding School for aurally challenged children.

Under this programme, we have organised a series of activities and provided sponsorship in FY2018:

- A trip to "Town of Masters" was scheduled by our volunteer team for disabled orphans and children without parental care at Artyom Boarding School. It was a cooking class teaching children foreign dishes such as sushi and cakes;

- A charity event with the theme "Victory Day" was held at Artyom Boarding School for disabled orphans and children without parental care. We made a quiz about the Great Patriotic War and a sharing session on veterans and dog saving lives during the war. There was a session for children to design memorial for the veterans of the Great Patriotic War;

- A sports day was organised at Vladivostok Special Boarding School for children with hearing disabilities as a celebration of the end of school year. During the sports day, we held an awards ceremony for the members of Taekwondo Club at the school; and

- Other social activities such as organised master class "National cuisine of different countries", volleyball court repair, friendly volleyball match, joint master class on making New Year's symbols, international day of persons with disabilities – delivering the children New Year gifts being circus tickets to the New Year's show, etc., were organised in hope of bringing happiness to the children.

Apart from schools with special education needs, we have held a variety of events in collaboration with colleges and universities. For instance, we have organised a culinary master class delivered by our chef to the students studying technology of food production and public catering. We have also hosted a Welcome Day for the senior college students to introduce our brand and the career opportunities in our Group.

Aspect	Reference	Subject Area	Page
A. Environmental			
A1: Emissions	A1	Policies and compliance relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	P.39-40
	A1.1	Emissions types and data	P.40
	A1.2	Greenhouse gas emissions	P.38-39
	A1.3	Total hazardous waste	Not Applicable
	A1.4	Total non-hazardous waste	P.39
	A1.5	Measures to mitigate emissions and results achieved	P.39-40
	A1.6	Measures to handle and reduce hazardous and non-hazardous wastes and results achieved	P.39-40
A2: Use of Resources	A2	Policies on the efficient use of resources, including energy, water and other raw materials	P.39
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	P.37
	A2.2	Water consumption by type in total and intensity	P.38-39
	A2.3	Energy use efficiency initiatives and results achieved	P.37
	A2.4	Water efficiency initiatives and results achieved	P.37
	A2.5	Packing material used for finished products	Not Applicable
A3: The Environment and Natural Resources	A3	Policies on minimising the issuer's significant impact on the environment and natural resources	P.41
	A3.1	Significant impacts of activities on the environment and natural resources and the actions taken to manage them	P.41
B. Social			
Employment and Labour Practices			
B1: Employment	B1	Policies and compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	P.43-44
B2: Health and Safety	B2	Policies and compliance relating to providing a safe working environment and protecting employees from occupational hazards	P.42
B3: Development and Training	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P.41
B4: Labour Standards	B4	Policies and compliance relating to preventing child and forced labour	P.44
Operating Practices			
B5: Supply Chain Management	B5	Policies on managing environmental and social risks of the supply chain	P.46
B6: Product Responsibility	B6	Policies and compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	P.46-47
B7: Anti-corruption	B7	Policies and compliance relating to bribery, extortion, fraud and money laundering	P.45
Community			
B8: Community Investment	B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	P.48

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of the Company has pleasure in submitting their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 37 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 December 2018, including a description of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis using financial key performance indicators, are provided in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 14 of this annual report, which form part of this report.

The financial risk management objectives and policies of the Group are set out in note 31 to the consolidated financial statements.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations, and relationships with its employees, customers and suppliers and others that have a significant impact on the Group are set out in the Environmental, Social and Governance Report on pages 33 to 49 of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018.

Five-Year 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 127 of this annual report.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$200,000 (2017: nil).

Share Capital

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

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 38 to the consolidated financial statements, respectively. As at 31 December 2018, no reserve was available for distribution to the owners of the Company (31 December 2017: Nil).

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

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

Executive Directors

Mr. Wang, John Peter Ben *(Deputy Chairman)*
Mr. Eric Daniel Landheer

Non-executive Directors

Mr. Kuo Jen Hao *(Chairman)*	
Mr. Lo Kai Bong	(appointed on 12 December 2018)
Dr. U Chio Ieong	(appointed on 7 September 2018)

Independent Non-executive Directors

Mr. Gerard Joseph McMahon	(appointed on 28 September 2018)
Mr. Lau Yau Cheung	(appointed on 31 October 2018)
Mr. Li Chak Hung	(appointed on 31 October 2018)
Mr. Tsui Yiu Wa, Alec	(resigned on 28 September 2018)
Mr. Pang Hing Chung, Alfred	(resigned on 31 October 2018)
Dr. Tyen Kan Hee, Anthony	(resigned on 31 October 2018)

In accordance with Clause 87(1) and (2) of the Company's Bye-laws, Mr. Wang, John Peter Ben will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with Clause 86(2) of the Company's Bye-laws, Dr. U Chio Ieong, Mr. Gerard Joseph McMahon, Mr. Lau Yau Cheung, Mr. Li Chak Hung and Mr. Lo Kai Bong, having been appointed as Directors since the date of the last annual general meeting, will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), the Company has received annual confirmation from each of the Independent Non-executive Directors concerning his independence to the Company and considered that each of the Independent Non-executive Directors is independent to the Company.

Brief biographical details of the Directors as at the date of this report are set out on pages 15 to 18 of this annual report.

REPORT OF THE DIRECTORS

Change of Information on Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors of the Company since the Company's last published interim report and up to the date of this annual report are set out below:

Name of Director(s)	Details of change
Mr. Kuo Jen Hao Mr. Lau Yau Cheung Mr. Li Chak Hung	A winding up petition dated 5 July 2017 (the "Petition") was filed by a petitioner against Sandmartin International Holdings Limited ("Sandmartin"), which was prior to the appointment of Mr. Kuo as a non-executive director of Sandmartin on 18 August 2017 and the appointment of Mr. Lau as an independent non-executive director of Sandmartin on 7 August 2017 and chairman of the board of directors of Sandmartin on 18 August 2017. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed.
Dr. U Chio Ieong	Ceased to act as a member of the Fuzhou Committee of Chinese People's Political Consultative Conference in Fujian Province, China with effect from 27 December 2018.
Mr. Gerard Joseph McMahon	Ceased to act as a non-executive director and the chairman of the board and was appointed as an independent non-executive director of Tanami Gold NL, a company listed on the Australian Securities Exchange, with effect from 27 November 2018

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.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

As at 31 December 2018, none of the Directors 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.

Directors' Interests in the Shares, Underlying Shares and Debentures of the Company or any Other Associated Corporations

As at 31 December 2018, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

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

Name of Director	Capacity/ Nature of Interest	Number of ordinary shares held	Approximate % of total issued shares of the Company
Mr. Kuo Jen Hao	Beneficial owner	57,518,000	3.86%
Dr. U Chio Ieong	Beneficial owner	45,206,000	3.03%
Mr. Eric Daniel Landheer	Beneficial owner	2,086,000	0.14%
Mr. Wang, John Peter Ben	Beneficial owner	1,980	0.01%

(b) Share options granted by the Company (Notes 2 & 3)

Name of Director	Number of underlying shares held pursuant to share options	Approximate % of total issued shares of the Company
Mr. Kuo Jen Hao	12,000,000	0.80%
Mr. Wang, John Peter Ben	12,000,000	0.80%
Mr. Eric Daniel Landheer	10,200,000	0.68%
Mr. Gerard Joseph McMahon	1,400,000	0.09%
Mr. Lau Yau Cheung	1,400,000	0.09%
Mr. Li Chak Hung	1,400,000	0.09%

Notes:

1. As at 31 December 2018, the total number of issued shares of the Company was 1,488,377,836.
2. The options granted to the Directors are registered under the name of the Directors who are also the beneficial owners.
3. Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the section headed "Share Option Scheme" of this report.

REPORT OF THE DIRECTORS

Save as disclosed above, so far as known to any Directors as at 31 December 2018, none of the Directors 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 corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Share Option Scheme

Particulars of the Company's Share Option Scheme are set out in note 29 to the consolidated financial statements.

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

Category of Participants	As at 1 January 2018	Granted during the year	Lapsed during the year	As at 31 December 2018	Date of grant	Exercise period (HK$)	Exercise period
							(Note)
Directors							
Mr. Kuo Jen Hao	–	12,000,000	–	12,000,000	13 December 2018	0.98	2
Mr. Wang, John Peter Ben	–	12,000,000	–	12,000,000	13 December 2018	0.98	2
Mr. Eric Daniel Landheer	2,300,000	–	–	2,300,000	1 September 2016	1.99	3
	–	7,900,000	–	7,900,000	13 December 2018	0.98	2
Mr. Gerard Joseph McMahon	–	1,400,000	–	1,400,000	13 December 2018	0.98	2
Mr. Lau Yau Cheung	–	1,400,000	–	1,400,000	13 December 2018	0.98	2
Mr. Li Chak Hung	–	1,400,000	–	1,400,000	13 December 2018	0.98	2
Employees	1,292,000	–	–	1,292,000	1 September 2016	1.99	3
	–	18,560,000	–	18,560,000	13 December 2018	0.98	2
Consultants	24,500,000	–	(24,500,000)	–	10 July 2013	1.73	4
	5,812,000	–	–	5,812,000	1 September 2016	1.99	3
	–	14,400,000	–	14,400,000	13 December 2018	0.98	2
Total	33,904,000	69,060,000	(24,500,000)	78,464,000			

Notes:

1. Each option gives the holder the right to subscribe for one share of the Company and 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 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023.

3. The share options granted on 1 September 2016 are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 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. During the year, no share options were exercised under the Share Option Scheme.

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 ended 31 December 2018 or subsisted at the end of the year.

Substantial Shareholders' Interests in the Shares and Underlying Shares

As at 31 December 2018, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest of a short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Long positions in the shares and underlying shares of the Company *(Note 1)*

Name	Capacity/ Nature of interest	No. of ordinary shares held	No. of underlying shares held	Approximate % of total issued shares of the Company
First Steamship Company Limited *(Note 2)*	Interest of controlled corporation	286,048,464	–	19.21%
First Steamship S.A. *(Note 2)*	Interest of controlled corporation	286,048,464	–	19.21%
Heritage Riches Limited *(Note 2)*	Beneficial owner	286,048,464	–	19.21%

Notes:

1. As at 31 December 2018, the total number of issued shares of the Company was 1,488,377,836.

2. Heritage Riches Limited is wholly owned by First Steamship S.A., which is in turn wholly owned by First Steamship Company Limited. By virtue of the SFO, First Steamship Company Limited and First Steamship S.A. were deemed to be interested in the shares of the Company held by Heritage Riches Limited.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

Major Customers and Suppliers

In 2018, revenue generated from the Group's five largest customers accounted for less than 30% of the total revenue for the year.

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers.

None of 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.

Continuing Connected Transactions

The following transactions between certain connected parities (as defined in the Listing Rules) and the Company are ongoing for which relevant announcements had been made by the Company in accordance with Chapter 14A of the Listing Rules.

Amendments to the Management Services Agreement in relation to the gaming and resort development project in Russia

On 20 January 2015, Oriental Regent Limited ("Oriental Regent") entered into a management services agreement (the "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. for the casino Tigre de Cristal for a term of three years commencing from 20 January 2015, and has been extended automatically for further periods of three years until 19 January 2021.

On 22 March, 2016, Oriental Regent and TGI entered into a Supplemental Agreement (the "Supplemental Agreement"), pursuant to which Oriental Regent and TGI agreed to amend certain provisions of the Management Services Agreement.

Oriental Regent is a subsidiary of the Company. Firich Investment Limited ("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 Firich Enterprises Co., Ltd., which is a controlling shareholder of TGI. 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 as amended by the Supplemental Agreement constituted continuing connected transactions (the "Continuing Connected Transactions") of the Company under Chapter 14A of the Listing Rules.

The annual caps in respect of the Management Services Agreement for the year ended 31 December 2018 and the years ending 31 December 2019 and 2020 are HK$95,000,000 respectively. For the year ended 31 December 2018, there was no transaction between TGI and Oriental Regent under the Management Services Agreement.

The Continuing Connected Transactions have been reviewed by Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the Continuing Connected Transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them 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 Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on 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 disclosed by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Further details of the transactions are set out in the announcements of the Company dated 20 January 2015 and 22 March 2016.

Significant related party transactions entered into by the Group during the year ended 31 December 2018, which do not constitute connected transactions under the Listing Rules, are disclosed in note 36 to the consolidated financial statements.

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company, a permitted indemnity provision for the benefit of the Directors was in force throughout the year ended 31 December 2018 and is currently in force as of the date of this report.

Sufficiency of Public Float

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

Auditor

The consolidated financial statements for the year ended 31 December 2018 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 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF SUMMIT ASCENT HOLDINGS LIMITED
凱升控股有限公司
(incorporated in Bermuda with limited liability)

Opinion

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 62 to 126, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue from Gaming Operations	
We identified the revenue from gaming operations as a key audit matter due to its significance to the consolidated financial statements. As discussed in note 5 to the consolidated financial statements, revenue generated from gaming operations amounted to HK$419,341,000 for the year ended 31 December 2018 and represented over 90% of the total revenues of the Group. In addition, revenue recognition from gaming operations is mainly based on a daily cash count in order to measure the aggregate net difference between gaming wins and losses. Any discrepancy in the cash count may lead to a material impact in the recognition of revenue from gaming operations.	Our procedures in relation to the revenue from gaming operations included: • Evaluating and testing the controls over the recognition of gaming operations revenues; • Re-performing cash counts, on a selected basis, to ensure the controls are carried out consistently throughout the year; • Performing analytical review and trend analysis to identify any irregular or unexplained revenues; and • Tracing samples of revenue transactions from gaming operations throughout the year to source documents, recalculating the gaming wins and losses and agreeing to the amount recorded for revenue.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue from gaming and hotel operations	5	**463,150**	470,821
Other income	6	**5,749**	2,945
Other gains and losses	8	**4,989**	(1,200)
Gaming tax		**(13,134)**	(13,899)
Inventories consumed		**(13,291)**	(12,311)
Marketing and promotion expenses		**(16,177)**	(19,236)
Employee benefits expenses		**(166,288)**	(155,887)
Depreciation and amortisation		**(115,537)**	(133,717)
Other expenses	9	**(108,716)**	(103,119)
Finance costs	10	**(36,462)**	(43,964)
Share of losses of a joint venture		**(119)**	(284)
Profit (loss) before taxation		**4,164**	(9,851)
Income tax expense	11	**(108)**	(109)
Profit (loss) and total comprehensive income (expense) for the year	12	**4,056**	(9,960)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**7,611**	13,778
Non-controlling interests		**(3,555)**	(23,738)
		4,056	(9,960)
		HK cent	HK cent
Earnings per share	16		
Basic		**0.51**	0.93
Diluted		**0.51**	0.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTE	**2018 HK$'000**	2017 HK$'000
Non-current assets			
Property, operating right and equipment	17	**1,460,566**	1,548,989
Long-term prepayments and deposits	18	**16,687**	13,533
Intangible assets		**115**	158
Interest in a joint venture	20	**–**	329
Loan to a joint venture	20	**–**	1,759
		1,477,368	1,564,768
Current assets			
Inventories	21	**2,802**	3,462
Trade and other receivables	22	**45,287**	37,873
Bank balances and cash	23	**479,822**	400,208
		527,911	441,543
Current liabilities			
Contract liabilities, trade and other payables	24	**76,266**	56,750
Amount due to a non-controlling shareholder of a subsidiary	25	**–**	1,302
Obligations under finance leases			
– due within one year		**–**	1,029
		76,266	59,081
Net current assets		**451,645**	382,462
Total assets less current liabilities		**1,929,013**	1,947,230
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary	26	**257,892**	281,535
Provision for value-added tax ("VAT") arrangements	27	**44,537**	57,816
		302,429	339,351
Net assets		**1,626,584**	1,607,879

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	28	**37,209**	37,209
Reserves		**1,213,456**	1,176,670
Equity attributable to owners of the Company		**1,250,665**	1,213,879
Non-controlling interests		**375,919**	394,000
Total equity		**1,626,584**	1,607,879

The consolidated financial statements on pages 62 to 126 were approved and authorised for issue by the Board of Directors on 18 March 2019 and are signed on its behalf by:

Wang, John Peter Ben
DIRECTOR

Eric Daniel Landheer
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	37,150	1,285,537	116,377	(242,996)	1,196,068	434,843	1,630,911
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	13,778	13,778	(23,738)	(9,960)
Deemed distribution to non-controlling shareholders *(Note 26)*	–	–	–	–	–	(17,105)	(17,105)
Exercise of share options	59	1,348	(523)	–	884	–	884
Recognition of equity-settled share-based payments	–	–	3,149	–	3,149	–	3,149
At 31 December 2017	37,209	1,286,885	119,003	(229,218)	1,213,879	394,000	1,607,879
Profit (loss) and total comprehensive income (expense) for the year	**–**	**–**	**–**	**7,611**	**7,611**	**(3,555)**	**4,056**
Deemed distribution to non-controlling shareholders *(Note 26)*	**–**	**–**	**–**	**–**	**–**	**(14,526)**	**(14,526)**
Recognition of equity-settled share-based payments	**–**	**–**	**29,175**	**–**	**29,175**	**–**	**29,175**
At 31 December 2018	**37,209**	**1,286,885**	**148,178**	**(221,607)**	**1,250,665**	**375,919**	**1,626,584**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**4,164**	(9,851)
Adjustments for:			
Depreciation and amortisation		**115,537**	133,717
Finance costs		**36,462**	43,964
Share-based payments expense		**29,175**	3,149
Loss on deemed disposal of interest in a joint venture		**659**	–
Impairment losses recognised on other receivables, deposits and prepayments		**442**	3
Loss on disposal/written off of property, operating right and equipment		**133**	265
Share of losses of a joint venture		**119**	284
Loss on written-off of intangible assets		**38**	–
Impairment loss recognised on goodwill		**–**	8,525
Bank interest income		**(3,864)**	(1,567)
Imputed interest income from loan to a joint venture		**(101)**	(187)
Operating cash flows before movements in working capital		**182,764**	178,302
Decrease in inventories		**660**	1,000
Increase in trade and other receivables		**(7,007)**	(10,318)
Increase in contract liabilities, trade and other payables		**20,529**	9,959
(Decrease) increase in amount due to a non-controlling shareholder of a subsidiary		**(1,302)**	1,302
Cash generated from operation		**195,644**	180,245
Income tax paid		**(108)**	(109)
Net cash from operating activities		**195,536**	180,136
INVESTING ACTIVITIES			
Payment for property, operating right and equipment		**(27,185)**	(49,632)
Return of VAT refunded under VAT arrangements	27	**(10,446)**	(11,172)
Deposits for purchase of property, operating right and equipment		**(3,154)**	–
Payment for intangible assets		**(57)**	(44)
Interest received		**3,864**	1,567
Net cash inflow arising from acquisition of a subsidiary	20	**1,445**	–
VAT refunded under VAT arrangements	27	**969**	273
Proceeds from disposal/written-off of property, operating right and equipment		**–**	568
Net cash used in investing activities		**(34,564)**	(58,440)
FINANCING ACTIVITIES			
Repayment of loans from non-controlling shareholders of a subsidiary		**(68,463)**	(52,905)
Repayment of obligations under finance leases		**(1,205)**	(1,165)
Interest paid		**(91)**	(883)
Repayment to a related party		**–**	(4,156)
Proceeds from exercise of share options		**–**	884
Net cash used in financing activities		**(69,759)**	(58,225)
Net increase in cash and cash equivalents		**91,213**	63,471
Cash and cash equivalents at 1 January		**400,208**	335,138
Effect of foreign exchange rate changes		**(11,599)**	1,599
Cash and cash equivalents at 31 December, represented by bank balances and cash		**479,822**	400,208

1. GENERAL

Summit Ascent Holdings Limited (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 Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are the operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation. The principal subsidiaries and their activities are set out in note 37.

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company. The functional currency of G1 Entertainment Limited Liability Company ("G1 Entertainment"), a principal subsidiary of the Group, and engaged in the gaming and hotel operations in the Russian Federation is in HK$. This is based on the fact that the currency that mainly influences its gaming revenue is HK$.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contacts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded Hong Kong Accounting Standard ("HKAS") 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Gaming operations; and
- Hotel operations (including hotel and food and beverage services).

The Group has applied HKFRS 15 at the date of initial application, 1 January 2018, on a full retrospective basis, and the comparative figures have been restated.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 3 and 5 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Line items that were not affected by the changes have not been included.

	Year ended 31 December 2017 HK$'000	Effect on adoption of HKFRS 15 HK$'000	Year ended 31 December 2017 HK$'000
	(as previously stated)	(Note)	(as restated)
Revenue from gaming and hotel operations:			
– Gaming operations	434,106	(13,351)	420,755
– Hotel operations	36,715	13,351	50,066

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Note: The adjustment represents the impact on presentation in the following areas:

- a change in the presentation of, and accounting for, revenue generated from goods or services provided on a discount or complimentary basis that are provided to gaming customers in relation to their gaming play in the casino. Those complimentary or discounted goods or services were previously excluded from revenues in the consolidated statement of profit or loss and other comprehensive income prepared in accordance with HKFRS. The adoption of the new standard resulted in an increase in the revenue from hotel operations and a decrease in revenue from gaming operations due to the revision in the allocation of transaction price for revenue contracts with multiple performance obligations.

- a change in the measurement of the loyalty points related to its customer relationship programs which is accounted for as a separate performance obligation and allocating the transaction price to performance obligations for providing gaming services, hotel related services and loyalty points under the relative stand-alone selling price. When the benefits are redeemed, revenue will be recognised in the respective category of the goods or services provided.

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings. Details are stated in note 22.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The Directors considered the expected loss allowance as at 1 January 2018 as compared to the incurred loss model of HKAS 39 did not result in a material difference and hence did not result in an adjustment of opening accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases* (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, while upfront prepaid lease payments will continue to be presented as investing or operating cash flow in accordance with the nature, as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$9,294,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases; however, the Directors do not expect there will be a material impact on the net profit.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1,008,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

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 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interest in existing subsidiaries

When the Group loses control of a subsidiary, assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investments in subsidiaries

Investments in subsidiaries are included in the statements of financial position of the Company at cost less any identified impairment losses.

Interest in a joint venture

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 a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture 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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture (continued)

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.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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.

When the Group ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, 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. The difference between the carrying amount of the joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant 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) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when 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 interest in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to the same consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (typically include settling a customer's wager, providing rooms and food and beverage services to the customers on a discounted or complementary basis and points earned under the Group's customer loyalty program), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price) (continued)

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

For revenue contracts that include discounted or complimentary products and services provided by the Group to customers, the Group allocates the relative stand-alone selling price of each product and service to the respective revenue type. Cost of the respective products or services provided by the Group are recorded as an expense.

For revenue transactions that entitles a customer to earn points under the Group's customer loyalty programs, the Group allocates the estimated relative stand-alone selling price of the points earned to the loyalty program liability. Such amount is deferred as loyalty program liability in trade and other payables until redemption occurs. Upon redemption of the loyalty program points for products and services provided by the Group, the amount deferred of each product or service provided by the Group is allocated to the respective revenue type.

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

The Group's accounting policy for recognition of revenue from operating lease is described in the accounting policy for leasing below.

Gaming tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

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

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. 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.

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 recorded in its functional currency at the rates of exchanges 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, 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, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), 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.

Borrowing costs

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

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and the Russian Federation State Pension Fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, operating right and equipment

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

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

Depreciation is recognised so as to write off the cost of assets other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) ("FVTPL") 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 FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at financial assets at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, which the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Debtors with significant outstanding balances or credit-impaired were assessed individually. Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics and days past due.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 loan to a joint venture, trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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 on loans and receivables could include:

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

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 for receivables from the gaming and hotels operations business as well as 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 the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount 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 trade or other 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 loss 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 assets (continued)

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either 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.

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, amount due to a non-controlling shareholder of a subsidiary and loans from non-controlling shareholders of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derecognition/substantial modification of financial liabilities

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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition/non-substantial modification of financial liabilities (continued)

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

Share-based payments

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.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition 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). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (including directors) (continued)

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 parties other than employees 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, unless the services qualify for recognition as assets.

4. 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.

Provision of ECL for trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all trade receivables. The Group determines the allowance based on specific customer information, historical experience with the customer, current industry and economic data and an assessment of the current conditions at the reporting date as well as the forecast of future conditions. A provision of ECL for trade receivables is recorded when the Group believes it is probable the recoverable amount of the receivables will be less than their carrying amounts.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 22.

Prior to 1 January 2018, when there is an 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 applicable). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2018, the carrying amount of the Group's trade receivables was HK$29,852,000 (2017: HK$27,769,000). No impairment was provided for both years.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives and depreciation and impairment of property, operating right and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, operating right and equipment. This estimate is based on the historical experience of the actual useful lives of property, operating right and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. The property of the Group mainly comprises a hotel and entertainment complex, which is situated on land plots in the Russian Federation with a lease term of 14 years. Taking into account the Russian legislation and legal advice, the management expected that the lease terms could be renewed upon expiry of the relevant lease or the land plots could be acquired by the Group if the land lease is not extended, to match with the estimated useful lives of the buildings of 30 years.

Determining whether certain property, operating right and equipment are impaired requires an estimation of the recoverable amount which is the higher of value in use and fair value less costs of disposal. For the Group's long-lived assets, recoverable amount at reporting date is determined based on value in use of those property, operating right and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from respective property, operating right and equipment and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected due to unfavourable changes in the major assumptions adopted in the Group's estimation, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of property, operating right and equipment was HK$1,460,566,000 (2017: HK$1,548,989,000), net of accumulated depreciation and amortisation of HK$307,573,000 (2017: HK$192,555,000). No impairment on property, operating right and equipment has been recognised for the year ended 31 December 2018 (2017: Nil).

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	2018 **HK$'000**	2017 HK$'000 (Restated)
Revenue from gaming and hotel operations:		
– Gaming operations	**419,341**	420,755
– Hotel operations	**43,809**	50,066
	463,150	470,821

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For the year ended 31 December 2018

6. OTHER INCOME

	2018	2017
	HK$'000	HK$'000
Bank interest income	**3,864**	1,567
Rental income	**837**	772
Imputed interest income from loan to a joint venture	**101**	187
Others	**947**	419
	5,749	2,945

7. 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 Deputy Chairman and Executive Director, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance.

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

During the years ended 31 December 2017 and 2018, all revenue was derived from customers patronising in the Group's property located in the Russian Federation. In addition, almost all non-current assets of the Group are located in the Russian Federation.

8. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	HK$'000
Exchange gains, net	**6,261**	7,593
Loss on deemed disposal of interest in a joint venture *(Note 20)*	**(659)**	–
Impairment losses recognised on other receivables, deposits and prepayments	**(442)**	(3)
Loss on disposal/written-off of property, operating right and equipment	**(133)**	(265)
Loss on written-off of intangible assets	**(38)**	–
Impairment loss recognised on goodwill *(Note 19)*	**–**	(8,525)
	4,989	(1,200)

9. OTHER EXPENSES

	2018 **HK$'000**	2017 HK$'000
Security expenses	**14,939**	16,162
Travel agency expenses	**13,755**	11,549
Repair and maintenance expenses	**9,078**	12,682
Utilities and fuel	**6,935**	7,879
Share-based compensation benefits to consultants	**6,797**	842
Insurance expenses	**4,560**	4,548
Auditors' remuneration		
– Audit services	**4,028**	3,689
– Non-audit services	**1,539**	1,574
Overseas travel expenses	**3,668**	2,885
Minimum lease payments under operating leases	**2,802**	2,672
Management fee expenses	**–**	1,302
Others	**40,615**	37,335
	108,716	103,119

10. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Imputed interest on loans from non-controlling shareholders of a subsidiary	**30,294**	31,095
Imputed interest on VAT arrangements	**6,077**	11,011
Interest on obligations under finance leases	**91**	883
Imputed interest on payables	**–**	975
	36,462	43,964

11. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. INCOME TAX EXPENSE (continued)

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

The tax charged for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Profit (loss) before taxation	**4,164**	(9,851)
Tax at the domestic income tax rate of 20% (Note)	**833**	(1,970)
Tax effect of expenses not deductible for tax purpose	**66,607**	87,987
Tax effect of income not taxable for tax purpose	**(79,984)**	(92,640)
Tax effect of share of losses of a joint venture	**24**	57
Tax effect of deductible temporary difference not recognised	**(10)**	(208)
Tax effect of tax losses not recognised	**13,091**	7,018
Tax effect of utilisation of tax losses previously not recognised	**(296)**	(122)
Others	**(157)**	(13)
Income tax expense for the year	**108**	109

Note: The Russian corporate tax rate is used as it is the domestic tax in the jurisdiction where the operation of the Group is substantially based.

At the end of the reporting period, the Group has unused tax losses of HK$25,107,000 (2017: HK$21,075,000) and HK$473,393,000 (approximately RUB3,469,730,000) (2017: HK$413,451,000 (approximately RUB3,078,270,000)), subject to the agreement with the relevant tax authorities, available under Hong Kong Profits Tax and Russian corporate tax respectively 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. All losses may be carried forward indefinitely.

12. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	HK$'000	HK$'000
Profit (loss) for the year has been arrived at after charging:		
Directors' remunerations *(Note 13)*	**17,891**	1,400
Salaries, wages, bonus and other benefits, excluding Directors	**114,769**	124,435
Contributions to retirement benefits schemes, excluding Directors	**26,336**	27,745
Share-based compensation benefits, excluding Directors and consultants	**7,292**	2,307
Total employee benefits expenses (including Directors' emoluments)	**166,288**	155,887
Amortisation of intangible assets	**62**	54
Depreciation of property, operating right and equipment	**115,475**	133,663
Total depreciation and amortisation	**115,537**	133,717
Share-based compensation benefits to consultants	**6,797**	842

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For the year ended 31 December 2018

13. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

Year ended 31 December 2018

	Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director	Non-executive Director	Non-executive Director	Independent Non-executive Directors			Former Independent Non-executive Directors			
	Kuo Jen Hao HK$'000	Wang, John Peter Ben HK$'000	Eric Daniel Landheer HK$'000	Lo Kai Bong HK$'000	U Chio Ieong HK$'000	Gerard Joseph McMahon HK$'000	Lau Yau Cheung HK$'000	Li Chak Hung HK$'000	Tsui Yiu Wa, Alec HK$'000	Pang Hing Chung, Alfred HK$'000	Tyen Kan Hee, Anthony HK$'000	Total HK$'000
	(Note i)		*(Note ii)*	*(Note iii)*	*(Note iv)*	*(Note v)*	*(Note vi)*	*(Note vi)*	*(Note v)*	*(Note vi)*	*(Note vi)*	
Fees	–	180	–	–	–	42	24	24	126	100	140	636
Other emoluments												
Salaries and other benefits	–	–	2,151	–	–	–	–	–	–	–	–	2,151
Contributions to retirement benefits schemes	–	–	18	–	–	–	–	–	–	–	–	18
Share-based compensation benefits	5,015	5,015	3,301	–	–	585	585	585	–	–	–	15,086
Total emoluments	5,015	5,195	5,470	–	–	627	609	609	126	100	140	17,891

Year ended 31 December 2017

	Former Non-executive Director and Chairman	Non-executive Director and Chairman	Executive Director and Deputy Chairman	Executive Director	Independent Non-executive Directors			
	Ho, Lawrence Yau Lung HK$'000	Kuo Jen Hao HK$'000	Wang, John Peter Ben HK$'000	Eric Daniel Landheer HK$'000	Tsui Yiu Wa, Alec HK$'000	Pang Hing Chung, Alfred HK$'000	Tyen Kan Hee, Anthony HK$'000	Total HK$'000
	(Note i)	*(Note i)*		*(Note ii)*				
Fees	–	–	180	–	168	120	168	636
Other emoluments								
Salaries and other benefits	–	–	76	682	–	–	–	758
Contributions to retirement benefits schemes	–	–	–	6	–	–	–	6
Share-based compensation benefits	–	–	–	–	–	–	–	–
Total emoluments	–	–	256	688	168	120	168	1,400

13. DIRECTORS' EMOLUMENTS (continued)

Notes:

(i) Kuo Jen Hao was appointed on 28 December 2017 as a Non-executive Director and Chairman to fill the vacancy occasioned by the resignation of Ho, Lawrence Yau Lung ("Mr. Ho").

(ii) Eric Daniel Landheer was appointed as an Executive Director of the Company on 4 September 2017.

(iii) Lo Kai Bong has been appointed as a Non-executive Director of the Company with effect from 12 December 2018.

(iv) U Chio Ieong has been appointed as a Non-executive Director of the Company with effect from 7 September 2018.

(v) With effect from 28 September 2018, Tsui Yiu Wa, Alec has resigned as an Independent Non-executive Director of the Company and Gerard Joseph McMahon has been appointed as an Independent Non-executive Director of the Company.

(vi) With effect from 31 October 2018, Pang Hing Chung, Alfred and Tyen Kan Hee, Anthony have resigned from their positions as Independent Non-executive Directors of the Company and Lau Yau Cheung and Li Chak Hung have been appointed as Independent Non-executive Directors of the Company.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three directors (2017: included an individual who was an employee of the Group before his appointment as a Director ("Appointed Director") during that year), details of whose remuneration as a director are set out in note 13. Details of the total remuneration for the year of the other two highest paid employees (2017: other four highest paid employees together with the Appointed Director) are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and other benefits	**2,397**	6,125
Discretionary and performance related incentive payments	**526**	500
Contributions to retirement benefits schemes	**19**	38
Share-based compensation benefits	**4,007**	2,280
	6,949	8,943

The number of the highest paid employees who are not Directors whose emoluments fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**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 during the current financial year in relation to performance for the preceding year.

In addition, neither emoluments as an inducement to join nor a compensation for the loss of office was paid to the Directors and five highest paid employees for both years.

15. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	HK$'000
Profit for the purposes of basic and diluted earnings per share	**7,611**	13,778
	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,488,378**	1,486,409
Effect of dilutive potential ordinary shares: Share options issued by the Company	–	25
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,488,378**	1,486,434

The computation of diluted earnings per share for the year ended 31 December 2018 did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. PROPERTY, OPERATING RIGHT AND EQUIPMENT

	Buildings, operating right and leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Gaming equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2017	1,517,649	142,262	74,419	9,995	1,085	1,745,410
Additions	1,624	19,950	2,555	274	699	25,102
Disposal/Written-off	–	(27,907)	(185)	(410)	(466)	(28,968)
At 31 December 2017	1,519,273	134,305	76,789	9,859	1,318	1,741,544
Additions	1,692	3,874	17,427	2,743	1,449	27,185
Disposal/Written-off	–	(538)	(45)	(7)	–	(590)
At 31 December 2018	1,520,965	137,641	94,171	12,595	2,767	1,768,139
DEPRECIATION						
At 1 January 2017	38,048	36,387	10,491	2,101	–	87,027
Provided for the year	55,677	58,547	16,397	3,042	–	133,663
Disposal/Written-off	–	(27,812)	(115)	(208)	–	(28,135)
At 31 December 2017	93,725	67,122	26,773	4,935	–	192,555
Provided for the year	55,785	42,729	14,230	2,731	–	115,475
Disposal/Written-off	–	(439)	(15)	(3)	–	(457)
At 31 December 2018	149,510	109,412	40,988	7,663	–	307,573
CARRYING VALUES						
At 31 December 2018	1,371,455	28,229	53,183	4,932	2,767	1,460,566
At 31 December 2017	1,425,548	67,183	50,016	4,924	1,318	1,548,989

17. PROPERTY, OPERATING RIGHT AND EQUIPMENT (continued)

Operating right represents the right to conduct business in the Integrated Entertainment Zone of the Primorye Region, one of the five integrated entertainment zones in the Russian Federation for gaming activities. Although the right was awarded by the Administration of the Primorye Region, the Russian Federation for an indefinite period, the Directors determine its estimated useful life as 30 years and accordingly, the right is amortised over 30 years. The building mainly includes the hotel and entertainment complex situated on land plots under a medium-term lease from a third party with a lease term of 14 years. Taking into account the Russian legislation and a legal opinion as advised by an external legal counsel, the management expected that the lease terms could be renewed upon expiry or the land plots could be acquired by the Group if the land lease is not extended, to reflect the estimated useful life of the buildings of 30 years.

The above items of property, operating right and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings, operating right and leasehold improvements	3 – 30 years
Furniture, fixtures and equipment	2 – 20 years
Gaming equipment	2 – 7 years
Motor vehicles	3 – 7 years

Motor vehicles with a carrying amount of HK$965,000 were held under finance leases as at 31 December 2017.

18. LONG-TERM PREPAYMENTS AND DEPOSITS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Long-term prepayments	**13,533**	13,533
Deposits for purchase of property, operating right and equipment	**3,154**	–
	16,687	13,533

Long-term prepayments mainly represent prepayments for connection to the utility infrastructure network located in Primorye Integrated Entertainment Zone in the Russian Federation.

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19. GOODWILL AND IMPAIRMENT LOSS ON GOODWILL

	2018 **HK$'000**	2017 HK$'000
COST		
At 1 January and 31 December	**8,525**	8,525
IMPAIRMENT		
At 1 January	**8,525**	–
Impairment loss recognised in the year	**–**	8,525
At 31 December	**8,525**	8,525
CARRYING VALUES		
At 31 December	**–**	–

For the purposes of impairment testing for 2017, goodwill was allocated to a cash generating unit ("CGU") comprising subsidiaries in the gaming and hotel operations segment.

The basis of the recoverable amount of the above CGU and their major underlying assumptions are summarised below.

Oriental Regent Limited ("Oriental Regent"):

The recoverable amount of this unit was determined on the basis of value in use calculation. The key factors for the value in use calculation were discount rates, growth rates and expected changes to revenue and direct costs during the cash flow projection period. Management estimated discount rates using pre-tax rates that reflected the then current market assessments of the time value of money and the risks specific to the CGU. The growth rates were based on industry growth forecasts. Changes in revenue and direct costs were based on past practices and expectations of future changes in the market.

During the year ended 31 December 2017, the Group performed impairment review for the goodwill, based on cash flow forecasts derived from the most recent financial budgets for the next five years using a discount rate of 17%, while the remaining forecast beyond that five-year period are extrapolated using a steady 4% growth rate which is with reference to the long term inflation rate in the Russia Federation in which the CGU operates. Due to the lower recoverable amount of this CGU as assessed by the management based on the business condition and operating environment in Primorye Integrated Entertainment Zone in the Russian Federation, the Group recognised an impairment loss of HK$8,525,000 in that year in relation to goodwill arising from the acquisition of Oriental Regent.

20. INTEREST IN/LOAN TO A JOINT VENTURE

Details of the Group's interest in and related loan to a joint venture are as follows:

	2018 **HK$'000**	2017 HK$'000
Cost of unlisted investment in a joint venture	–	5
Share of post-acquisition losses	–	(1,021)
Deemed capital contribution	–	1,345
	–	329
Loan to a joint venture *(Note)*	–	1,759

Note: The loan is non-interest bearing, unsecured and due to mature after 3 years from the date of the agreement, which shall automatically renew for another term of three years. No repayment at all time shall be made by Oriental Winner Limited ("Oriental Winner"), the joint venture, unless there are sufficient free cash flows generated from its operations to make the repayment.

During the year, the Group acquired the remaining 50% interest in Oriental Winner from the joint venture partner for HK$5,000 and accordingly, Oriental Winner becomes a wholly-owned subsidiary of the Group. The shortfall between the fair value and the Group's carrying amount of the Group's interest in Oriental Winner before the business combination of HK$659,000 were recognised in the profit or loss as a loss on deemed disposal of the previously held interest in Oriental Winner as a joint venture. Assets acquired and liabilities recognised at the acquisition were bank balances and cash of HK$1,450,000, other receivables of HK$7,000 and other payable of HK$34,000 and no goodwill nor bargain purchase arose on the acquisition. Cash inflow on acquisition amounted to HK$1,445,000, being cash and cash equivalent balances acquired less the consideration paid.

The acquisition did not contribute significantly to the Group's revenue and profit for the year ended 31 December 2018. Had the acquisition of Oriental Winner been completed on 1 January 2018, the total revenue and profit of the Group for the year ended 31 December 2018 would not be different significantly.

Information of the joint venture that is not material

Oriental Winner

	2018 **HK$'000**	2017 HK$'000
The Group's share of loss and total comprehensive expense for the period/year	**119**	284

21. INVENTORIES

Inventories consist of retail products, food and beverage items and certain general operating supplies, which are stated at the lower of cost or net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

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22. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**29,852**	27,769
Prepayments	**14,465**	9,437
Other receivables and deposits	**2,221**	1,993
Less: Allowance	**(1,251)**	(1,326)
	15,435	10,104
	45,287	37,873

As at 1 January 2017 and 1 January 2018, trade receivables from contracts with customers amounted to HK$17,208,000 and HK$27,769,000 respectively.

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 10 days (2017: 7 days) after each trip to the Group's gaming property. The Group provides short-term temporary credit to approved customers following background checks and credit risk assessments of these customers. The amount has been fully settled subsequent to 31 December 2018.

All trade receivables were aged within 30 days based on the revenue recognition date, at the end of the reporting period.

All of the Group's trade receivables as at 31 December 2018 and 31 December 2017 were within their credit terms with no default history and neither past due nor impaired.

Trade receivables from VIP customers as at 31 December 2018 were assessed individually. There were no additional impairment allowance during the year ended 31 December 2018. For other trade receivables, the Group assessed the ECL collectively based on the provision matrix as at 1 January 2018 and 31 December 2018. No impairment allowance was provided due to the low probability of default of those receivables based on the short credit period and the fact that the customers are still active in the Group's property located in the Russian Federation.

Allowance of HK$1,251,000 as at 31 December 2018 represented individually impaired prepayments and other receivables that the Directors considered uncollectible.

Further details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 31.

22. TRADE AND OTHER RECEIVABLES (continued)

Movement in allowance for other receivables, deposits and prepayments for the year ended 31 December 2017

	HK$'000
Balance at beginning of the year	1,889
Impairment losses recognised *(Note 8)*	3
Amounts written off	(566)
Balance at end of the year	1,326

Trade receivables from VIP customers and other receivables as at 31 December 2017 were assessed individually. There were no impairment allowance for trade receivables. Allowance for other receivables of HK$1,326,000 represented certain amounts that the Directors considered uncollectible.

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranges from 0.001% to 2.65% (2017: 0.001% to 1.4%) per annum.

24. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**233**	–
Outstanding gaming chips	**23,980**	2,554
Payable in respect of transfer of connection right to local electricity supply network	**11,403**	13,753
Provision for VAT arrangements *(Note 27)*	**9,283**	11,196
Gaming tax payables	**1,113**	1,107
Accruals and other payables	**30,254**	28,140
	76,266	56,750

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

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**185**	–
31-90 days	**7**	–
Over 90 days	**41**	–
	233	–

24. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES (continued)

All contract liabilities at 1 January 2017 and 1 January 2018 have been recognised as revenue in the year of 2017 and 2018 respectively.

The Group mainly has two types of liabilities related to contracts with customers which are included in the above: (1) outstanding chips liabilities for chips in the customers' possession amounting to HK$23,980,000 (31 December 2017: HK$2,554,000); and (2) loyalty programs liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK$1,006,000 (31 December 2017: HK$1,407,000). Loyalty programs liabilities and customer deposits on hotel rooms are included in trade and other payables above.

Outstanding chips liabilities are expected to be recognised as revenue or redeemed within one year of being purchased. Other liabilities are generally expected to be recognised as revenue within one year of being purchased, earned, or deposited.

All contracts of gaming and hotel operations are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

25. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary was unsecured, non-interest bearing and repayable on demand as at 31 December 2017 and was repaid during the year.

26. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

On 15 July 2014, each of the shareholders of Oriental Regent, the then joint venture of the Group which the Group has obtained control during the year ended 31 December 2016, entered into a loan agreement with Oriental Regent (the "Loan Agreement") whilst they agreed to provide their pro rata proportion of the additional capital amount of US$137,691,000 (equivalent to HK$1,071,236,000) in total as required by Oriental Regent to continue to fund the gaming and resort project in the Russian Federation by way of ordinary shareholder convertible loan (the "Loan") as contemplated under the investment and shareholders' agreement dated 23 August 2013. A total of HK$428,494,000 was contributed by the other shareholders of Oriental Regent. The Loan is non-interest bearing, unsecured and due to mature after 3 years from the date of the Loan Agreement, which shall automatically renew for another term of three years. No repayment at all time shall be made by Oriental Regent unless there are sufficient free cash flows generated from its operations to make the repayment. The Loan can only be converted into new shares of Oriental Regent at the option of Oriental Regent at such conversion price(s) and ratio(s) as Oriental Regent shall agree with the shareholders of Oriental Regent at the relevant time. The conversion period is from the date on which the payment for the entire principal amount of the Loan was made by the shareholders to the day immediately prior to the repayment date. The Loan is discounted at an effective interest rate calculated at 11.28% per annum at inception.

In June 2018, the board of directors of Oriental Regent resolved to early repay part of the Loan with a total principal amount of US$22,000,000 (approximately equivalent to HK$171,160,000) (2017: US$17,000,000 (approximately equivalent to HK$132,260,000)) to its shareholders on a pro-rata basis to their respective loan. The portion attributed to the non-controlling interests of Oriental Regent of US$8,800,000 (approximately equivalent to HK$68,463,000) (2017: US$6,800,000 (approximately equivalent to Hk$52,905,000)) was settled during the year. The difference between the carrying amount of the portion of the Loan repaid to the non-controlling interests and the repayment sum of HK$14,526,000 (2017: HK$17,105,000) was recognised as deemed distribution to equity participant and attributable to and included in non-controlling interests.

27. PROVISION FOR VAT ARRANGEMENTS

In the relevant jurisdiction of the Russian Federation, G1 Entertainment is entitled to deduct VAT liabilities ("Output VAT") against VAT which was previously paid to the tax authority in the Russian Federation for the construction and purchase of assets or services for the gaming and hotel operations ("Input VAT"). Input VAT arising from the construction and the purchase of property and equipment is refunded by the relevant tax authority within 4 months after the application. During the current year, such input VAT amounting to RUB3,183,000 (approximately HK$969,000) (2017: RUB2,044,000 (approximately HK$273,000) was claimed for refund by G1 Entertainment.

However, according to Russian regulations, as gaming activities are not subject to Output VAT in the Russian Federation, the Input VAT refunded to the Group cannot be utilised. Instead it is required to be divided into 10 equal parts and each has to be returned to the tax authority in each of the next 10 years from the first year of operations to the extent of the annual proportion of the revenue generated from the gaming activities over the total revenues of the Group's gaming and hotel operations in the Russian Federation. Such assessment is performed on an annual basis over a period of 10 years from the year when the relevant VAT is refunded to the Group. Against this, a provision of RUB478,666,000 (approximately HK$53,820,000) (2017: RUB510,934,000 (approximately HK$69,012,000)) is recognised for the estimated amount of the relevant Input VAT that has been refunded to the Group but has to be returned to the tax authority under this regulation. The estimated repayable amount to the tax authority is calculated by using an effective interest rate of 8.56% (2017: 9.35%) per annum. Accordingly, approximately RUB83,027,000 (approximately HK$9,283,000) (2017: RUB82,889,000 (approximately HK$11,196,000)) of such provision is presented as current and included in other payables (Note 24) as such amount is under the aforesaid assessment within the next twelve months and is expected to be returned to the tax authority upon final assessment, with the remainder of RUB395,639,000 (approximately HK$44,537,000) (2017: RUB428,045,000 (approximately HK$57,816,000)) presented as non-current.

28. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	3,200,000,000	80,000
Issued and fully paid:		
At 1 January 2017	1,486,017,836	37,150
Exercise of share options	2,360,000	59
At 31 December 2017,1 January 2018 and 31 December 2018	1,488,377,836	37,209

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

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29. 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 2018, the number of shares in respect of the options granted and remained outstanding under the Scheme was 78,464,000 (2017: 33,904,000), representing 5.27% (2017: 2.28%) of the total number of issued shares of the Company.

The period within which an option may be exercised will be determined by the Directors 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 Directors 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.

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Movements of the Company's share options held by the Directors, employees and consultants of the Group during the year ended 31 December 2018 are set out below:

	Number of share options							
Category of participants	**As at 1 January 2018**	**Granted**	**Exercised**	**Lapsed**	**As at 31 December 2018**	**Date of grant**	**Exercise price** HK$	**Notes**
		(Note vii)						
Director	2,300,000	–	–	–	2,300,000	1 September 2016	1.99	iii, vi
Directors	–	36,100,000	–	–	36,100,000	13 December 2018	0.98	vii
Employees	1,292,000	–	–	–	1,292,000	1 September 2016	1.99	iii, vi
Employees	–	18,560,000	–	–	18,560,000	13 December 2018	0.98	vii
Consultants	24,500,000	–	–	(24,500,000)	–	10 July 2013	1.73	ii
Consultants	5,812,000	–	–	–	5,812,000	1 September 2016	1.99	iii
Consultants	–	14,400,000	–	–	14,400,000	13 December 2018	0.98	vii
Total	33,904,000	69,060,000	–	(24,500,000)	78,464,000			
Exercisable at the end of the year					78,464,000			
Weighted average exercise price (HK$)	1.802	0.98	–	1.73	1.101			

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29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Movements of the Company's share options held by the Directors, employees and consultants of the Group during the year ended 31 December 2017 are set out below:

	Number of share options							
Category of participants	**As at 1 January 2017**	**Granted**	**Reclassified**	**Exercised**	**As at 31 December 2017**	**Date of grant**	**Exercise price** HK$	Notes
			(Note v)					
Director	20,000,000	–	(20,000,000)	–	–	10 July 2013	1.73	ii, v
Directors	2,360,000	–	–	(2,360,000)	–	26 August 2011	0.375	iv
Director	–	–	2,300,000	–	2,300,000	1 September 2016	1.99	iii, v, vi
Employees	6,892,000	–	(5,600,000)	–	1,292,000	1 September 2016	1.99	iii, v, vi
Consultants	4,500,000	–	20,000,000	–	24,500,000	10 July 2013	1.73	ii, v
Consultants	2,512,000	–	3,300,000	–	5,812,000	1 September 2016	1.99	iii, v, vi
Total	36,264,000	–	–	(2,360,000)	33,904,000			
Exercisable at the end of the year					33,904,000			
Weighted average exercise price (HK$)	1.709	–	–	0.375	1.802			

29. 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. Once vested, each option gives the holder of the right to subscribe for one ordinary share of the Company.

(ii) 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.

(iii) The Replacement Share Options (as defined in (vi) below) granted on 1 September 2016 are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 August 2021.

(iv) 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.

(v) Mr. Ho, who holds 20,000,000 share options, resigned on 28 December 2017 but still remained as a consultant of the Company at 31 December 2017 and Mr. Eric Daniel Landheer, who was an employee of the Group and holds 2,300,000 share options, has been appointed as a Director on 4 September 2017. Also, an employee of the Group holding 3,300,000 share options became a consultant of the Group during the year ended 31 December 2017.

(vi) On 1 September 2016, (1) a total of 9,404,000 share options (the "Previously Granted Options") granted by the Company on 9 December 2014 to its employees and consultants (the "Grantees") under the Scheme, which had not been exercised or lapsed since they were granted, were cancelled; and (2) a total of 9,404,000 new share options (the "Replacement Share Options") were granted to the Grantees under the Scheme in replacement of the Previously Granted Options.

The Replacement Share Options are treated as modified options since the terms of such options were modified by changing the exercise period and reducing the exercise prices of the Previously Granted Options from HK$4.218 to HK$1.99.

Details of the cancellation and grant of share options are set out in the announcement of the Company dated 1 September 2016.

(vii) On 13 December 2018, the Company granted a total of 69,060,000 share options to certain directors, employees and consultants of the Group to subscribe for shares of the Company with an exercise price of HK$0.98, under the Scheme with no vesting conditions. The options are exercisable from 13 December 2018 to 12 December 2023.

During the year ended 31 December 2018, options were granted on 13 December 2018 and the estimated fair value of the options granted is HK$29,175,000 (2017: Nil).

29. 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 13 December 2018
Share price at date of grant	**HK$0.98**
Exercise price	**HK$0.98**
Expected volatility	**57.5%**
Expected life	**5 years**
Risk-free rate	**2.237%**
Expected dividend yield	**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.

For the year ended 31 December 2018, the Group recognised a total expense of HK$29,175,000 in respect of share options granted by the Company and 24,500,000 share options were lapsed. No share option was forfeited by the option holders during the year of 2017 and 2018.

30. 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, net of debts (which include loans from non-controlling shareholders of a subsidiary disclosed in note 26 and obligations under financial leases) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors 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 raising of new capital as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

31a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Amortised cost	**510,569**	–
Loans and receivables (including cash and cash equivalents)	**–**	431,509
	510,569	431,509
Financial liabilities		
Amortised cost	**296,860**	301,246
Obligations under finance leases	**–**	1,029

31b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, trade and other receivables, trade and other payables, and loans from non-controlling shareholders of a subsidiary. 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. 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

(i) *Currency risk*

Certain bank balances, receivables and payables of the Group are denominated in foreign currencies and certain subsidiaries of the Company have foreign currency revenue and purchases, which expose the Group to foreign currency risk. Approximately 41% (2017: 29%) of the Group's gross revenue before rebate are denominated in currencies other than the functional currency of the group entity making the revenue. The Group currently does not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2018 HK$'000	2017 HK$'000
Assets		
United States dollars ("US$")	**271,670**	193,043
Russian Rubles ("RUB")	**59,552**	73,794
Liabilities		
US$	**282,438**	284,137
RUB	**12,745**	15,687

31. FINANCIAL INSTRUMENTS (continued)

31b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to RUB against HK$, the functional currency of the relevant group entity.

Considering the HK$ is pegged with the US$, management is of the opinion that the currency exposure arising from these transactions is not significant to the Group. As a result, the profit and equity of the Group are unlikely to be materially sensitive to movement in HK$/US$ exchange rates.

The following table details the Group's sensitivity to a 30% (2017: 30%) increase and decrease in HK$ against the relevant foreign currency. 30% (2017: 30%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 30% (2017: 30%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2017: a decrease in post-tax loss before tax) for the year where RUB strengthen 30% (2017: 30%) against HK$. For a 30% (2017: 30%) weakening of RUB against HK$, there would be an equal and opposite impact on the profit (loss) and equity and balances below would be negative.

	2018 **HK$'000**	2017 HK$'000
Profit/loss for the year	**11,234**	13,946

(ii) Interest rate risk

The Group is 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.

Credit risk and impairment assessment

As at 31 December 2017 and 31 December 2018, the financial assets' carrying amounts best represent the maximum exposure to credit risk.

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.

31. FINANCIAL INSTRUMENTS (continued)

31b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for other receivable because these consist of a large number of miscellaneous receivables with common risk characteristics that are representative of the counterparties' abilities to pay all amounts due in accordance with the contractual terms. Debtors with significant outstanding balances or credit-impaired as at 31 December 2018 were assessed individually.

The Directors have also assessed all available forward looking information, including but not limited to expected growth rate of the industry and changes in regulatory and economic environment, and concluded that there is no significant increase in credit risk.

There were no additional impairment allowance during the year ended 31 December 2018 for debtors that were assessed individually. Allowance for other receivables of HK$1,251,000 (31 December 2017: HK$1,326,000) represents certain amounts that the Directors considered uncollectible.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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31. FINANCIAL INSTRUMENTS (continued)

31b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than 1 year	1 – 2 years	2 – 5 years	undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018						
Trade and other payables	**–**	**38,968**	**–**	**–**	**38,968**	**38,968**
Loans from non-controlling shareholders of a subsidiary	**11.28**	**–**	**307,126**	**–**	**307,126**	**257,892**
		38,968	**307,126**	**–**	**346,094**	**296,860**
At 31 December 2017						
Trade and other payables	–	18,409	–	–	18,409	18,409
Amount due to a non-controlling shareholder of a subsidiary	–	1,302	–	–	1,302	1,302
Loans from non-controlling shareholders of a subsidiary	11.28	–	–	375,590	375,590	281,535
		19,711	–	375,590	395,301	301,246
Obligations under finance leases	33.00	1,029	–	–	1,029	1,029
		20,740	–	375,590	396,330	302,275

31c. Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payable in respect of transfer of connection right HK$'000	**Obligations under finance leases HK$'000**	**Loans from non-controlling shareholders of a subsidiary HK$'000**	**Total HK$'000**
	(Note 24)		*(Note 26)*	
At 1 January 2018	**13,753**	**1,029**	**281,535**	**296,317**
Financing cash flows	**–**	**(1,296)**	**(68,463)**	**(69,759)**
Foreign exchange translation	**(2,350)**	**176**	**–**	**(2,174)**
Interest expenses	**–**	**91**	**30,294**	**30,385**
Deemed distribution to non-controlling shareholders *(Note 26)*	**–**	**–**	**14,526**	**14,526**
At 31 December 2018	**11,403**	**–**	**257,892**	**269,295**

	Other payable in respect of transfer of connection right HK$'000	Amount due to a related party HK$'000	Obligations under finance leases HK$'000	Loans from non-controlling shareholders of a subsidiary HK$'000	Total HK$'000
	(Note 24)			*(Note 26)*	
At 1 January 2017	12,127	4,156	2,316	286,240	304,839
Financing cash flows	–	(4,156)	(2,048)	(52,905)	(59,109)
Foreign exchange translation	1,626	–	(122)	–	1,504
Interest expenses	–	–	883	31,095	31,978
Deemed distribution to non-controlling shareholders *(Note 26)*	–	–	–	17,105	17,105
At 31 December 2017	13,753	–	1,029	281,535	296,317

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For the year ended 31 December 2018

33. RETIREMENT BENEFIT PLAN

Defined contribution plan

Hong Kong

The Group participates in the Mandatory Provident Fund Scheme ("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 the relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee, which contribution is matched by the employees.

Russian Federation

The Group is required to contribute for the range of 0% to 30% of payroll costs to the Russian Federation State Pension Fund depending on the annual gross remuneration of the staff, to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$26,354,000 (2017: HK$27,751,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2018 and 2017, 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.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2018	2017
	HK$'000	HK$'000
Land plots and office	**2,802**	2,672

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:

	2018	2017
	HK$'000	HK$'000
Within one year	**3,100**	2,759
In the second to fifth year inclusive	**5,128**	2,812
Over five years	**1,066**	1,728
	9,294	7,299

Operating lease payments represent rental paid or payable by the Group for the land plots and its office premises. The leases are negotiated for 14 years for the land plots and 2 years for office space. In addition, the rentals are fixed for the leases.

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For the year ended 31 December 2018

35. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**1,776**	–

36. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties during the year:

	2018 HK$'000	2017 HK$'000
Transaction with a related party:		
Service fees expense *(Note)*	**–**	238
Transactions with a joint venture:		
Imputed interest income on loan	**101**	187
Service fees income	**–**	120
Transactions with a subsidiary of a non-controlling shareholder of a subsidiary:		
Marketing fee expenses	**528**	171
Purchase of gaming materials	**–**	365
Revenue from gaming and hotel operations	**117**	–
Transactions with non-controlling shareholders of a subsidiary:		
Imputed interest expense on loan	**30,294**	31,095
Management fee expenses	**–**	1,302

Note: The service fees expense for the year ended 31 December 2017 were paid to a related company controlled by Mr. Ho, who was a Director until 28 December 2017.

Details of the balances with the related parties have been disclosed in the consolidated statement of financial position on pages 63 and 64 and notes 25 and 26.

36. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year, which is included in "Total employee benefits expenses (including Directors' emoluments)" in note 12, were as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term benefits	**5,710**	5,665
Post-employment benefits	**37**	37
Share-based payments	**19,094**	2,280
	24,841	7,982

Certain shares of the Company were issued to key management upon exercise of shares options granted to them under the Scheme as disclosed in note 29. The estimated fair value of such share options are recognised as share-based payment expense for both years based on the accounting policy described in note 3.

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

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital 2018	Particulars of issued share capital 2017	Proportion of ownership/ effective interest held by the Company Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Principal activities
Summit Ascent Russia Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**100%**	100%	**-**	-	Investment holding
Summit Ascent Services Limited	Hong Kong	Hong Kong	**1 ordinary share**	1 ordinary share	**100%**	100%	**-**	-	Provision of administrative services
Oriental Regent	Hong Kong	Hong Kong	**140,000 ordinary shares**	140,000 ordinary shares	**-**	-	**60%**	60%	Investment holding
G1 Entertainment	Russian Federation	Russian Federation	**Charter capital of RUB1,190,795,312**	Charter capital of RUB1,190,795,312	**-**	-	**60%**	60%	Operation of hotel and gaming business in Integrated Entertainment Zone in the Russian Federation
EZ Transport Limited Liability Company *(Note i)*	Russian Federation	Russian Federation	**Charter capital of RUB20,000**	Charter capital of RUB20,000	**-**	-	**30.6%**	30.6%	Provision of bus services in the Russian Federation
Oriental Winner *(Note ii)*	Hong Kong	Hong Kong	**10,000 ordinary shares**	10,000 ordinary shares	**-**	-	**100%**	50%	Trade and travel related business

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Notes:

(i) Despite the Group indirectly holds less than 50% of the effective equity interest of the subsidiary, the Group considers to have control over the subsidiary through Oriental Regent as Oriental Regent holds more than 50% of the equity interest of EZ Transport Limited Liability Company.

(ii) Oriental Winner became a wholly-owned subsidiary of the Group during the year ended 31 December 2018. Please refer to note 20 for details.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation or establishment and operations	Proportion of equity interest/ voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				HK$'000	HK$'000	**HK$'000**	HK$'000
Oriental Regent and its subsidiaries	Hong Kong	**40%/43%**	40%/43%	**3,555**	23,738	**375,919**	394,000

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For the year ended 31 December 2018

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests, on a group consolidation basis is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Oriental Regent

	2018 **HK$'000**	2017 HK$'000
Current assets	**227,029**	244,441
Non-current assets	**1,475,969**	1,561,558
Current liabilities	**74,423**	59,345
Non-current liabilities	**689,266**	761,654
Equity attributable to owners of Oriental Regent	**563,390**	591,000
Non-controlling interests	**375,919**	394,000

	2018 **HK'000**	2017 HK'000
Revenue	**463,150**	470,821
Expenses	**(480,400)**	(530,361)
Loss for the year	**(9,419)**	(50,767)
Loss and total comprehensive expense for the year attributable to:		
– owners of the Company	**(5,864)**	(27,029)
– non-controlling interests	**(3,555)**	(23,738)
	(9,419)	(50,767)
Net cash inflow from operating activities	**199,996**	174,761
Net cash outflow from investing activities	**(38,647)**	(58,241)
Net cash outflow from financing activities	**(172,456)**	(134,307)
Effect of foreign exchange rate changes	**(11,599)**	1,599
Net cash outflow	**(22,706)**	(16,188)

Note: The amounts are presented on the basis of the Group and reflected the fair value adjustments on property, operating right, and equipment, goodwill and additional post-acquisition depreciation and impairment charge resulted from the acquisition of Oriental Regent.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 **HK$'000**	2017 HK$'000
Non-current assets		
Unlisted investments in subsidiaries *(Note i)*	**96,448**	108,922
Advance to subsidiaries *(Note ii)*	**803,696**	907,641
	900,144	1,016,563
Current assets		
Other receivables, deposits and prepayments	**383**	376
Amounts due from subsidiaries	**263**	217
Bank balances and cash	**288,421**	185,542
	289,067	186,135
Current liability		
Other payables	**2,157**	3,337
Net current assets	**286,910**	182,798
Net assets	**1,187,054**	1,199,361
Capital and reserves		
Share capital *(Note 28)*	**37,209**	37,209
Reserves *(Note iii)*	**1,149,845**	1,162,152
Total equity	**1,187,054**	1,199,361

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38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note i: **Unlisted investments in subsidiaries**

	2018 **HK$'000**	2017 HK$'000
Unlisted interests, at cost *(Note a)*	**–**	–
Deemed capital contribution *(Note b)*	**96,448**	108,922
	96,448	108,922

Notes:

(a) The balances are presented as zero when rounded to the nearest thousand at the end of both years.

(b) Deemed capital contribution represented the imputed interest on the interest-free advances provided to a subsidiary.

Note ii: **Advance to subsidiaries**

ECL for advance to subsidiaries, other receivables and bank balances are assessed on basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.

Note iii: **Movements in the Company's reserves**

	Share premium HK$'000	**Share-based compensation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2017	1,285,537	116,377	(227,613)	1,174,301
Loss and total comprehensive expense for the year	–	–	(16,123)	(16,123)
Exercise of share options	1,348	(523)	–	825
Recognition of equity-settled share-based payments	–	3,149	–	3,149
At 31 December 2017	1,286,885	119,003	(243,736)	1,162,152
Loss and total comprehensive expense for the year	–	–	(41,482)	(41,482)
Recognition of equity-settled share-based payments	–	29,175	–	29,175
At 31 December 2018	1,286,885	148,178	(285,218)	1,149,845

FIVE-YEAR SUMMARY

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
	(Restated)	(Restated)			
Results					
Turnover					
– Continuing operations	–	–	323,286	470,821	**463,150**
– Discontinued operations	21,926	18,832	29	–	**–**
	21,926	18,832	323,315	470,821	**463,150**
Profit/(loss) before income tax expense					
– Continuing operations	(74,916)	(83,206)	(7,963)	(9,851)	**4,164**
– Discontinued operations	(3,958)	(2,159)	2,607	–	**–**
	(78,874)	(85,365)	(5,356)	(9,851)	**4,164**
Income tax expense					
– Continuing operations	–	–	–	(109)	**(108)**
– Discontinued operations	–	–	–	–	**–**
	–	–	–	(109)	**(108)**
Profit/(loss) for the year					
– Continuing operations	(74,916)	(83,206)	(7,963)	(9,960)	**4,056**
– Discontinued operations	(3,958)	(2,159)	2,607	–	**–**
	(78,874)	(85,365)	(5,356)	(9,960)	**4,056**
Profit/(loss) attributable to					
– Owners of the Company	(78,874)	(85,365)	559	13,778	**7,611**
– Non-controlling interests	–	–	(5,915)	(23,738)	**(3,555)**
	(78,874)	(85,365)	(5,356)	(9,960)	**4,056**
Assets and liabilities					
Total assets	1,026,437	843,710	2,050,393	2,006,311	**2,005,279**
Total liabilities	(24,106)	(5,467)	(419,482)	(398,432)	**(378,695)**
	1,002,331	838,243	1,630,911	1,607,879	**1,626,584**
Equity attributable to owners of the Company	1,002,331	838,243	1,196,068	1,213,879	**1,250,665**
Non-controlling interests	–	–	434,843	394,000	**375,919**
	1,002,331	838,243	1,630,911	1,607,879	**1,626,584**

Note: On 14 March 2016, the Company disposed of the entire equity interest in a subsidiary which carried out majority of the Group's trading of tiles and engineering operations products business and such business was discontinued thereafter. Accordingly, the figures for 2014 to 2015 have been restated to re-present the trading of tiles and engineering operations products business as discontinued operation.

CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Wang, John Peter Ben *(Deputy Chairman)*
Mr. Eric Daniel Landheer

Non-executive Directors
Mr. Kuo Jen Hao *(Chairman)*
Mr. Lo Kai Bong[1]
Dr. U Chio Ieong[2]

Independent Non-executive Directors
Mr. Gerard Joseph McMahon[3]
Mr. Lau Yau Cheung[4]
Mr. Li Chak Hung[4]
Mr. Tsui Yiu Wa, Alec[5]
Mr. Pang Hing Chung, Alfred[6]
Dr. Tyen Kan Hee, Anthony[6]

Audit Committee

Mr. Li Chak Hung *(Chairman)*[4]
Mr. Gerard Joseph McMahon[3]
Mr. Lau Yau Cheung[4]
Dr. Tyen Kan Hee, Anthony *(Chairman)*[6]
Mr. Tsui Yiu Wa, Alec[5]
Mr. Pang Hing Chung, Alfred[6]

Remuneration Committee

Mr. Gerard Joseph McMahon *(Chairman)*[3]
Mr. Lau Yau Cheung[4]
Mr. Tsui Yiu Wa, Alec *(Chairman)*[5]
Dr. Tyen Kan Hee, Anthony[6]

Nomination Committee

Mr. Lau Yau Cheung *(Chairman)*[4]
Mr. Gerard Joseph McMahon[3]
Dr. Tyen Kan Hee, Anthony *(Chairman)*[6]
Mr. Tsui Yiu Wa, Alec[5]

Corporate Governance Committee

Mr. Gerard Joseph McMahon *(Chairman)*[3]
Mr. Lau Yau Cheung[4]
Mr. Tsui Yiu Wa, Alec *(Chairman)*[5]
Dr. Tyen Kan Hee, Anthony[6]

Company Secretary

Ms. Ho Siu Pik

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Principal Bankers

Dah Sing Bank, Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of China Limited, Macau Branch
Tai Fung Bank Limited
Alfa-Bank
Primsotsbank

Auditor

Deloitte Touche Tohmatsu

Legal Advisor

Gibson, Dunn & Crutcher LLP

Principal Share Registrar and Transfer Agent

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
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Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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1 Appointed on 12 December 2018
2 Appointed on 7 September 2018
3 Appointed on 28 September 2018
4 Appointed on 31 October 2018
5 Resigned on 28 September 2018
6 Resigned on 31 October 2018