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## HIGHLIGHTS

- Adjusted Property EBITDA generated by Oriental Regent Limited, a subsidiary of the Group operating Tigre de Cristal, our majority-owned integrated resort in the Russian Far East, was HK\$66.8 million in 1H 2018, representing an increase of 17% compared to HK\$56.9 million in 1H 2017.
- The Group's total revenue in 1H 2018 was HK\$207.8 million, representing a modest increase of 2% compared with HK\$204.6 million in 1H 2017.
- Profit attributable to owners of the Company was HK\$2.6 million in 1H 2018, compared with a loss of HK\$5.4 million in 1H 2017, after deducting depreciation and amortisation of HK\$58.7 million (1H 2017: HK\$63.5 million) and other notional non-operating and non-cash items such as imputed interest expenses.
- Mass table business saw a significant improvement with revenue increased by 47% from HK\$56.7 million in 1H 2017 to HK\$83.5 million in 1H 2018 and has replaced the rolling chip business as our main revenue contributor. This is primarily the result of our efforts to develop our "premium mass" segment targeting Asian players, as well as increased flight connectivity and increasing awareness of our property among our target feeder markets.
- Tigre de Cristal was named "Russia's Leading Resort 2018" at the World Travel Awards European Gala on 30 June 2018.

## 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 wholly-owned subsidiary of Oriental Regent.

G1 Entertainment holds development rights on two parcels of land, namely, Lot 9 and Lot 10, in the Primorye Integrated Entertainment Zone (“IEZ Primorye”) of the Russian Far East, being the largest of five designated zones in the Russian Federation that 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. We are currently refining the design and construction requirements of our Phase II project on Lot 10. Due to our recent changes in substantial shareholders and subsequent alterations in the design and financing options, we now target an opening of the first stage of our Phase II property in the latter half of 2020.

Tigre de Cristal is the first and, for the time being, only casino, hotel and entertainment destination operating in the IEZ Primorye. 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;
- Spa and health club, karaoke rooms and a virtual golf zone;
- 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 named “Russia’s Leading Resort 2018” at the Europe Gala Ceremony 2018 organized by the World Travel Awards on 30 June 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Segment Information

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

#### Gaming revenue of Tigre de Cristal

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, non-Russian players. The table below sets forth the key performance indicators of our rolling chip business in the first half of 2018.

<i>(HK\$'million)</i>	Q1 2018	Q2 2018	<b>1H 2018</b>	1H 2017 (restated)*
Rolling chip turnover	3,239	3,268	<b>6,507</b>	8,403
Gross win	120	69	<b>189</b>	306
Less: Rebate	(87)	(61)	<b>(148)</b>	(232)
Net win after rebate	33	8	<b>41</b>	74
Gross win %	3.70%	2.11%	<b>2.90%</b>	3.64%
Daily average number of tables opened	12	12	<b>12</b>	16

\* *due to the application of Hong Kong Financial Reporting Standard 15 ("HKFRS 15"), as detailed in "Principal Accounting Policies" of Notes to the Condensed Consolidated Financial Statements*

Rolling chip turnover at Tigre de Cristal in the first half of 2018 was HK\$6.5 billion, representing a decrease of 23% compared with the corresponding period in 2017. Revenue from rolling chip business in the first six months of 2018, net of all commissions rebated directly or indirectly to customers, decreased by 45% to HK\$41 million. The average gross win percentage decreased from 3.64% in the first half of 2017 to 2.90% in the first half of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

Since the beginning of the year, we have been under increasing pressure from agents currently working at Tigre de Cristal requesting higher levels of rebates. Instead of giving in to such pressure which would ultimately result in a substantial erosion of margin, Management has decided to focus more of our efforts on developing our own “premium mass” business. The result has been quite encouraging with our mass market table revenue improving by 47% as compared to 1H 2017 (for further details, please see our comments on the mass table business below). Nevertheless, our insistence on not increasing the rebate rate has caused a decrease in rolling chip turnover as well as revenue from the rolling chip business. On a positive note, we remain of the view 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 remain sanguine about the prospects of our rolling chip business.

### *Mass table business*

Our mass table business targets both the foreign tourists and the local market. Starting from the beginning of 2018, we have placed increasing emphasis on the development of our “premium mass” business which targets Asian players. The table below sets forth the key performance indicators of our mass table business in the first half of 2018.

<i>(HK\$'million)</i>	Q1 2018	Q2 2018	<b>1H 2018</b>	1H 2017 (restated)*
Total table drop	164	184	<b>348</b>	259
Table net win	43	41	<b>84</b>	57
Hold %	26.2%	22.3%	<b>24.1%</b>	22.0%
Daily average number of tables opened	20	21	<b>20</b>	20

\* *due to the application of HKFRS 15*

The performance of mass table business in the first six months of 2018 has been very encouraging, underpinned by increasing patronage of “premium mass” Asian players, as well as increased flight connectivity and increasing awareness of our property among our target feeder markets. Revenue from mass table business increased significantly by 47% (from HK\$57 million in the first half of 2017 to HK\$84 million in the first half of 2018) and became the main contributor to the profitability of the Group for the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Slot business

Our slot business primarily targets the local market. The table below sets forth the key performance indicators in the first half of 2018.

<i>(HK\$'million)</i>	Q1 2018	Q2 2018	<b>1H 2018</b>	1H 2017 (restated)*
Total slot handle	655	693	<b>1,348</b>	933
Slot net win	31	35	<b>66</b>	52
Hold %	4.7%	5.1%	<b>4.9%</b>	5.6%
Average number of slots deployed	286	296	<b>291</b>	305

\* *due to the application of HKFRS 15*

Revenue from slot business increased by 27% to HK\$66 million in the first six months of 2018, from HK\$52 million in the first six months of 2017. The increase was due to the continuous growth in slot handle by 44% to HK\$1.3 billion in the first half of 2018, compared with HK\$0.9 billion in the corresponding period in 2017. Average hold percentage decreased to 4.9% in the first half of 2018 from 5.6% in the corresponding period of 2017.

### 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, interest, taxes, depreciation and amortisation, and notional share-based compensation benefits. The following table sets forth a reconciliation of Adjusted Property EBITDA to the reported profit for the period attributable to owners of the Company as per the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation of Adjusted Property EBITDA to the profit for the six-month period ended 30 June 2018 attributable to owners of the Company

	Six-month period ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)*
Gross revenue from rolling chip business	<b>189,230</b>	306,502
Less: Rebates	<b>(148,422)</b>	(232,346)
Revenue from rolling chip business	<b>40,808</b>	74,156
Revenue from mass table business	<b>83,497</b>	56,746
Revenue from slot business	<b>66,348</b>	51,684
<b>Net revenue from gaming operations</b>	<b>190,653</b>	182,586
Revenue from hotel operations	<b>17,139</b>	22,050
<b>Total revenue from gaming and hotel operations</b>	<b>207,792</b>	204,636
Add: Other income	<b>650</b>	850
Less: Other gains and losses	<b>115</b>	512
Gaming tax	<b>(6,614)</b>	(7,206)
Inventories consumed	<b>(6,507)</b>	(5,870)
Marketing and promotion expenses	<b>(8,172)</b>	(8,935)
Employee benefits expenses	<b>(68,569)</b>	(73,775)
Other expenses	<b>(51,940)</b>	(53,300)
<b>Adjusted Property EBITDA of Tigre de Cristal</b>	<b>66,755</b>	56,912
Add: Management fee payable to the Company	<b>5,802</b>	5,649
Less: Company corporate expenses	<b>(8,499)</b>	(7,999)
	<b>64,058</b>	54,562



## MANAGEMENT DISCUSSION AND ANALYSIS

	<b>Six-month period ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
		(restated)*
Add: Bank interest income	<b>1,047</b>	724
Less: Interest on obligations under finance leases	<b>(90)</b>	(319)
Income tax expense	<b>(48)</b>	(52)
	<b>64,967</b>	54,915
<i>Notional non-cash items:</i>		
Add: Imputed interest income from loan to a joint venture	<b>101</b>	90
Less: Net exchange gains (losses)	<b>2,207</b>	(2,536)
Depreciation and amortisation	<b>(58,716)</b>	(63,460)
Imputed interest expenses	<b>(18,748)</b>	(19,769)
Share of losses of a joint venture	<b>(119)</b>	(138)
Notional share-based compensation benefits	<b>–</b>	(2,345)
<b>Loss for the period of the Group</b>	<b>(10,308)</b>	(33,243)
Add: Loss for the period attributable to non-controlling interests	<b>12,862</b>	27,809
<b>Profit (loss) for the period attributable to owners of the Company</b>	<b>2,554</b>	(5,434)

\* due to the application of HKFRS 15

The Group made moderate growth in total revenue, adjusted property EBITDA and profit attributable to owners of the Company respectively in the first half of 2018. Total revenue of the Group increased to HK\$207.8 million, by 2% compared with the corresponding period in 2017. Revenue from gaming operations increased to HK\$190.7 million, compared with HK\$182.6 million in the first six months of 2017, especially because of mass table business and slot business. Revenue from hotel operations, which relies on guests from rolling chip business, decreased to HK\$17.1 million or by 22% compared with the corresponding period in 2017. Average hotel occupancy rates maintained at 76% during weekends and 45% during weekdays in the first half of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

Concurrently, the Group continues to maintain its stringent cost controls and streamline our operations. Total operating costs, including inventories consumed, marketing and promotion expenses, employee benefits expenses and other expenses, were HK\$135.2 million in the first half of 2018, decreased by HK\$6.7 million or 5% compared with the corresponding period in 2017.

Adjusted Property EBITDA of Tigre de Cristal increased by 17% to HK\$66.8 million in the first half of 2018, from HK\$56.9 million in the first half of 2017. Adjusted Property EBITDA margin, as a percentage of the Group's total revenue, increased to 32% in first six months of 2018, compared with 28% in the corresponding period in 2017.

Profit attributable to owners of the Company was HK\$2.6 million for the six-month period ended 30 June 2018, compared with a loss of HK\$5.4 million in corresponding period in 2017, after deducting depreciation and amortisation of HK\$58.7 million (six-month period ended 30 June 2017: HK\$63.5 million) and other notional non-operating and non-cash items. Loss for the six-month period ended 30 June 2018 of Group was HK\$10.3 million (six-month period ended 30 June 2017: HK\$33.2 million), primarily caused by the notional imputed interest expenses of HK\$18.7 million (six-month period ended 30 June 2017: HK\$19.8 million) arising on the interest-free loans from the non-controlling shareholders of Oriental Regent.

### 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 to the local governments, who can set their own tax rate based on a range stipulated by the Tax Code of the Russian Federation as follows:

#### *Since 2004 up to 31 December 2017*

Each gaming table	Minimum RUB25,000	Maximum RUB125,000
Each gaming machine	Minimum RUB1,500	Maximum RUB7,500

#### *Effective from 1 January 2018*

Each gaming table	Minimum RUB50,000	Maximum RUB250,000
Each gaming machine	Minimum RUB3,000	Maximum RUB15,000

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

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six-month period ended 30 June 2018, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively, which corresponded to approximately 3.5% of the Group's net gaming revenue for the first half of 2018 (3.9% for the first half of 2017).

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. As for non-gaming revenues, the Group's subsidiaries in the Russian Federation are subject to the Russian corporate tax rate which currently stands at 20%.

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

### Anti-money Laundering Policy

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

In accordance with the provisions of the Russian AML/CFT Law, Tigre de Cristal has adopted its own anti-money laundering and combating financing of terrorism policies and the key components include: internal control systems; 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 30 June 2018, total assets of the Group were HK\$1,928.2 million (31 December 2017: HK\$2,006.3 million) which were financed by shareholders' equity of HK\$1,216.4 million (31 December 2017: HK\$1,213.9 million), non-controlling interests of HK\$366.6 million (31 December 2017: HK\$394 million), non-current liabilities of HK\$289.3 million (31 December 2017: HK\$339.4 million), and current liabilities of HK\$55.8 million (31 December 2017: HK\$59.1 million).

The Group had no outstanding external borrowings throughout the six-month period ended 30 June 2018, except for the obligations under finance leases amounted to HK\$99,000. The gearing ratio, expressed as a percentage of total borrowings divided by total assets, was 0% as at 30 June 2018 (31 December 2017: 0%).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group remains conservative in its working capital management. No credit play has been allowed in Tigre de Cristal since its opening. Net current assets of the Group were maintained at HK\$354.3 million as at 30 June 2018 (31 December 2017: HK\$382.5 million). Our rolling chip, mass table game and slot businesses are conducted on a cash basis, which mitigates the risk of bad debt problems. Trade receivables for the current period mainly represent outstanding amounts pending settlements by patrons undergoing necessary administrative processing and the amount has been fully settled subsequent to 30 June 2018.

As at 30 June 2018, cash and bank balances held by the Group amounted to HK\$379.2 million (31 December 2017: HK\$400.2 million), of which 54.6% was denominated in United States dollar, 34.0% in Hong Kong dollar, and 11.4% in Russian ruble.

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

	<b>Six-month period ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>74,592</b>	52,941
Net cash used in investing activities	<b>(20,459)</b>	(41,175)
Net cash used in financing activities	<b>(69,569)</b>	(54,555)
Net decrease in cash and cash equivalents	<b>(15,436)</b>	(42,789)
Cash and cash equivalents at the beginning of the period	<b>400,208</b>	335,138
Effect of foreign exchange rate changes	<b>(5,577)</b>	801
Cash and cash equivalents at the end of the period	<b>379,195</b>	293,150

Net cash from operating activities of HK\$74.6 million and HK\$52.9 million for the six-month periods ended 30 June 2018 and 2017 respectively represented the positive EBITDA contributed by the gaming and hotel operations of Tigre de Cristal.

Net cash used in investing activities of HK\$20.5 million in the first half of 2018 was mainly due to the return of HK\$10.4 million of VAT refunded under VAT arrangements to the tax authority of the Russian Federation and miscellaneous payments for property, operating right and equipment. Net cash used in investing activities of HK\$41.2 million for the six-month period ended 30 June 2017 was mainly due to the cash payments for property, operating right and equipment, out of which HK\$24.6 million was the retention money paid to a subcontractor for the construction works of Tigre de Cristal.

## MANAGEMENT DISCUSSION AND ANALYSIS

Net cash used in financing activities of HK\$69.6 million and HK\$54.6 million for the six-month periods ended 30 June 2018 and 2017 respectively 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 30 June 2018 and 31 December 2017.

### Exposure to Fluctuations in Exchange Rates

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

For financial reporting purposes, the condensed 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.

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 Commitment

The Group had no capital commitment as at 30 June 2018 and 31 December 2017.

### Contingent Liabilities

There were no contingent liabilities as at 30 June 2018 and 31 December 2017.

### Employees

As at 30 June 2018, total number of employees employed by the Group was 997 (31 December 2017: 1,000). Currently, more than 97% of our full time employees are local Russian citizens (31 December 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Outlook

The first half of 2018 proved to be challenging for our rolling chip business as we encountered increasing pressure from agents currently working at Tigre de Cristal to raise our rebate levels. Instead of giving in to such pressure which would ultimately result in a substantial margin erosion, Management has decided to focus more of our efforts on developing our own “premium mass” business. The results have been encouraging with our mass market table drop improving by 34% as compared to 1H 2017. Mass table business has now become the single biggest revenue contributor to our property. Our gaming machine business also continued to exhibit growth driven by continuous improvement in our marketing and promotional programs as well as continuous improvement in our gaming and non-gaming offerings.

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

- **Ongoing growth of tourism.** Foreign tourist visitation has grown substantially over the past few years in the Primorye region and shows no signs of abating. In June 2018, there were nearly 50% more direct flights than in June 2017 and tourism has been growing at an annualized rate of over 33% over the past 5 years.
- **Integrated resort developments in the IEZ Primorye.** We have observed an acceleration of building works by other future integrated resort operators in Primorye. Due to our changes in substantial shareholders and subsequent alterations in the design of our Phase II property we now target an opening of the first stage of our Phase II property in the latter half of 2020. We are currently finalizing design and financing options so that we can commence construction in the spring of 2019. Assuming that our own Phase II project and the other future operators’ development plans remain on track, we may see the benefits of a ‘cluster’ effect as early as 2021.
- **Expansion and refinement of our non-gaming facilities.** We are extremely proud that Tigre de Cristal Hotel and Resort received the award for “Russia’s Leading Resort 2018” at the World Travel Awards in June, but we are not resting on our laurels as we strive for ongoing improvement in our gaming and non-gaming offerings. Our Phase II property will be geared to appeal to the foreign mass and rolling chip customer with extensive dining, entertainment, and retail facilities anchored by a large premium outlet mall. We believe this mall and its associated offerings will increase the attractiveness of the IEZ Primorye as a tourist destination for both domestic and international visitors to the area.
- **Favorable government policies and stringent enforcement on illegal gaming venues.** The government continues to maintain a stable and consistent policy and regulatory framework and has stepped up its aggressiveness in strengthening and enforcing the laws regarding illegal gambling venues.

## MANAGEMENT DISCUSSION AND ANALYSIS

- **Co-operation with new agents, particularly those from Macau.** Increasing pressure on VIP rebate rates has raised our awareness of the need to diversify and resume the growth trajectory of our rolling chip business and we are actively negotiating with some Macau-based agents to achieve this goal.

We maintain our belief in the potential for the ongoing growth of tourism in the Russian Far East and other Asian jurisdictions. Our largest single shareholder, First Steamship Group's expertise in retail operations and real estate development should enable it to contribute to the further development of our business in the Russian Federation and beyond. The growth in foreign mass business in particular strengthens our view that we need to maintain its strategy of developing both gaming and non-gaming facilities to enhance the attractiveness of the Russian Far East as a tourist destination, and enable our business to continue to expand.

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Deloitte.****德勤****TO THE BOARD OF DIRECTORS OF SUMMIT ASCENT HOLDINGS LIMITED**

凱升控股有限公司

*(incorporated in Bermuda with limited liability)***INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 37, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

31 August 2018



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

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

		Six-month period ended 30 June	
	NOTES	<b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2017 <i>HK\$'000</i> (Unaudited)
Revenue from gaming and hotel operations	4	<b>207,792</b>	204,636
Other income	5	<b>1,798</b>	1,724
Other gains and losses	7	<b>2,322</b>	(2,024)
Gaming tax		<b>(6,614)</b>	(7,206)
Inventories consumed		<b>(6,507)</b>	(5,870)
Marketing and promotion expenses		<b>(8,172)</b>	(8,935)
Employee benefits expenses		<b>(72,751)</b>	(79,080)
Depreciation and amortisation		<b>(58,716)</b>	(63,460)
Other expenses	8	<b>(50,455)</b>	(52,750)
Finance costs	9	<b>(18,838)</b>	(20,088)
Share of losses of a joint venture		<b>(119)</b>	(138)
		<b>(10,260)</b>	(33,191)
Loss before taxation			
Income tax expense	10	<b>(48)</b>	(52)
		<b>(10,308)</b>	(33,243)
Loss for the period	11		
		<b>(10,308)</b>	(33,243)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>2,554</b>	(5,434)
Non-controlling interests		<b>(12,862)</b>	(27,809)
		<b>(10,308)</b>	(33,243)
		<b>HK cent</b> <b>(Unaudited)</b>	<i>HK cent</i> (Unaudited)
Earnings (loss) per share	13		
Basic		<b>0.17</b>	(0.37)
Diluted		<b>0.17</b>	(0.37)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

			<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Non-current assets				
Property, operating right and equipment	14		<b>1,497,454</b>	1,548,989
Long-term prepayments and other non-current assets	15		<b>18,413</b>	13,533
Intangible assets			<b>129</b>	158
Interests in a joint venture			<b>210</b>	329
Loan to a joint venture			<b>1,860</b>	1,759
			<b>1,518,066</b>	1,564,768
Current assets				
Inventories			<b>2,859</b>	3,462
Trade and other receivables	16		<b>28,045</b>	37,873
Bank balances and cash			<b>379,195</b>	400,208
			<b>410,099</b>	441,543
Current liabilities				
Contract liabilities and other payables	17		<b>55,677</b>	56,750
Amount due to a non-controlling shareholder of a subsidiary			–	1,302
Obligations under finance leases – due within one year			<b>99</b>	1,029
			<b>55,776</b>	59,081
Net current assets			<b>354,323</b>	382,462
Total assets less current liabilities			<b>1,872,389</b>	1,947,230

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2018

		<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
	<i>NOTES</i>		
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary	18	<b>243,701</b>	281,535
Provision for value-added tax ("VAT") arrangements	19	<b>45,643</b>	57,816
		<b>289,344</b>	339,351
Net assets		<b>1,583,045</b>	1,607,879
Capital and reserves			
Share capital	20	<b>37,209</b>	37,209
Reserves		<b>1,179,224</b>	1,176,670
Equity attributable to owners of the Company		<b>1,216,433</b>	1,213,879
Non-controlling interests		<b>366,612</b>	394,000
Total equity		<b>1,583,045</b>	1,607,879

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

	Attributable to owners of the Company				Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Share-based compensation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (Audited)	37,150	1,285,537	116,377	(242,996)	1,196,068	434,843	1,630,911
Loss and total comprehensive expense for the period	-	-	-	(5,434)	(5,434)	(27,809)	(33,243)
Deemed distribution to non-controlling shareholders	-	-	-	-	-	(17,105)	(17,105)
Recognition of equity-settled share-based payments	-	-	2,345	-	2,345	-	2,345
At 30 June 2017 (Unaudited)	37,150	1,285,537	118,722	(248,430)	1,192,979	389,929	1,582,908
At 1 January 2018 (Audited)	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 period	-	-	-	2,554	2,554	(12,862)	(10,308)
Deemed distribution to non-controlling shareholders (Note 18)	-	-	-	-	-	(14,526)	(14,526)
At 30 June 2018 (Unaudited)	37,209	1,286,885	119,003	(226,664)	1,216,433	366,612	1,583,045

Note: Share-based compensation reserve represents the cumulative expenses recognised on the fair value of the share options granted to the directors of the Company ("Directors"), employees and consultants over the vesting period pursuant to the share option scheme of the Company. Details of the share option scheme are set out in 2017 annual report of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

		<b>Six-month period ended 30 June</b>	
	<i>NOTE</i>	<b>2018 HK\$'000 (Unaudited)</b>	<b>2017 HK\$'000 (Unaudited)</b>
NET CASH FROM OPERATING ACTIVITIES		<u>74,592</u>	<u>52,941</u>
INVESTING ACTIVITIES			
Return of VAT refunded under VAT arrangements		<b>(10,446)</b>	(11,172)
Payment for property, operating right and equipment		<b>(6,895)</b>	(30,904)
Deposits paid for purchase of property, operating right and equipment		<b>(4,880)</b>	–
Payment for intangible assets		<b>(12)</b>	–
Interest received		<b>1,047</b>	724
VAT refunded under VAT arrangements		<b>727</b>	–
Proceeds from disposal of property, operating right and equipment		<u>–</u>	<u>177</u>
Net cash used in investing activities		<u><b>(20,459)</b></u>	<u>(41,175)</u>
FINANCING ACTIVITIES			
Repayment of loans from non-controlling shareholders of a subsidiary	18	<b>(68,464)</b>	(49,598)
Repayment of obligations under finance leases		<b>(1,015)</b>	(502)
Interest paid		<b>(90)</b>	(319)
Repayment to a related party		<u>–</u>	<u>(4,136)</u>
Net cash used in financing activities		<u><b>(69,569)</b></u>	<u>(54,555)</u>
Net decrease in cash and cash equivalents		<b>(15,436)</b>	(42,789)
Cash and cash equivalents at 1 January		<b>400,208</b>	335,138
Effect of foreign exchange rate changes		<u><b>(5,577)</b></u>	<u>801</u>
Cash and cash equivalents at 30 June, represented by bank balances and cash		<u><b>379,195</b></u>	<u>293,150</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars (“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 Russia Federation is HK\$. This is based on the fact that the currency that mainly influences its gaming revenue is HK\$.

### 2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

In June 2018, Oriental Regent Limited (“Oriental Regent”), a non-wholly owned subsidiary of the Company and the immediate holding company of G1 Entertainment, resolved by board resolution to make a voluntary early repayment of US\$22,000,000 (equivalent to HK\$171,160,000) to settle partially the loans from its shareholders for an original amount of US\$137,691,000 (equivalent to HK\$1,071,236,000). Details are set out in note 18.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the 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 Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers and the related Amendments

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded 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.

#### Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

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 and 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 and 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 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **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.

Revenue from gaming operations represents the aggregate net difference between gaming wins and losses. 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 stand-alone selling price of the points earned to the loyalty program liability. Such amount is deferred as loyalty program liability in 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 services provided for which the control of services is transferred over time, revenue is recognised when the customer obtains the control of the completed services and the Group has present right to payment and the collection of the consideration is probable.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Summary of effects arising from initial application of HKFRS 15

The standard changes 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.

The standard changes 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.

Effect on the revenue from gaming and hotel operations for the six-month period ended 30 June 2017 is as follows:

	<b>Six-month period ended 30 June 2017</b>	<b>Effects on adoption of HKFRS 15</b>	<b>Six-month period ended 30 June 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
	(as previously stated)		(as restated)
Revenue from gaming and hotel operations:			
– Gaming operations	188,294	(5,708)	182,586
– Hotel operations	16,342	5,708	22,050
	<hr/>	<hr/>	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments

In the current period, 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 other items 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) 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*.

#### Key changes in accounting policies resulting from application of HKFRS 9

##### *Classification and measurement of financial assets*

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

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

All other financial assets are subsequently measured at fair value through profit or loss (“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 other comprehensive income (“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.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments and the related amendments (continued)

##### *Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

###### *Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan to a joint venture 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, 12-month ECL ("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, 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.

##### *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;
- 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments and the related amendments (continued)

##### *Significant increase in credit risk (continued)*

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument 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.

##### *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.

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

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.

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 results of the assessment and the impact thereof are detailed below.

##### *Impairment under ECL model*

The Group has applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables. Details are stated in note 16.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, loan to a joint venture and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As of 1 January 2018, the expected loss allowance 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 4. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Revenue from gaming and hotel operations:		
– Gaming operations	190,653	182,586
– Hotel operations	17,139	22,050
	<u>207,792</u>	<u>204,636</u>

The Group has applied HKFRS 15 *Revenue from Contracts with Customers* at the date of initial application, 1 January 2018, on a full retrospective basis. The comparable figures for the six-month period ended 30 June 2017 above have been restated to re-present the retrospective adjustments under HKFRS 15.

### 5. OTHER INCOME

	Six-month period ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	1,047	724
Rental income	441	334
Imputed interest income from loan to a joint venture	101	90
Others	209	576
	<u>1,798</u>	<u>1,724</u>

### 6. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's 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 current period, all revenue is derived from customers patronising in the Group's property located in the Russian Federation.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 7. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Exchange gains (losses), net	2,207	(2,536)
Impairment losses reversed on other receivables, deposits and prepayments	250	709
Loss on disposal/written-off of property, operating right and equipment	(126)	(197)
Loss on written-off of intangible assets	(9)	-
	<b>2,322</b>	<b>(2,024)</b>

Certain comparable figures for the six-month period ended 30 June 2017 above have been re-presented to conform with the current period presentation.

### 8. OTHER EXPENSES

	Six-month period ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Security expenses	7,776	8,295
Travel agency expenses	7,332	5,265
Repair and maintenance expenses	4,023	6,334
Utilities and fuel	3,796	4,238
Insurance expenses	2,429	2,414
Oversea travel expenses	1,764	1,452
Minimum lease payments under operating leases	1,280	1,393
Others	22,055	23,359
	<b>50,455</b>	<b>52,750</b>

Certain comparable figures for the six-month period ended 30 June 2017 above have been re-presented to conform with the current period presentation.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 9. FINANCE COSTS

	Six-month period ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Imputed interest on loans from non-controlling shareholders of a subsidiary	16,104	15,604
Imputed interest on VAT arrangements	2,644	3,489
Interest on obligations under finance leases	90	319
Imputed interest on payables	–	676
	<b>18,838</b>	<b>20,088</b>

### 10. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for taxation in Hong Kong has been made as the Group has no estimated assessable profit for both periods.

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

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.

As at 30 June 2018, the Group has unused tax losses of HK\$21,075,000 (31 December 2017: HK\$21,075,000) and HK\$433,989,000 (approximately RUB3,255,789,000) (31 December 2017: HK\$400,265,000 (approximately RUB2,964,429,000)), 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 the period/year due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 14. PROPERTY, OPERATING RIGHT AND EQUIPMENT

The Group spent approximately HK\$6,895,000 (six-month period ended 30 June 2017: HK\$6,255,000) during the period mainly on furniture, fixtures and equipment. For the six-month period ended 30 June 2017, the Group also received approximately HK\$177,000 mainly from disposal of fixtures and equipment. No proceeds from disposal were received during the six-month period ended 30 June 2018.

### 15. LONG-TERM PREPAYMENTS AND OTHER NON-CURRENT ASSETS

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Long-term prepayments	13,533	13,533
Deposits for purchase of property, operating right and equipment	4,880	–
	<b>18,413</b>	<b>13,533</b>

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

### 16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade receivables	11,451	27,769
Prepayments	14,742	9,437
Other receivables and deposits	2,928	1,993
Less: Allowance	(1,076)	(1,326)
	<b>16,594</b>	<b>10,104</b>
	<b>28,045</b>	<b>37,873</b>

Trade receivables mainly represent outstanding amounts pending settlements by customers which are usually repaid within 9 days (31 December 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 30 June 2018.

All of the Group's trade receivables as at 30 June 2018 and 31 December 2017 were within their credit terms with no default history and neither past due nor impaired.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 16. TRADE AND OTHER RECEIVABLES (continued)

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

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2017 HK\$'000 (Audited)</b>
Within 30 days	<b>11,451</b>	27,769

#### Movement in allowance for other receivables, deposits and prepayments:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2017 HK\$'000 (Audited)</b>
Balance at the beginning of the period/year	<b>1,326</b>	1,889
Impairment losses (reversed) recognised, net	<b>(250)</b>	3
Amounts written off	–	(566)
Balance at the end of the period/year	<b>1,076</b>	1,326

Trade receivables from VIP customers and other receivables as at 30 June 2018 were assessed individually. There were no additional impairment allowance during the six-month period ended 30 June 2018. Allowance for other receivables of HK\$1,076,000 (31 December 2017: HK\$1,326,000) represents certain amounts that the Directors considered uncollectible. No impairment allowance for the remaining receivables was provided.

For other trade receivables, the Group assessed the ECL for the trade receivables collectively based on provision matrix as at 1 January 2018 and 30 June 2018. No impairment allowance was provided based on the provision matrix since the loss given default and exposure at default are significantly reduced due to the low probability of default of those receivables based on historical credit loss experience. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 17. CONTRACT LIABILITIES AND OTHER PAYABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Payable in respect of transfer of connection right to local electricity supply network	12,623	13,753
Provision for VAT arrangements (Note 19)	10,276	11,196
Outstanding gaming chips	2,142	2,554
Gaming taxes payables	1,032	1,107
Accruals and other payables	29,604	28,140
	<b>55,677</b>	<b>56,750</b>

The Group mainly has three 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\$2,142,000 (31 December 2017: HK\$2,554,000); (2) loyalty programs liabilities for the revenue deferred in relation to points earned by customers under gaming revenue transactions amounting to HK\$1,041,000 (31 December 2017: HK\$1,407,000); and (3) customer deposits on hotel rooms for services yet to be provided amounting to HK\$600,000 (31 December 2017: HK\$Nil). Loyalty programs liabilities and customer deposits on hotel rooms are included in 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.

### 18. 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 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 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) 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\$68,464,000) was settled during the period. 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 was recognised as deemed distribution to equity participant and attributable to and included in non-controlling interests.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 19. PROVISION FOR VALUE-ADDED TAX 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.

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 RUB451,064,000 (approximately HK\$55,919,000) (31 December 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 9.35% per annum. Accordingly, approximately RUB82,889,000 (approximately HK\$10,276,000) (31 December 2017: RUB82,889,000 (approximately HK\$11,196,000)) of such provision is presented as current and included in other payables (Note 17) 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 RUB368,175,000 (approximately HK\$45,643,000) (31 December 2017: RUB428,045,000 (approximately HK\$57,816,000)) presented as non-current.

### 20. SHARE CAPITAL OF THE COMPANY

	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.025 each		
<b>Authorised:</b>		
At 1 January 2017 (Audited), 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	3,200,000,000	80,000
<b>Issued and fully paid:</b>		
At 1 January 2017 (Audited)	1,486,017,836	37,150
Exercise of share options	2,360,000	59
At 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	1,488,377,836	37,209

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

### 21. SHARE-BASED PAYMENT TRANSACTIONS

No share option was granted nor any movement of the Company's share options held by Directors, employees and consultants during the six-month period ended 30 June 2018. Details of the share option scheme are set out in 2017 annual report of the Company.

The Group recognised a total expense of HK\$2,345,000 for the six-month period ended 30 June 2017 (six-month period ended 30 June 2018: HK\$Nil) in relation to share options granted by the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 22. OPERATING LEASE COMMITMENTS

#### *The Group as lessee*

Minimum lease payments paid under operating leases during the period:

	Six-month period ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Land plots and office	<b>1,280</b>	1,393

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 follow:

	As at	As at
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	<b>1,757</b>	2,759
In the second to fifth year inclusive	<b>2,485</b>	2,812
Over five years	<b>1,278</b>	1,728
	<b>5,520</b>	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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

### 23. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six-month period ended 30 June 2018:

	Six-month period ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Transaction with a related party:</i>		
Service fees expense (Note)	–	(120)
<i>Transactions with a joint venture:</i>		
Imputed interest income on loan	101	90
Revenue from gaming and hotel operations	36	–
<i>Transactions with non-controlling shareholders of a subsidiary:</i>		
Imputed interest expense on loan	(16,104)	(15,604)
Marketing fee (expense) income	(78)	103
Purchase of gaming materials	–	(365)
	–	(365)

*Note:* The service fees expense for the six-month period ended 30 June 2017 was paid to a related company controlled by Mr. Ho, Lawrence Yau Lung, who was a Director until 28 December 2017.

#### Compensation of key management personnel

The remuneration of Directors and other members of key management during the period, which is included in "Total employee benefits expenses (including Directors' emoluments)" in note 11, were as follows:

	Six-month period ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,686	2,646
Post-employment benefits	18	18
Share-based payments (Note 21)	–	1,699
	2,704	4,363

Certain shares of the Company were issued to key management upon exercise of share options granted to them under the share option scheme of the Company during the six-month period ended 30 June 2017.

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

### 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short position 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 (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "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") contained in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), 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)

<b>Name of Director</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate% of total issued shares of the Company</b>
Mr. Wang, John Peter Ben	Beneficial owner	74,579,980	5.01%
Mr. Eric Daniel Landheer	Beneficial owner	2,086,000	0.14%
Mr. Tsui Yiu Wa, Alec	Beneficial owner	1,180,000	0.08%
Mr. Pang Hing Chung, Alfred	Beneficial owner	1,180,000	0.08%

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

<b>Name of Director</b>	<b>Number of underlying shares held pursuant to share options</b>	<b>Approximate% of total issued shares of the Company</b>
Mr. Eric Daniel Landheer	2,300,000	0.15%

Notes:

- As at 30 June 2018, the total number of issued shares of the Company was 1,488,377,836.
- The options granted to the Director are registered under the name of the Director who is also the beneficial owner.
- 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.

## OTHER INFORMATION

Save as disclosed above, so far as known to any Directors as at 30 June 2018, none of the Directors of the Company 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**

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

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

Movements of share options granted under the Share Option Scheme during the six-month period ended 30 June 2018 are set out below:

Category of Participants	As at 1 January 2018	Granted during the period	Exercised during the period	As at 30 June 2018	Date of grant	Exercise price (HK\$)	Exercise period
							(Note)
<b>Director</b>							
Mr. Eric Daniel Landheer	2,300,000	-	-	2,300,000	1 September 2016	1.99	2
<b>Employees</b>	1,292,000	-	-	1,292,000	1 September 2016	1.99	2
<b>Consultants</b>	24,500,000	-	-	24,500,000	10 July 2013	1.73	3
	<u>5,812,000</u>	<u>-</u>	<u>-</u>	<u>5,812,000</u>	1 September 2016	1.99	2
Total	<u>33,904,000</u>	<u>-</u>	<u>-</u>	<u>33,904,000</u>			



## OTHER INFORMATION

### 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 1 September 2016 are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 August 2021.
3. 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.
4. During the six-month period ended 30 June 2018, no share options were cancelled or lapsed under the Share Option Scheme.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2018, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest or 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	208,634,464	–	14.01%
First Steamship S.A. (Note 2)	Interest of controlled corporation	208,634,464	–	14.01%
Heritage Riches Limited (Note 2)	Beneficial owner	208,634,464	–	14.01%
Mr. Wang, John Peter Ben	Beneficial owner	74,579,980	–	5.01%

### Notes:

1. As at 30 June 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.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other person (other than the Directors) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### **CORPORATE GOVERNANCE**

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

The Company has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules during the six-month period ended 30 June 2018.

The Company sets up the following board committees to ensure maintenance of a high corporate governance standard:

- a. Audit Committee;
- b. Remuneration Committee;
- c. Nomination Committee; and
- d. Corporate Governance Committee.

Terms of reference of the aforesaid committees have been posted on the Company's website at [www.saholdings.com.hk](http://www.saholdings.com.hk) under the "Corporate Governance" section.

### **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its own code for dealing in the Company's securities by Directors 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 of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards as set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2018.

## OTHER INFORMATION

### UPDATE ON DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the Company's 2017 Annual Report are set out below:

Name of Director	Details of Changes
Mr. Kuo Jen Hao	<ul style="list-style-type: none"> <li data-bbox="562 593 1318 687">– Resigned as a director of IRC Properties, Inc., a company listed on the Philippine Stock Exchange with effect from 17 May 2018.</li> <li data-bbox="562 731 1318 825">– Appointed as the chairman of Taiwan Environment Scientific Co., Ltd., a company listed on the Taipei Exchange with effect from 29 May 2018.</li> <li data-bbox="562 868 1318 1172">– A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin International Holdings Limited ("Sandmartin") (the "Petition"), which was prior to the appointment of Mr. Kuo as a non-executive director of Sandmartin on 18 August 2017. As of 30 June 2018, judgement in respect of the Petition has yet to be delivered by the High Court of Hong Kong (the "Court") and the Court ordered that a case management conference for the Petition to be held on 25 October 2018.</li> </ul>
Mr. Eric Daniel Landheer	<ul style="list-style-type: none"> <li data-bbox="562 1215 1318 1309">– Entitled to a monthly salary of HK\$161,200 per calendar month since 1 April 2018, which was HK\$155,000 per calendar month from 4 September 2017 to 31 March 2018.</li> </ul>
Dr. Tyen Kan Hee, Anthony	<ul style="list-style-type: none"> <li data-bbox="562 1352 1318 1446">– Appointed as an independent non-executive director of Ourgame International Holdings Limited, which is listed on the Hong Kong Stock Exchange with effect from 27 March 2018.</li> </ul>

### AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems. The Audit Committee has reviewed the interim report for the six-month period ended 30 June 2018 which was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

During the six-month period ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**BOARD OF DIRECTORS**

As at the date of this report, the Company's Executive Directors are Mr. Wang, John Peter Ben (Deputy Chairman) and Mr. Eric Daniel Landheer, the Non-executive Director is Mr. Kuo Jen Hao (Chairman), and the Independent Non-executive Directors are Mr. Tsui Yiu Wa, Alec, Mr. Pang Hing Chung, Alfred and Dr. Tyen Kan Hee, Anthony.

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

Hong Kong, 31 August 2018

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Non-executive Director

Mr. Kuo Jen Hao (*Chairman*)

#### Executive Directors

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

Mr. Eric Daniel Landheer

#### Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec

Mr. Pang Hing Chung, Alfred

Dr. Tyen Kan Hee, Anthony

#### AUDIT COMMITTEE

Dr. Tyen Kan Hee, Anthony (*Chairman*)

Mr. Tsui Yiu Wa, Alec

Mr. Pang Hing Chung, Alfred

#### REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec (*Chairman*)

Dr. Tyen Kan Hee, Anthony

#### NOMINATION COMMITTEE

Dr. Tyen Kan Hee, Anthony (*Chairman*)

Mr. Tsui Yiu Wa, Alec

#### CORPORATE GOVERNANCE COMMITTEE

Mr. Tsui Yiu Wa, Alec (*Chairman*)

Dr. Tyen Kan Hee, Anthony

#### COMPANY SECRETARY

Ms. Ho Siu Pik

#### REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3101-2A, 31st Floor

The Centrium

60 Wyndham Street

Central, Hong Kong

Tel: (852) 3729-2135

Fax: (852) 3167-7980

Email: [info@saholdings.com.hk](mailto:info@saholdings.com.hk)

### 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

69 Pitts Bay Road

Pembroke HM08

Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

### STOCK CODE

102 (Listed on the Hong Kong Stock Exchange)

### WEBSITE

[www.saholdings.com.hk](http://www.saholdings.com.hk)