SUMMIT ASCENT
凱升控股有限公司 Holdings Limited

ANNUAL REPORT 2016

Summit Ascent Holdings Limited

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

CONTENTS

HIGHLIGHTS

- 2016 saw the first full calendar year of operations of Tigre de Cristal, our majority-owned integrated resort in the Russian Far East.

- Oriental Regent Limited, through which Tigre de Cristal is operated, generated an Adjusted EBITDA of approximately HK$132 million or approximately US$17 million for the full year in 2016 (1H2016: HK$35 million).

- Net profit attributable to owners of the Company for the year, after deduction of depreciation, amortisation, various notional accounting expenses and non-controlling interests, amounts to HK$559,000 (FY2015: Loss of HK$85.4 million).

- The main contribution to the profitability of Tigre de Cristal comes from the rolling chip business, which targets VIP customers from Northeast Asia.

- Rolling chip turnover at Tigre de Cristal rose from approximately HK$3.5 billion in 1H2016 to approximately HK$10.6 billion in 2H2016.

- Management remains optimistic about the prospects of further ramp-up of the business in light of the recent announcement by the Primorsky Government that a much simplified visa regime will be implemented in the summer of 2017.

CHAIRMAN'S STATEMENT

As 2016 has drawn to a close, we now reflect on our first full calendar year of operations at our majority-owned integrated resort in the Russian Far East, Tigre de Cristal. While the year has not been without its challenges, we are pleased with the progress made thus far in the ramp up of the business at the resort and the refinement of our services and offerings.

The operations team at Tigre de Cristal has done an outstanding job of generating positive EBITDA at the property level, while maintaining stringent cost controls. Both the mass table and slots business have shown consistent stability and cover the vast majority of our operational expenses, while our rolling chip business, targeting Asian customers, has achieved substantial growth as we continue to address the underserved Northeast Asian market.

Progress has also been made by the local government on providing us an environment that is conducive to growing our business. Specifically, their promotional efforts have led to continued growth in tourism in the Primorsky Krai. They have also achieved significant progress in ongoing improvements to the local infrastructure – in particular the opening of the expressway between the airport and our property in the Integrated Entertainment Zone ("IEZ"). The government is also closer to implementing the simplified visa regime with the relevant Russian authorities indicating that international travelers will be able to utilise this scheme to enter the territory provisionally from the summer of 2017.

We now expect to maintain our monopoly position and first-mover advantage until at least 2019. Statements from other future operators indicate that they will be starting major construction on their own integrated resorts very soon. We view their commitments as further validation of our decision to build the first integrated resort in the Primorye IEZ, and we expect to open the first part of our own Phase II resort in the IEZ in the second half of 2019.

At the macroeconomic level, the second annual Eastern Economic Forum, which was held in September 2016 and attended by the leaders of the Russian Federation, Japan, and South Korea, generated significant foreign investor interest in the Russian Far East, while the Russian economy as a whole appears to have resumed its path towards growth, as evidenced by the stabilisation and gradual strengthening of the Russian ruble.

All the above factors lead us to believe that there remains significant opportunity to further expand our business in 2017. Further improvements in the local infrastructure, refinements in our service deliverables, continued growth in tourism, and our own business development efforts should enable us to see additional ramp up of Tigre de Cristal.

Last but not least, on behalf of the Board of Directors, I would like to thank our employees, shareholders, and partners for their ongoing support.

HO, Lawrence Yau Lung
Chairman and Non-Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Group Restructuring

Discontinued operations – Trading of tiles and engineering operations products

On 14 March 2016, the Company disposed of the entire equity interest in a subsidiary which was engaged in the trading of tiles and engineering operations products.

Consolidation of the gaming and hotel operations for financial reporting purposes

On 14 April 2016, the shareholders of Oriental Regent Limited ("Oriental Regent"), a 60% owned subsidiary of the Group, entered into an amendment agreement to amend certain terms of the shareholders' agreement pursuant to which the Group has obtained additional rights to appoint two extra directors and certain reserved matters for which unanimous written approval of all the members of the board of Oriental Regent are required have been deleted or amended. As a result of the amendments referred to above, Oriental Regent would no longer be accounted for as a joint venture for financial reporting purposes and its results have been consolidated, instead of being equity accounted for, in the financial statements of the Group from 14 April 2016 onwards.

Year-on-year comparisons between figures in 2015 and figures in 2016 not considered to be meaningful

Subsequent to the aforementioned Group Restructuring, the consolidated revenue and expenses of the Group for the year ended 31 December 2016 recorded primarily the results of the gaming and hotel operations generated from Oriental Regent and its subsidiaries for the period from 14 April 2016 to 31 December 2016. The comparative figures for the year ended 31 December 2015 were, however, mainly derived from discontinued operations – the trading of tiles and engineering operations products. As such, management believes that it is not meaningful to include a narrative discussion to compare the performance and changes of the Group on a year-over-year basis.

Business Review

The Group's gaming and hotel operations are conducted through its 60% equity interest in 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").

G1 Entertainment holds development rights on two parcels of land in the Primorsky Krai Integrated Entertainment Zone ("IEZ"), namely, Lot 9 and Lot 10. 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 and expect to open the first stage of our Phase II for operations in the second half of 2019.

Update on operations of Tigre de Cristal

Since the publication of our Interim Results Announcement for the 6 months ended 30 June 2016, Tigre de Cristal has continued to ramp up its business and has maintained fairly consistent rolling chip and mass gaming business through the winter months despite some decreases in seasonal flight connectivity and the inclement weather. We expect to resume the ramp up and growth trajectory in both rolling chip and mass gaming business as the flights increase during the spring and summer months. Tigre de Cristal expects to maintain its first-mover and monopoly position as the only integrated resort in the Russian Far East until at least 2019.

The Company has maintained its stringent cost controls and optimisation of operations. Currently, more than 97% of our full time employees are local Russian citizens.

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; and
- A recently opened jewelry store, and we are targeting a May opening for our convenience store, cosmetics shop, and high-end diamond and luxury watch boutique.

Hotel occupancy has remained stable – weekends are at or close to 100% occupancy, and weekdays are at or close to 50%. Food and beverage covers have continued to increase in line with the optimisation of F&B offerings.

The "Cristal Broadway" talent competition held over the summer months was a rousing success and drove further increases in visitation, in particular from Russian locals. On the evenings of the competition, visitation to the mass gaming floor rose to over 1,500.

The opening of the expressway between the Vladivostok International Airport and the IEZ in late August 2016 was also a positive factor to our visitation as it decreased the travel time and increased the comfort of the travel experience from both the airport and the city of Vladivostok to the IEZ. Overseas visitors can now reach Tigre de Cristal in around 15 minutes by car via congestion-free dual carriageways from the moment they exit the Vladivostok International Airport.

Financial Review

Pro forma Adjusted EBITDA of Oriental Regent for the year ended 31 December 2016

Adjusted EBITDA is used by management as the primary measure of operating performance of our gaming and hotel operations. Adjusted EBITDA is defined as net income including adjustment for management fee payable to the holding company, depreciation and amortisation, interest, and taxes. Oriental Regent generated an Adjusted EBITDA of HK$131.5 million in 2016 (2015: HK$14.3 million) as a result of operation of Tigre de Cristal. The following table sets forth a reconciliation of the Adjusted EBITDA of Oriental Regent for the year ended 31 December 2016 to the reported profit for the year attributable to owners of the Company.

Reconciliation of Adjusted EBITDA of Oriental Regent to the Group's profit for the year ended 31 December 2016 attributable to owners of the Company as shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

		2016 HK$'000
Adjusted EBITDA of Oriental Regent		**131,510**
Add:	Management fee payable to the Company	**11,564**
	Bank interest income of the Company	**948**
Less:	Company corporate expenses	**(22,202)**
		121,820
Contra items attributable to change in Group consolidation methodology:		
Less:	EBITDA of Oriental Regent from 1 January to 14 April 2016	**(12,435)**
	Share of losses of joint ventures from 1 January to 14 April 2016	**(17,070)**
		92,315
Notional non-cash items:		
Add:	Imputed interest income from loans to joint ventures	**12,765**
	Net exchange gains	**2,900**
	Gain on deemed disposal of interest in a joint venture	**20,180**
	Profit for the year from discontinued operations	**2,607**
Less:	Notional finance costs	**(32,532)**
	Depreciation and amortisation	**(86,916)**
	Notional share-based compensation benefits	**(14,786)**
Non-recurring write-offs relating to construction		**(1,889)**
Loss for the year of the Company		**(5,356)**
Add:	Loss for the year attributable to non-controlling interests	**5,915**
Profit for the year attributable to owners of the Company per Consolidated Statement of Profit or Loss and Other Comprehensive Income		**559**

Gaming Revenue of Tigre de Cristal

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

Rolling chip business

Our rolling chip turnover has seen substantial improvement since the commencement of business in November 2015 and dramatically increased following the start of two fixed-room operators in late June 2016.

The table below sets forth the key performance indicators of our rolling chip business from the fourth quarter of 2015 to the first quarter of 2017.

	2015	**2016**				**2017 (Unaudited)**
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1***
(HK$' million)						
Rolling chip turnover	570	1,335	2,121	5,648	4,977	3,457
Gross win	28	42	82	240	140	164
Less: Rebate	(13)	(24)	(46)	(158)	(106)	(118)
Net win after rebate	15	18	36	82	34	46
Daily average number of tables opened	9	8	9	13	12	12

* The figures are only given up to 30 March 2017, the latest practicable date

The drop in rolling chip turnover in 2016Q4 and 2017Q1 as compared to 2016Q3 was primarily due to the seasonality of our business, stemming from the stoppages of commercial flights from cities such as Shanghai and Dalian in the winter season. We expect the seasonality effect of our rolling chip business to become less pronounced over the next few years as the Russian Government's various initiatives to develop Vladivostok into a winter tourist destination start to bear fruit.

Mass table business

The table below sets forth the key performance indicators of our mass table business from the fourth quarter of 2015 to the first quarter of 2017.

	2015	**2016**				**2017 (Unaudited)**
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1***
(RUB' million)						
Total table drop	1,160	1,193	1,101	1,027	947	976
Table net win	243	314	241	213	240	187
Daily average number of tables opened	25	23	22	21	20	20

* The figures are only given up to 30 March 2017, the latest practicable date

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

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

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

Slot business

Our slot business primarily targets the local Russian market. The ramp up of the slots business since opening has been satisfactory. During the year, there were 319 slot machines in operation at Tigre de Cristal and the table below sets forth the key performance indicators from the fourth quarter of 2015 to the first quarter of 2017:

	2015		**2016**			**2017 (Unaudited)**
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1***
(RUB' million)						
Total slot handle	2,014	3,139	2,840	4,093	3,721	3,085
Slot net win	146	214	185	234	212	165

* The figures are only given up to 30 March 2017, the latest practicable date

Tax

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

G1 Entertainment has an exemption from the Russian corporate tax on profit generated from gaming operations. Gaming tax in the Russian Federation is not based on gross gaming revenue but determined by applying a fixed monthly rate to the number of gaming tables and slots. The monthly rates per table and per slot applicable to the Group are currently RUB125,000 and RUB7,500 respectively.

As for non-gaming revenues, G1 Entertainment is subject to the Russian corporate tax rate which currently stands at 20%. No Russian corporate tax has been paid as the Group thus far has no assessable profit related to non-gaming.

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

Equity attributable to owners of the Company as at 31 December 2016 was HK$1,196.1 million, an increase of HK$357.9 million or 43% compared with HK$838.2 million as at 31 December 2015. The increase was mainly attributable to the re-measurement of the previously held equity interest in Oriental Regent at its fair value on 14 April 2016 after the results of Oriental Regent were consolidated into the financial statements of the Group, as mentioned in the section on "Group Restructuring".

The Group continues to maintain a strong financial position with no borrowings throughout the year ended 31 December 2016, except for the non-interest bearing loans of HK$286.2 million measured at amortised cost from the non-controlling shareholders of Oriental Regent.

The Group remains conservative in its working capital management. No credit play has been allowed in Tigre de Cristal since its opening. Our rolling chip, mass table game and slot businesses are conducted on a cash basis, which removes the risk of bad debt problems. Trade receivables for the current year mainly represent outstanding amounts pending settlements by patrons undergoing necessary administrative processing and the amount has been fully settled subsequent to the end of the reporting period. Net current assets of the Group were maintained at HK$290.1 million as at 31 December 2016 (31 December 2015: HK$128.5 million).

As at 31 December 2016, cash and bank balances held by the Group amounted to HK$335.1 million (31 December 2015: HK$130.3 million), of which 42% was denominated in Hong Kong dollar, 9% in Russian ruble and 49% in United States dollar. The increase in cash and cash equivalents was primarily due to cash generated by operating activities of Oriental Regent.

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

	2016	2015
	HK$'000	HK$'000
Net cash from (used in) operating activities	**76,501**	(14,504)
Net cash from (used in) investing activities	**126,704**	(3,955)
Net cash (used in) from financing activities	**(591)**	35,493
Net increase in cash and cash equivalents	**202,614**	17,034
Cash and cash equivalents at beginning of the year	**130,276**	113,242
Effect of foreign exchange rate changes	**2,248**	–
Cash and cash equivalents at end of the year	**335,138**	130,276

Net cash from operating activities of HK$76.5 million in 2016 represents the positive EBITDA contributed by the gaming and hotel operations after the results of Oriental Regent were consolidated by the Group from 14 April 2016. Net cash of HK$14.5 million used in operating activities in 2015 represented the operating loss attributable to the trading of tiles and engineering operations products and the corporate administrative expenses.

Net cash from investing activities of HK$126.7 million for the year ended 31 December 2016 was mainly attributable to the acquisition of subsidiaries amounted to HK$82.5 million and refund of value-added tax of HK$44.8 million from the Russian tax authority. No consideration was actually transferred in the business combination. Net cash of HK$4.0 million used in investing activities in 2015 was mainly attributable to a loan granted to a joint venture engaged in the travel agency business for provision of services to the Group.

Net cash used in financing activities for the year ended 31 December 2016 of approximately HK$591,000 represented primarily the interest payment. The net cash from financing activities of HK$35.5 million in 2015 represented the proceeds from exercise of share options.

Charge on Assets

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

Exposure to Fluctuations in Exchange Rates

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

The majority of our costs incurred by subsidiaries operating in the Russian Federation are denominated in Russian ruble. 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. The Group's other monetary assets, liabilities and transactions are principally denominated either in United States dollar or Hong Kong dollar. Given that Hong Kong dollar is pegged to the United States dollar, exchange rate fluctuation is minimal and hedging against foreign currency exposure is not necessary.

Capital Commitment

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

Contingent Liabilities

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

Employees

As at 31 December 2016, total number of employees employed by the Group was 1,014 after consolidation of Oriental Regent (31 December 2015: 13). The Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs, the Company has a share option program in place and occasionally may grant shares options to directors, employees and consultants of the Group as incentives.

Outlook

While we are pleased that for the most part we were able to achieve our goal of maintaining consistent levels of both rolling chip and mass gaming revenues during the winter months, we also believe that there remain opportunities for us to further ramp up our business in Tigre de Cristal.

The existing factors that have contributed to our ability to maintain our business during the winter months and that are likely to enhance our ability to grow the business going forward are as follows:

– The opening of the expressway between the airport and the IEZ – it now takes only 15 minutes from the airport to the IEZ instead of the former 30-45 minutes.

– Maintenance of most flights from our key foreign feeder markets during the winter months and expected growth in number of flights during the coming peak summer months.

– Continued growth in tourism to Primorye and Vladivostok from key feeder markets due to the promotional efforts of the local tourism authority and the opening of Tigre de Cristal.

– Improvements made to our F&B offerings to cater for the specific tastes and price points of our local and foreign customers.

– Opening of our non-gaming amenities like the spa and karaoke, jewelry store and other upcoming retail offerings.

Other potential factors that may increase our ability to growth the business going forward are as follows:

– Continued improvement in the Russian economy – the Russian ruble has stabilised and started to strengthen, and we surmise that this will lead to increases in the discretionary spending power of local consumers and subsequent improvements in local gaming metrics.

– Further growth in foreign tourist visitation during the summer and winter months in conjunction with increased flights.

– Potential for us to accept foreign banknotes at our cage.

- Simplified visa regime is implemented in the summer of 2017 in accordance to statements made to the press by the government of the Primorsky Krai.

- Additional fixed room operators of rolling chip business commence operation in the coming months.

- Other foreign investors' planned development of non-gaming amenities like a new golf course and expansion plans of an existing nearby ski slope come to fruition.

- More lodging options in the surrounding area become available over the next several months – our sources indicate that the Hyatt Golden Horn in the city of Vladivostok is expected to soft open during the summer of 2017 and there are other resort lodgings comprising of approximately 130 rooms within a 20-minute drive of the IEZ that are also expected to come online this summer.

Above all, the maintenance of our rolling chip business and stable mass local business, combined with disciplined cost controls have enabled Tigre de Cristal to maintain the volume of our business during the winter months. The addition of more non-gaming amenities at the property including improvements to our F&B offerings, additional upcoming retail offerings in our property, improvements in the Russian economy and ongoing growth in tourism to the region bode well for the continued development of our business.

The implementation of the visa free regime, growth in foreign investor interest (in particular from China, South Korea, and Japan) and additional gaming tour operator signings should also assist in the growth of our business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Ho, Lawrence Yau Lung (aged 40)
Chairman and Non-executive Director

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

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

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

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

Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time in 2014 and was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015. In 2016, Mr. Ho was awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the fifth time and was honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" for five consecutive years since 2012.

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

Mr. Wang, John Peter Ben (aged 56)
Deputy Chairman and Executive Director

Mr. Wang has been an Executive Director of the Company since March 2011. He was appointed as Deputy Chairman of the Company in July 2013 and before that, he was the Chairman of the Company from March 2011 to July 2013. He is a director of certain subsidiaries of the Company.

He previously held non-executive directorships in Anxin-China Holdings Limited, MelcoLot 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, 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.

Mr. Tsui Yiu Wa, Alec (aged 67)
Independent Non-executive Director

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

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

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

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

Mr. Pang Hing Chung, Alfred (aged 55)
Independent Non-executive Director

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

Dr. Tyen Kan Hee, Anthony (aged 61)
Independent Non-executive Director

Dr. Tyen has been an Independent Non-executive Director of the Company since March 2011. He is also the chairman of the audit committee and nomination committee and a member of the remuneration committee and corporate governance committee of the Company. He is currently an independent non-executive director of Melco International and China Baofeng (International) Limited (formerly known as Mastercraft International Holdings Limited), both of them are listed on the Hong Kong Stock Exchange, and an independent director of Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market and Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange in Canada. He was previously an independent non-executive director of three Hong Kong listed companies, namely, Value Convergence Holdings Limited, Recruit Holdings Limited (now known as Cinderella Media Group Limited) and ASR Logistics Holdings Limited (now known as Beijing Sports and Entertainment Industry Group Limited). Dr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Taxation Institute of Hong Kong. He is currently a practising certified public accountant in Hong Kong and has over 39 years' experience in auditing, accounting, management and company secretarial practice.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Craig Robertson Ballantyne (aged 67)
Chief Operating Officer – Russian Operations

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

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

Mr. Eric D. Landheer (aged 48)
Director – Corporate Finance and Strategy

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

Mr. Yip Ho Chi (aged 47)
Finance Director

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

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

Compliance of Corporate Governance Code

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 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 2016.

The Board of Directors

Composition of the Board

The board of directors of the Company (the "Board") currently has five members, consisting of one Non-executive Director, Mr. Ho, Lawrence Yau Lung (Chairman), one Executive Director, Mr. Wang, John Peter Ben (Deputy Chairman) and three Independent Non-executive Directors, Mr. Tsui Yiu Wa, Alec, Mr. Pang Hing Chung, Alfred and Dr. Tyen Kan Hee, Anthony. Biographies of the directors of the Company (the "Directors") are contained in the section headed "Biographical Details of Directors and Senior Management" set out on pages 13 to 16 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. Ho, Lawrence Yau Lung, is responsible for setting the Group's strategy and ensuring the Board is functioning properly. The Deputy Chairman and Executive Director, Mr. Wang, John Peter Ben, supported by management, is responsible for managing the Group's business, including implementing the Group's strategies, making day-to-day decisions and managing business operations. The division of the responsibilities between the Chairman and the Deputy Chairman has been established and set out clearly in writing.

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

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

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

Every Director will retire once every three years. This year, Mr. Wang, John Peter Ben and Mr. Pang Hing Chung, Alfred, will retire and will offer themselves for re-election at the forthcoming annual general meeting. The biographies of Mr. Wang and Mr. Pang have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

Board diversity policy

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

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

Directors' training

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

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company has invited Deloitte Touche Tohmatsu to provide a seminar to our Directors on the topic of "New Requirements on Risk Management and Compliance Approach and ESG Reporting". 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 of 2016 is set out below:

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

Board meetings

The Directors met five times during 2016. In addition, the Chairman met the Non-executive Directors once without the presence of the Executive Director.

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

Board and committee attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meetings during the year ended 31 December 2016 are as follows:

	No. of meetings attended/held					
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**Corporate Governance Committee meeting**	**Annual general meeting**
Mr. Ho, Lawrence Yau Lung*	5/5	–	–	–	–	1/1
Mr. Wang, John Peter Ben#	4/5	–	–	–	–	0/1
Mr. Tsui Yiu Wa, Alec+	5/5	2/2	1/1	1/1	1/1	1/1
Mr. Pang Hing Chung, Alfred+	5/5	2/2	–	–	–	1/1
Dr. Tyen Kan Hee, Anthony+	5/5	2/2	1/1	1/1	1/1	1/1
Average Attendance Rate	**96%**	**100%**	**100%**	**100%**	**100%**	**80%**

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

Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2016.

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 2016.

Directors' and officers' insurance

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

Delegation by the Board

Management functions

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

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

The management, under the leadership of the Deputy Chairman and Executive Director, is responsible for implementing the strategies and plans established by the Board. To ensure effective discharge of the Board's responsibilities, the management submits monthly, quarterly and annual operations reports to the Board. 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 112 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. 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. To align with the amendments made to the CG Code relating to risk management and internal control, the terms of reference of the Audit Committee were revised and are published on the Company's website under the section headed "Corporate Governance".

The members of the Audit Committee met twice during the year and:

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

(2) Nomination Committee

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

The members of the Nomination Committee met once during the year and:

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

(3) Remuneration Committee

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

The members of the Remuneration Committee met once during the year and reviewed the remuneration of Directors and senior management of the Company.

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

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 to review the Company's compliance with the CG Code and training and continuous professional development of Directors and senior management.

Company Secretary

The Company Secretary supports the Board and Board committees and facilitates good information flow between them and the Company's management. During the year, the Company has engaged Mr. Leung Hoi Wai, Vincent, an external secretarial service provider. Mr. Leung has been the Company Secretary of the Company since December 2015. Mr. Leung is qualified as a solicitor in Hong Kong and England and Wales with over 18 years of experience in the legal profession. He reports directly to Mr. Wang, John Peter Ben, the Group's Deputy Chairman and Executive Director. All Directors have access to the Company Secretary's advice and services. Being the primary channel of communications between the Company and the Hong Kong Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Group's corporate governance practices.

During the year, the Company Secretary has complied with the training requirement of the Listing Rules.

Directors' and Auditor's Responsibilities for Accounts

The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining the necessary internal controls system, ensuring 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 45 to 49 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2016, the Group paid and committed to pay to its auditor, Deloitte Touche Tohmatsu, approximately HK$3,128,000 (2015: HK$820,000) for audit services and HK$2,854,000 (2015: HK$108,000) for non-audit services. The non-audit services mainly included interim review and advisory services.

Risk Management and Internal Control

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 2016, 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. 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 2016, there was no change in the Company's constitutional documents.

Shareholders' Rights

Right to convene special general meeting

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

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

Right to put forward proposals at general meetings

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

Right to put enquiries to the Board

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

Procedures for nomination of Directors for election

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

Communication with Shareholders

The Company considers the annual general meeting ("AGM") an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed. The Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2016 AGM and were on hand to answer questions.

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

As an ongoing commitment to generating long-term values to our stakeholders, Summit Ascent Holdings Limited and its subsidiaries (the "Group") have incorporated the principles of sustainable development into our business operation for the sake of the environment, the stakeholders and our operation. Thus, the Group established this Environmental, Social and Governance ("ESG") report to provide our stakeholders with the information of our ESG policies, initiatives and performance of our main business operation, Tigre de Cristal, the integrated resort in Vladivostok, the Russian Federation for the year ended 31 December 2016 (the "Reporting Period"), in accordance with the approach, reporting principles and the "comply or explain" provisions as set out in Appendix 27 of the Main Board Listing Rules.

The Board is responsible for our ESG strategy and reporting, which include evaluating and determining our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We have engaged our major stakeholders across various business functions to assess the materiality of ESG issues to the Group, as well as to provide information to compile this ESG report. Material ESG issues of the Group covered in this ESG report are as below.

Environmental Aspects

Emissions

As a responsible corporate citizen, the Group strives to enhance the sustainability of our operation by meeting and exceeding the requirements of all applicable environmental legislations, regulations and standards.

We take an active role in minimising our emissions, controlling wastewater discharges, managing our waste, and reducing our carbon footprints through various means such as incorporating green practices into our operation, upgrading our facilitates, motivating suppliers and contractors to implement environmental measures, enhance environmental awareness of our employees and encourage their daily participation in the continuous improvement of environmental protection.

Improving 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 our people. As a result, we have performed regular 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 limited designated smoking areas to reduce the effects of cigarette smoke such as respiratory diseases.

Apart from the indoor air quality, we are also aware of the air emissions generated from our motor vehicles for transportation of customers and employees. To reduce the vehicles emissions, we have chosen the vehicles which meet the European Emission Standards and have carefully designed the transportation schedules to avoid rush hours.

Controlling wastewater discharges

To control the impact of the wastewater discharged from our operation, the Group has heavily involved in the establishment of a sewage treatment plant with the local government to process sewage and has closely monitored our sewage discharges. We have also engaged licensed vendors to operate the plant and measure the level of chemicals contained in discharged water on a regular basis.

Waste management

"Reduce", "Reuse" and "Replace" principles have been integrated into our operation by developing electronic platform to reduce printed materials, placing recycling facilities in our property as well as conducting various staff and guest education programmes for waste management. Non-hazardous waste were collected and handled by a licensed contractor. Due to our business nature, no significant hazardous waste are produced during the Reporting Period.

As food waste is one of the major types of waste produced from our food and beverage operation, we continually make improvements on our procurement planning process to avoid ordering excessively. We have deployed an interface between the Point of Sale System for restaurants and Material Control System for procurement to allow a more accurate consumption monitoring to control our purchases to minimise wastage. Also, we have adopted waste sorting in our operation such as cooking oil, batteries, light tubes, and construction waste, before they are collected by licensed contractors.

Carbon footprints

To help mitigate climate change, we take proactive steps to reduce our carbon footprint by controlling our use of energy, which is the major contributor of our carbon emission. Please refer to "*Use of Resources*" for our details of energy saving initiatives.

During the Reporting Period, the Group has not identified any material cases of non-compliance with environmental laws and regulations of Hong Kong and the Russian Federation.

Use of Resources

To ensure we use the resources in an environmentally friendly manner, the Group has adopted the following principles:

- 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 resources should be raised among our employees and guests; and
- Resource-saving measures, technologies and equipment should be deployed as possible and should be regularly reviewed to evaluate their applicability.

During the Reporting Period, we have conducted the following actions in different aspects of our business operation in saving energy and water consumption.

We have launched a Building Management System 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.

To reduce the electricity consumption, each of our guest rooms has been equipped with a room key card power switch to automatically turn off the electricity supply of the room when it is not in use. Furthermore, we have made use of heat exchangers in our chiller system to produce hot water instead of burning liquefied petroleum gas (LPG). In addition, we have installed a light-emitting diode (LED) lighting, a highly energy efficient lighting technology, in all guest areas of our property to reduce energy consumption.

In respect of water efficiency, we have carried out the initiatives as below:

- Water-saving housekeeping practices have been in place to avoid unnecessary towel and bedsheet changes and maintain a high hygiene standard at the same time;
- Reminder messages have been placed inside our guestrooms and offices to raise water-saving awareness; and
- Sensors have been installed in washrooms to control water outflow.

Note: No significant packaging materials were consumed in our operations during the Reporting Period therefore the related disclosures are not applicable.

The Environment and Natural Resources

To manage different environmental risks arising from our operation, the Group has developed a corporate-wide Environmental Management System ("EMS"). The EMS enables us to identify, assess, prioritise, and respond to various environmental risks. Based on the risks identified and assessed, we formulate an environmental action plan including expected outcomes, timelines and responsible personnel.

For the Reporting Period, we were aware that our property development project in Vladivostok required the removal of trees in certain parts of our site. To mitigate the impact, we have drawn up a plan for tree planting and gardening in order to restore the natural environment. We have also employed professionals to help us to design a landscape layout to avoid unnecessary damages on soil and the ecosystem.

We have also identified that the external lighting of our building may affect the nearby community. To tackle this, we have assessed the impact and regularly measured the light levels to determine whether a dimming system to control the light power should be used.

Social Aspects

Employment

Equal opportunities

To promote equal opportunities in the workplace, the Group has developed a number of standard operating procedures to govern human resources management. Those procedures articulate systematic and objective approaches to manage different areas of human resources 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 irrelevant personal characteristics such as age, gender, pregnancy, race and skin colour. We also encourage internal recruitment and provide our people with fair and equal opportunities to develop the careers according to their own interest and strengths.

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. Our remuneration packages consist of basic salary, bonus, overtime pay, contributions to employees' provident fund and a share option scheme for qualified directors and employees of the Group. Moreover, 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 leaves specified by the Labour Code of the Russian Federation.

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 to our employees in times of need, such as during severe illness and bereavement, to help them overcome hardships.

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:

- Chief Operating Officer's quarterly business blog to communicate the key objectives, operation results and latest strategic plans;
- Information boards and e-mail newsletter to inform employees of current and upcoming events in the Group and important announcements;
- Comment boxes to provide employees with a channel to give feedback on the Group's operation; and
- Sponsorship for our own football team in a local football league in Vladivostok.

In addition, we will develop more ways to connect our people in the coming future such as internal portal, human resource brand development, multipurpose projects with colleges and universities, outstanding employee awards of the quarter.

During the Reporting Period, the Group has not identified any material cases of non-compliance with employment-related laws and regulations of Hong Kong and the Russian Federation.

Health and Safety

The Group has a long-standing commitment to building a healthy and safe working environment for our people. To this end, we have developed and implemented the following workplace health and safety principles:

- None of the employees, including the management, can take any actions to put our people's safety at risk;
- Employees are required to take active part in maintaining healthy and safe working conditions 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 Russian sanitation and hygiene standards such as Russian National Standards (GOST), Industry Specific Standards (OST), Sanitary Norms and Regulations (SanPin);
- Employees are obligated to complete relevant trainings and certifications on workplace safety as required by laws and regulations before taking up their job duties;
- Employees should be provided with adequate personal protective equipment and sanitary clothes for their job duties; and
- All work injuries and accidents, if any, should be investigated and reported in a timely manner.

During the Reporting Period, the Group has not identified any material cases of non-compliance with occupational health and safety-related laws and regulations of Hong Kong and the Russian Federation.

Development and Training

The skills and knowledge of our talents are of vital importance to the sustainable growth of the Group. Hence, we have developed corporate training programmes and departmental training programmes. Our corporate training programmes cover a wide range of subjects including supervisory skills, mentoring techniques, management approaches and language skills while each of our departments is required to set training targets and develop their own professional training programmes based on operational needs such as hospitality and food handling skills.

To ensure that our employees have an understanding of the Group as well as their relevant responsibilities, we conduct induction training for all new joiners in order to help them understand the Group's structure, history, values, interaction between departments, general internal policies and the importance of themselves in the growth of our organisation.

Other than internal training, we also encourage our employees to attend external professional training programmes and obtain relevant qualifications for career development. Accordingly, we will sponsor employees who attend the external trainings in relation to their job duties as considered appropriate.

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

Labour Standards

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 Hong Kong Employment Ordinance and Russian Federation Labour Code.

During the Reporting Period, the Group has not identified any material cases of non-compliance with the prevention of child and forced labour-related laws and regulations of Hong Kong and the Russian Federation.

Supply Chain Management

The Group seeks to select environmentally and socially responsible suppliers and therefore, apart from quality of goods and services and suppliers' reputation, our supplier evaluation criteria also focus on their environmental and social performance by assessing their participation in and contribution to the environmental protection and society such as waste management, volunteer programmes and staff education. On top of that, we highly prefer the suppliers certified by International Organisation for Standardisation (ISO) standards related to 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 management, we have established a fair and transparent quotation or tendering process. Our quotation or tendering process includes at least three suppliers each time to avoid inadequacy or no competition and suppliers which meet our requirements of goods and services quality, and relevant environmental and social measures with the best price offer are selected. Furthermore, the Group regularly evaluates suppliers' performance and requires suppliers to take remedial measures once we note any of their non-compliance with our requirements.

Product Responsibility

Enhancing customers' 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 an extensive training programmes for our frontline staff to equip them with appropriate service manner along with communicating our expectation of their service quality. Besides, we collect our customers' feedback and follow up on their opinions in accordance with our internal protocol on a timely basis. The results will be subsequently communicated to relevant employees as a part of their development and performance evaluation processes.

Physical security and food safety

The Group aims at providing a safe and hygienic environment to our guests and 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 comply with and exceed the regulatory requirements such as Russian National Standards (GOST), Industry Specific Standards (OST), Sanitary Norms and Regulations (SanPin), as well as international standards such as Hazard Analysis and Critical Control Points (HACCP) principles;
- To provide adequate emergency support for customers including 24-hour clinical services, first aid, life-saving equipment and ambulance services; and
- To organise trainings regularly to remind our employees the importance of physical security and food safety and promote best practices.

Responsible gaming

Tigre de Cristal holds a gaming license awarded by the Administration of the Primorye Region to conduct gaming activities in the Integrated Entertainment Zone of the Primorye Region of the Russian Federation, 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". Although there is no regulatory requirements for gaming operators in the Russian Federation on controlling problem gambling, the Group, as a responsible company, strives to promote the idea of 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 our responsible gaming slogan of "Winner Knows When To Stop" to our customers.

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. We only request the minimal personal information on a necessary basis and only authorised personnel with dedicated roles and responsibilities related to the purpose of data collection are permitted to assess the customers' data.

With respect to data security, the Group has established information security policies and has deployed various measures including CCTV, physical locks and firewall to protect our servers from cyber-attack and unauthorised access.

During the Reporting Period, the Group has not identified any material cases of non-compliance with health and safety, date privacy, customer and gaming service-related laws and regulations of Hong Kong and the Russian Federation.

Anti-corruption

The Group is committed to achieving the highest standards of business ethics and has 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 to ensure such risks are properly mitigated. We have also established guidelines and communicate our expectation to all of our people. We also adhere to all local and national laws and regulations, especially Federal Law No. 273-FZ "About 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, and work with relevant authorities to eliminate unethical behaviour. Our staff, guests and suppliers can report any potential misconduct they observe in our operation through an anonymous whistle-blowing channel and all of the cases will be independently investigated.

During the Reporting Period, the Group has not identified any material cases of non-compliance with corruption-related laws and regulations of Hong Kong and the Russian Federation.

Community Investment

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 1,000 jobs in Vladivostok. Also, we have enforced a local procurement policy to support the business development of the city in which we operate, and we have also created further opportunities for employment and improving the level of income of our supplier chain partners.

The Group also supported our local government by donating office equipment and furniture to its Immigration Office after a fire accident to help it resume the operation in a timely manner and provided support to the 2016 Eastern Economic Forum held in Vladivostok. Moreover, we also participated in tourism expos in Korea and Japan to promote the wonderful city of Vladivostok.

For our community, the Group has supported various local activities including disaster relief programme for flood victims, "Save The Tiger" campaign to protect endangered tiger species and food sponsorship for marathon and job fair in a local university. To show our care for the underprivileged, we sent Christmas gifts to a local orphanage and planned to launch an orphanage and disabled child sponsorship programme in 2017.

REPORT OF THE DIRECTORS

The Directors have 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 2016.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are shown in note 35 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 7 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 December 2016, including uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out on pages 11 to 12 of this annual report and the paragraphs below.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-Year Summary on page 111 of this annual report.

In addition, discussions on the Group's environmental policies and relationships with its employees, shareholders, suppliers and customers and compliance with the relevant laws and regulations are set out in the Environmental, Social and Governance Report on pages 25 to 31 of this annual report.

Key Risks and Uncertainties

Sensitive to the diplomatic relationship, policies and measures adopted by the governments of the Russian Federation and its neighbouring countries

The Group's primary revenue is generated from its operation of an integrated resort, with a significant contribution from the Asian VIP segment which is heavily relied on the consumption of high-end gaming customers from the neighbouring countries of the Russian Federation. The diplomatic relationship, policies and measures adopted from time to time by the Russian Federation governments and its neighbouring countries, such as foreign exchange control, visitor visa control and anti-corruption regime, has major impact on the Group's business, financial condition, results of operations, as any adverse changes might result in a reduction of visitation and capital flow from neighbouring countries to the Russian Federation.

Changes of the Russian gaming regime and policies

The government of the Russian Federation has granted the Group a gaming license to conduct gaming activities in the Integrated Entertainment Zone of the Primorye Region of the Russian Federation ("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", in conjunction with relatively low gaming tax offering and minimum gaming regulations. However, these favorable policies can be altered to an unfavorable direction if significant changes happen to the leader of the Russian Federation and his government or its regimes. This could have an adverse effect on its operation, resulting in financial loss and decline in business performance.

Pressure to improve customer experience

With the increasing demand of customers in diversified leisure and entertainment experience provided by integrated resorts, gaming and hotel operators are under pressure to provide diversified gaming experience and greater non-gaming amenities, including hotel, entertainment, retail and dining facilities, to meet the expectation of customers as well as to strengthen customer spending in addition to the gaming revenues. Failure to provide quality services with the right mix of gaming and non-gaming leisure and entertainment offer by the Group in meeting the expectation of customers may reduce the frequency of customer's visitation to the property, which leads to an adverse effect on the Group's business, financial condition and results of operations.

Increase in competition

The gaming and gaming-related businesses in the IEZ are expected to be competitive and the Group could encounter intense competition as other gaming operators could open new projects in the IEZ in the future. The Group currently only secured Lots 9 and 10 in the IEZ for the gaming and hotel operations while there are a number of other lots in the IEZ designated for gaming operations, which could be taken up and run by potential competitors of the Group. The potential opening of additional integrated resorts by competitors may result in a significant increase in gaming tables and slot machines as well as hotels, other entertainment and convention centre facilities, services and amenities in the IEZ, which will intensify competition in the IEZ. The demand for gaming facilities may not increase in line with or may outpace the supply of gaming tables and slot machines in the future. Besides, the Group also faces greater competition from the opening of new integrated resorts by competitors in other destinations such as South Korea, Macau and other Asian locations, which may exert pressure on the Group's business and development.

Sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending

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

The financial risk management objectives and policies of the Group are set out in note 30 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 50 to 51 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

Closure of Register of Members for Annual General Meeting

The annual general meeting of the Company is scheduled to be held on Friday, 9 June 2017. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 6 June 2017 to Friday, 9 June 2017 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 June 2017.

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 111 of this annual report.

Share Capital

Details of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements.

Pre-emptive rights

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

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements, respectively. As at 31 December 2016, no reserve was available for distribution to the owners of the Company (31 December 2015: Nil).

Major Customers and Suppliers

In 2016, sales to the Group's five largest customers accounted for almost 46% of the total revenue for the year and revenue generated from the largest customer included therein amounted to 31%.

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

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

Directors

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

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

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

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

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

Biographical details of the Directors as at the date of this report are set out on pages 13 to 15 of this annual report.

Directors' Service Contracts

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

Permitted Indemnity Provision

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Controlling Shareholder's Interests in Significant Contracts

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contracts of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "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 Stock Exchange of Hong Kong Limited (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

	Number of ordinary shares held				
Name of Director	**Personal interests**[2]	**Corporate interests**[3]	**Other interests**	**Total**	**Approximate % of total issued shares**
Mr. Ho, Lawrence Yau Lung	20,000,000	371,712,464[4]	–	391,712,464	26.36%
Mr. Wang, John Peter Ben	161,079,980	–	–	161,079,980	10.84%

(b) *Share options granted by the Company*

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

Notes:

1. As at 31 December 2016, the total number of issued shares of the Company was 1,486,017,836.
2. This represents interest held by the relevant Director as beneficial owner.
3. This represents interest held by the relevant Director through his controlled corporation.
4. 371,712,464 shares of the Company are held by Quick Glitter Limited, a company wholly owned by Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by Quick Glitter Limited.
5. Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the section headed "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

Under the Share Option Scheme, the Directors 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.

Principal terms of the Share Option Scheme and other relevant information as required under the Listing Rules are set out in note 28 to the consolidated financial statements.

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

	Number of share options									
				Before granting of Replacement Share Options		After granting of Replacement Share Options				
Category of Participants	As at 1 January 2016	Granted during the year	Exercised during the year	Reclassified during the year[6]	Modified during the year[4]	Reclassified during the year[6]	As at 31 December 2016	Date of grant	Exercise price HK$	Exercise period *(Notes)*
Directors										
Mr. Ho, Lawrence Yau Lung	20,000,000	–	–	–	–	–	20,000,000	10.07.2013	1.73	3
Mr. Tsui Yiu Wa, Alec	1,180,000	–	–	–	–	–	1,180,000	26.08.2011	0.375	2
Mr. Pang Hing Chung, Alfred	1,180,000	–	–	–	–	–	1,180,000	26.08.2011	0.375	2
Dr. Tyen Kan Hee, Anthony	522,000	–	(522,000)	–	–	–	–	26.08.2011	0.375	2
Employees	6,892,000	–	–	920,000	(7,812,000)	–	–	09.12.2014	4.218	–
	–	–	–	–	7,812,000	(920,000)	6,892,000	01.09.2016	1.99	5
Consultants	4,500,000	–	–	–	–	–	4,500,000	10.07.2013	1.73	3
	2,512,000	–	–	(920,000)	(1,592,000)	–	–	09.12.2014	4.218	–
	–	–	–	–	1,592,000	920,000	2,512,000	01.09.2016	1.99	5
Total	**36,786,000**	**–**	**(522,000)**	**–**	**–**	**–**	**36,264,000**			

Notes:

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

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

3. The share options granted on 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. 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 Share Option Scheme, which had not been exercised or lasped 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 Share Option 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 price 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.

5. The Replacement 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.

6. During the year, a consultant of the Group, who was an employee of G1 Entertainment Limited Liability Company, a subsidiary of Oriental Regent Limited ("Oriental Regent"), has become an employee of the Group after Oriental Regent becoming a subsidiary of the Company on 14 April 2016. Subsequently, the employee changed to become a consultant of the Group on 1 November 2016.

7. During the year, no share options were cancelled or lapsed under the Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the date on which the options were exercised were HK$2.44 and HK$2.49 respectively.

Directors' Interests in Competing Business

As at 31 December 2016, 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.

Connected Transactions and Continuing Connected Transactions

During the year, the Group entered into the following connected transactions and continuing connected transactions, which are subject to announcement and reporting requirements but are exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules:

I. Connected Transactions

(1) Second Supplemental Agreement to the Gaming Purchase Contract in relation to the gaming and resort development project in the Russian Federation

Reference is made to (1) the announcement of the Company dated 15 April 2015 regarding a contract (the "Gaming Products Purchase Contract") entered into between Oriental Regent and Dolphin Products Limited (now known as DPD Limited) ("Dolphin Products") in relation to the sale and purchase of a total of 258,680 gaming chips and gaming plaques to be used in the casino and resort complex on Lot 9 within the Integrated Entertainment Zone of the Primorye Region of the Russian Federation (the "Casino"); and (2) the announcement of the Company dated 20 November 2015 regarding a supplemental agreement to the Gaming Products Purchase Contract (the "First Supplemental Agreement") entered into between Oriental Regent and Dolphin Products in relation to the sale and purchase of a total of 16,400 gaming chips and gaming plaques and 2 gaming chip authenticators to be used in the Casino.

On 21 March 2016, Oriental Regent and Dolphin Products entered into a second supplemental agreement to the Gaming Products Purchase Contract (the "Second Supplemental Agreement"), pursuant to which Dolphin Products agreed to sell and Oriental Regent agreed to purchase 25,000 gaming chips and gaming plaques (the "Additional Gaming Product") at a total cash consideration of US$164,495. The Additional Gaming Products will be used in the Casino.

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

Further details of the transactions are set out in the announcements of the Company dated 15 April 2015, 20 November 2015 and 21 March 2016.

(2) Termination of Tiga Equipment Purchase Agreement in relation to the gaming and resort development project in the Russian Federation

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

G1 Entertainment, which is wholly owned by Oriental Regent, is a subsidiary of the Company for the purpose of the Listing Rules. Firich 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. ("FEC"), which is a controlling shareholder of both Tiga Gaming Incorporated ("TGI") and its wholly owned subsidiary Tiga Rus. Therefore, Tiga Rus is a connected person of the Company at the subsidiary level of the Company and the entering into the Tiga Equipment Purchase Agreement constituted a connected transaction under Rule 14A.101 of the Listing Rules.

On 22 March 2016, G1 Entertainment and Tiga Rus entered into a termination agreement (the "Termination Agreement") to terminate the Tiga Equipment Purchase Agreement. Pursuant to the Termination Agreement, Tiga Rus returned to G1 Entertainment all money paid under the Tiga Equipment Purchase Agreement, being RUB34,198,589.12 (equivalent to approximately US$485,000), and G1 Entertainment returned to Tiga Rus the Tiga Equipment. Following the return of money and the Tiga Equipment, neither Tiga Rus nor G1 Entertainment has any claims against each other under the Tiga Equipment Purchase Agreement.

Further details of the transaction are set out in the announcement of the Company dated 22 March 2016.

II. Continuing Connected Transactions

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

On 20 January 2015, Oriental Regent entered into a management services agreement (the "Management Services Agreement") with 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. (the "Services") for the Casino for a term of three years commencing from 20 January 2015.

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, which owns 25% of the total number of issued shares of Oriental Regent, is a substantial shareholder of Oriental Regent and hence is a connected person of the Company. Firich is a wholly owned subsidiary of FEC, 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 years ending 31 December 2015, 2016 and 2017 are HK$29,000,000, HK$70,000,000 and HK$95,000,000 respectively. For the year ended 31 December 2016, there was no transaction between TGI and Oriental Regent under the Management Services Agreement.

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.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2016, which do not constitute connected transactions under the Listing Rules, are disclosed in note 34 to the consolidated financial statements.

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

As at 31 December 2016, the following persons/corporations had interests in five per cent or more of the issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	Approximate % of total issued shares	Note(s)
Quick Glitter Limited	Beneficial owner	371,712,464	–	25.01%	2
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	371,712,464	–	25.01%	2
	Beneficial owner	20,000,000	20,000,000	2.69%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	391,712,464	20,000,000	27.71%	3, 4
Mr. Wang, John Peter Ben	Beneficial owner	161,079,980	–	10.84%	–

Notes:

1. As at 31 December 2016, the total number of issued shares of the Company was 1,486,017,836.

2. Quick Glitter Limited is wholly owned by Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares of the Company held by Quick Glitter Limited.

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

4. Regarding the interests of Mr. Ho, Lawrence Yau Lung in the underlying shares of the Company (in respect of the share options granted by the Company), please refer to the section headed "Directors' interests in shares, underlying shares and debentures" in this report.

Save as disclosed above, as at 31 December 2016, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Equity-linked Agreements

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Management Contracts

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

Sufficiency of Public Float

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

Corporate Governance

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

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 17 to 24 of this annual report.

Emolument Policy

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

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Particulars of the emoluments of Directors on a named basis for the year are set out in note 13 to the consolidated financial statements.

The Company has adopted a share option scheme as an incentive to Directors, employees and consultants of the Company. Details of the scheme are set out in note 28 to the consolidated financial statements.

Audit Committee

The Company has an Audit Committee, which was established for the purpose of reviewing and supervising over the Group's financial reporting process and overseeing the Group's risk management and internal control systems.

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

Charitable Donations

During the year, the Group did not make any charitable and other donations (2015: Nil).

Auditor

The consolidated financial statements for the year ended 31 December 2016 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, 31 March 2017

Deloitte. 德勤

TO THE SHAREHOLDERS OF SUMMIT ASCENT HOLDINGS LIMITED
(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 50 to 110, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 (the "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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Acquisition of Oriental Regent Limited ("Oriental Regent")	
We identified the acquisition of Oriental Regent as a key audit matter due to the significant judgement involved in determining the fair value of the identifiable assets acquired and liabilities assumed, including any separately identified intangible assets. As disclosed in note 33 to the consolidated financial statements, the Group obtained control over Oriental Regent after certain amendments to the original investment agreements. Oriental Regent was previously a joint venture of the Group. The acquisition has been accounted for by determining the fair value of assets acquired and liabilities assumed, including intangible assets. The acquisition resulted in the recognition of goodwill of approximately HK$8,525,000 and operating right (included in property, operating right and equipment) and a fair value increase in property, operating right and equipment of approximately HK$726,444,000. The fair value of the intangible assets separately identified is measured using the income approach methodology and the Group engaged an independent professional valuer to perform such valuation. The income approach methodology is based on the cash flow projection for the Group and requires the estimation of key assumptions including future revenue, growth rates, tax rates, discount rates, and asset lives which affect the purchase price allocation ("PPA").	Our procedures in relation to acquisition of Oriental Regent included: • Understanding how the Group's management has identified the intangible assets arising from the business combination, the valuation model adopted, and assumptions used in the estimation; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Engaging our internal valuation specialist to evaluate the appropriateness of the valuation and checking its mathematical accuracy as well as to assess the appropriateness of the discount rate used, and perform sensitivity analyses on the discount rate; • Evaluating the appropriateness of the key assumptions and inputs for the income approach methodology such as future revenues, growth rates, tax rates and discount rates in the model; • Comparing management's expectations for the market development to industry growth forecasts and past performance; and • Challenging the valuation techniques and reasonableness of the significant inputs on valuation of assets held by Oriental Regent to entity-specific information and market data to assess the appropriateness of these judgments and estimation.

Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matters
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$299,558,000 for the year ended 31 December 2016 representing over 93% 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 a sample 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 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.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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.

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
31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000 (Restated)
Continuing operations			
Revenue from gaming and hotel operations	5	**323,286**	–
Other income	6	**20,080**	43,464
Gaming tax and special levies		**(10,331)**	–
Inventories consumed		**(8,258)**	–
Marketing and promotion expenses		**(16,883)**	–
Employee benefits expenses		**(119,013)**	(47,149)
Depreciation and amortisation		**(86,916)**	(140)
Other expenses and losses	8	**(80,506)**	(10,654)
Gain on deemed disposal of interest in a joint venture	33(i)	**20,180**	–
Finance costs	9	**(32,532)**	–
Share of losses of joint ventures		**(17,070)**	(68,727)
Loss before taxation		**(7,963)**	(83,206)
Income tax expense	10	**–**	–
Loss for the year from continuing operations	11	**(7,963)**	(83,206)
Discontinued operations			
Profit (loss) for the year from discontinued operations	12	**2,607**	(2,159)
Loss for the year		**(5,356)**	(85,365)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Share of exchange differences of a joint venture, which may be reclassified subsequently to profit or loss		**–**	(157,298)
Reclassification adjustment of translation reserve upon deemed disposal of interest in a joint venture		**342,284**	–
Total comprehensive income (expense) for the year		**336,928**	(242,663)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(2,048)**	(83,206)
– from discontinued operations		**2,607**	(2,159)
Profit (loss) for the year attributable to owners of the Company		**559**	(85,365)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(5,915)**	–
– from discontinued operations		**–**	–
Loss for the year attributable to non-controlling interests		**(5,915)**	–
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**342,843**	(242,633)
Non-controlling interests		**(5,915)**	–
		336,928	(242,663)
		HK cent	HK cents (Restated)
Earnings (loss) per share	16		
From continuing and discontinued operations			
Basis		**0.04**	(5.79)
Diluted		**0.04**	(5.79)
From continuing operations			
Basis		**(0.14)**	(5.64)
Diluted		**(0.14)**	(5.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, operating right and equipment	17	**1,658,383**	280
Long-term prepayments	18	**13,533**	–
Goodwill	33	**8,525**	–
Intangible assets		**168**	–
Interests in joint ventures	19 & 33	**613**	324,404
Loans to joint ventures	19 & 33	**1,572**	385,049
		1,682,794	709,733
Current assets			
Inventories	20	**4,462**	17
Trade and other receivables	21	**27,999**	1,443
Amounts due from joint ventures		**–**	2,241
Bank balances and cash	22	**335,138**	130,276
		367,599	133,977
Current liabilities			
Trade and other payables	23	**71,838**	5,467
Amount due to a related party	24	**4,156**	–
Obligations under finance leases – due within one year		**1,516**	–
		77,510	5,467
Net current assets		**290,089**	128,510
Total assets less current liabilities		**1,972,883**	838,243

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary	25	**286,240**	–
Provision for value-added tax arrangements	26	**54,932**	–
Obligations under finance leases			
– due after one year		**800**	–
		341,972	–
Net assets		**1,630,911**	838,243
Capital and reserves			
Share capital	27	**37,150**	37,137
Reserves		**1,158,918**	801,106
Equity attributable to owners of the Company		**1,196,068**	838,243
Non-controlling interests		**434,843**	–
Total equity		**1,630,911**	838,243

The consolidated financial statements on pages 50 to 110 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Ho, Lawrence Yau Lung
DIRECTOR

Wang, John Peter Ben
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	36,578	1,162,842	(184,986)	146,087	(158,190)	1,002,331	–	1,002,331
Loss for the year	–	–	–	–	(85,365)	(85,365)	–	(85,365)
Share of exchange differences of a joint venture	–	–	(157,298)	–	–	(157,298)	–	(157,298)
Total comprehensive expense for the year	–	–	(157,298)	–	(85,365)	(242,663)	–	(242,663)
Exercise of share options	559	122,397	–	(87,463)	–	35,493	–	35,493
Recognition of equity-settled share-based payments	–	–	–	43,082	–	43,082	–	43,082
At 31 December 2015 and 1 January 2016	37,137	1,285,239	(342,284)	101,706	(243,555)	838,243	–	838,243
Profit (loss) for the year	**–**	**–**	**–**	**–**	**559**	**559**	**(5,915)**	**(5,356)**
Reclassification adjustment of translation reserve upon deemed disposal of interest in a joint venture	**–**	**–**	**342,284**	**–**	**–**	**342,284**	**–**	**342,284**
Profit and total comprehensive income (expense) for the year	**–**	**–**	**342,284**	**–**	**559**	**342,843**	**(5,915)**	**336,928**
Acquisition of subsidiaries *(Note 33)*	**–**	**–**	**–**	**–**	**–**	**–**	**440,758**	**440,758**
Exercise of share options	**13**	**298**	**–**	**(115)**	**–**	**196**	**–**	**196**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**14,786**	**–**	**14,786**	**–**	**14,786**
At 31 December 2016	**37,150**	**1,285,537**	**–**	**116,377**	**(242,996)**	**1,196,068**	**434,843**	**1,630,911**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(5,356)**	(85,365)
Adjustments for:			
Share-based payments expense		**14,786**	43,082
Share of losses of joint ventures		**17,070**	68,727
Depreciation and amortisation		**86,916**	140
Finance costs		**32,532**	–
Imputed interest income from loans to joint ventures		**(12,765)**	(40,769)
Bank interest income		**(948)**	(725)
Gain on deemed disposal of interest in a joint venture		**(20,180)**	–
Loss on disposal of property, operating right and equipment		**1,654**	–
Impairment losses recognised on other receivables		**1,889**	–
Gain on disposal of subsidiaries		**(2,607)**	–
Write back of provision for stock obsolescence		**–**	(11)
Operating cash flows before movements in working capital		**112,991**	(14,921)
Decrease in inventories		**395**	16
Decrease in trade and other receivables		**24,349**	19,040
Decrease in trade and other payables		**(61,234)**	(18,639)
Net cash from (used in) operating activities		**76,501**	(14,504)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	33	**82,470**	–
Interest received		**948**	691
Repayment from related parties		**19,298**	–
Proceeds from disposal of property, operating right and equipment		**567**	–
Proceeds from disposal of subsidiaries	12	**190**	–
Value-added tax ("VAT") refunded under VAT arrangements	26	**44,824**	–
Additions on property, operating right and equipment		**(19,298)**	(114)
Advance to a joint venture		**(2,287)**	(1,804)
Addition on intangible assets		**(8)**	–
Loans to joint ventures		**–**	(2,723)
Investment in joint ventures		**–**	(5)
Net cash from (used in) investing activities		**126,704**	(3,955)
FINANCING ACTIVITIES			
Interest paid		**(632)**	–
Repayment of obligations under finance leases		**(155)**	–
Proceeds from exercise of share options		**196**	35,493
Net cash (used in) from financing activities		**(591)**	35,493
Net increase in cash and cash equivalents		**202,614**	17,034
Cash and cash equivalents at beginning of the year		**130,276**	113,242
Effect of foreign exchange rate changes		**2,248**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash		**335,138**	130,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 35. The Group was also engaged in the trading of tiles and engineering operations products which was discontinued in the current year (see note 12).

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")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New And 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 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

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

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 9 *Financial Instruments* (continued)

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the directors of the Company (the "Directors") anticipate that the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Directors performs a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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

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

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

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. 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.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the 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 and operating cash flows respectively.

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.

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

HKFRS 16 *Leases* (continued)

In contrast to lessee accounting, 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 2016, the Group has non-cancellable operating lease commitments of HK$9,394,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence 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 upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the Directors do not expect the application of the new and amendments to HKFRSs in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements.

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 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

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.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

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

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 into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, 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 HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies (continued)

Investment in subsidiaries

Investment in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. Significant Accounting Policies (continued)

Business combinations (continued)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are 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.

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, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in joint ventures

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

3. Significant Accounting Policies (continued)

Interests in joint ventures (continued)

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

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

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

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 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) when the equity method is discontinued.

3. Significant Accounting Policies (continued)

Interests in joint ventures (continued)

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

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Revenue from hotel operations is recognised when services are performed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Gaming tax and special levies

The Group is required to make certain variable and fixed payments to the tax authority in the Russian Federation based on the number of tables and slot machines in its possession. These expenses are reported as "gaming tax and special levies" in the 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)

Leasing

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

The Group as lessee

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

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 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.

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 and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, operating right 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 and equipment under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Significant Accounting Policies (continued)

Property, operating right and equipment (continued)

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.

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

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.

3. Significant Accounting Policies (continued)

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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. 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.

3. Significant Accounting Policies (continued)

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

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

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

Objective evidence of impairment loss on financial assets could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days for the trading of tiles and engineering operations products business and within 10 days after each trip by patrons for 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 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 liabilities and equity instruments

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

Effective interest method

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

Financial liabilities at amortised cost

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

Derecognition

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

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

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.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. 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, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (and attributed to non-controlling interest as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

3. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve. 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.

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 be transferred to retained profits/accumulated losses.

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 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.

Retirement benefit costs

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

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.

Fair value of identifiable assets and liabilities acquired through business combinations

The Group applies the purchase method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

The deemed acquisition of Oriental Regent Limited ("Oriental Regent") for the current year is accounted for as business combination and details of the fair value of the assets acquired and liabilities recognised at the date of deemed acquisition are set out in note 33.

Estimated impairment of trade and other receivables

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 2016, the carrying amount of the Group's trade and other receivables is HK$27,999,000 (2015: HK$1,443,000), net of HK$1,889,000 (2015: Nil) allowance for other receivables.

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

The Group determines the estimated useful lives and related depreciation and amortisation 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 and amortisation 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 under a medium-term lease in the Russian Federation with a lease term of 14 years. Taking into account the Russian legislation and legal advise, 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 at a minimal consideration if the land lease is not extended, to match with the estimated useful life of the buildings of 30 years.

4. Key Sources of Estimation Uncertainty (continued)

Useful lives, amortisation and depreciation and impairment of property, operating right and equipment (continued)

Determining whether certain property, operating right and equipment is impaired requires an estimation of the recoverable amount which is the higher of value in use and fair value less cost 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. During the year, no impairment is recognised in profit or loss. 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 2016, the carrying amount of property, operating right and equipment was HK$1,658,383,000 (31 December 2015: HK$280,000), net of accumulated depreciation and amortisation of HK$87,027,000 (31 December 2015: HK$213,000). No impairment on property, operating right and equipment was recognised for both years ended 31 December 2016 and 2015.

5. Revenue from Gaming and Hotel Operations

	2016 **HK$'000**	2015 HK$'000 (Restated)
Continuing operations		
Revenue from gaming and hotel operations:		
– Gaming operations	**299,558**	–
– Hotel operations	**23,728**	–
	323,286	–

6. Other Income

	2016 **HK$'000**	2015 HK$'000 (Restated)
Continuing operations		
Bank interest income	**948**	725
Imputed interest income from loans to joint ventures	**12,765**	40,769
Management fee income *(Note 34)*	**2,578**	1,963
Others	**3,789**	7
	20,080	43,464

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

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

(a) Trading of tiles and engineering operations products.

(b) Gaming and hotel operations.

After the disposal of the subsidiaries as described in note 12, the trading of tiles and engineering operations products business was discontinued.

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

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

Information about major customers

Included in revenue arising from continuing operations is revenue of approximately HK$101,800,000 (2015: N/A) from the Group's largest customer contributing over 10% of the group's revenue from gaming and hotel operations.

8. Other Expenses and Losses

	2016 **HK$'000**	2015 HK$'000
Security expenses	**10,657**	–
Overseas travel expenses	**7,370**	1,996
Utilities and fuel	**4,903**	33
Travel agency expenses	**6,176**	–
Repair and maintenance expenses	**5,769**	52
Others	**45,631**	8,573
	80,506	10,654

9. Finance Costs

	2016 HK$'000	2015 HK$'000
Imputed interest on payables	**1,321**	–
Imputed interest on loan from non-controlling shareholders of a subsidiary	**22,079**	–
Imputed interest on VAT arrangements	**8,500**	–
Interest on obligations under finance leases	**632**	–
	32,532	–

10. Income Tax Expense

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

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

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

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.

10. Income Tax Expense (continued)

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

	2016 **HK$'000**	2015 HK$'000 (Restated)
Loss before taxation (from continuing operations)	**(7,963)**	(83,206)
Tax at the domestic income tax rate of 20% (2015: Hong Kong Profits tax rate of 16.5%) *(Note)*	**(1,593)**	(13,729)
Tax effect of expenses not deductible in determining taxable profit	**127,274**	7,661
Tax effect of income not taxable in determining taxable profit	**(130,556)**	(7,190)
Tax effect of share of losses of joint ventures	**3,414**	11,340
Tax effect of tax losses not recognised	**1,279**	1,918
Others	**182**	–
Tax expense for the year (relating to continuing operations)	**–**	–

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 upon the acquisition of the gaming and resort business of G1 Entertainment in April 2016. The Hong Kong profit tax rate was used in 2015 prior to the acquisition of G1 Entertainment.

At the end of the reporting period, the Group has unused tax losses of HK$17,771,000 (2015: HK$28,295,000) and HK$331,620,000 (approximately RUB 2,846,159,000) (2015: Nil) 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.

On 30 November 2016, an amendment to the Russian Tax Code was enacted that, effective from 1 January 2017 (i) the limitation regarding the utilisation of loss carryforwards up to 50% of taxable profit in the tax period will expire beginning in 2021; and (ii) the current 10-year carryforward period for losses will be eliminated, hence, it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year from 2021 onwards. Further, losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

Unused tax losses of HK$10,524,000 have been eliminated from tax losses carried forward upon the disposal of subsidiaries during the year (Note 12). Other losses may be carried forward indefinitely.

11. Loss for the Year

	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations		
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remunerations	**812**	636
Share-based compensation benefits to directors	**12,602**	33,633
Salaries, wages, bonus and other benefits, excluding directors	**86,567**	6,334
Contributions to retirement benefits schemes, excluding directors	**17,635**	153
Share-based compensation benefits, excluding directors and consultants	**1,397**	6,393
Total employee benefits expenses (including directors' emoluments)	**119,013**	47,149
Amortisation of intangible assets	**38**	–
Auditor's remuneration	**3,128**	820
Depreciation of property, operating right and equipment	**86,878**	140
Exchange gains, net	**(2,900)**	(8)
Impairment losses recognised on other receivables (including in other expenses and losses)	**1,889**	–
Loss on disposal of property, operating right and equipment	**1,654**	–
Minimum lease payments under operating leases	**1,893**	1,700
Share-based compensation benefits to consultants	**787**	3,056

12. Discontinued Operations

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

12. Discontinued Operations (continued)

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

	2016 **HK$'000**	2015 HK$'000
Loss of trading of tiles and engineering operations products business for the period/year	**(4)**	(2,159)
Gain on disposal of trading of tiles and engineering operations products business	**2,611**	–
	2,607	(2,159)

Analysis of loss for the period/year from discontinued operations

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

	From 1 January to 14 March 2016 **HK$'000**	Year ended 31 December 2015 HK$'000
Revenue	**29**	18,832
Changes in inventories	**(22)**	(18,524)
Employee benefits expenses	**–**	(1,616)
Operating lease rental expense	**–**	(657)
Other expenses	**(11)**	(194)
Loss before taxation	**(4)**	(2,159)
Income tax expense	**–**	–
Loss for the period/year from discontinued operations	**(4)**	(2,159)

12. Discontinued Operations (continued)

Loss for the period/year from discontinued operations include the following:

	From 1 January to 14 March 2016 HK$'000	Year ended 31 December 2015 HK$'000
Salaries, wages, bonus and other benefits	–	1,541
Contributions to retirement benefits schemes	–	75
Total employee benefits expenses	–	1,616
Cost of inventories recognised as expenses	**22**	18,524
Write-back of provision of stock obsolescence	–	(11)

No tax charge or credit arose from loss on discontinuance of the operations.

The net liabilities of Easy Market at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of	(579)
Waiver of the net amount due from the Group	(1,832)
	(2,411)
Gain on disposal	2,611
Total cash consideration	200
Net cash inflow arising on disposal:	
Total cash consideration received	200
Bank balances and cash disposed of	(10)
	190

Cash flows from Easy Market:

	From 1 January to 14 March 2016 HK$'000	Year ended 31 December 2015 HK$'000
Net cash flows from operating activities	**(8)**	(972)
Net cash flows from financing activities	–	82
Net cash flows	**(8)**	(890)

13. Directors' and Chief Executive's Emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the appliance Listing Rules and CO, is as follows:

	Year ended 31 December 2016					
	Non-Executive Director and Chairman	**Executive Director and Chief Executive**	**Independent Non-Executive Directors**			
	Ho, Lawrence Yau Lung HK$'000	**Wang, John Peter Ben HK$'000**	**Tsui Yiu Wa, Alec HK$'000**	**Pang Hing Chung, Alfred HK$'000**	**Tyen Kan Hee, Anthony HK$'000**	**Total HK$'000**
Fees	**–**	**180**	**168**	**120**	**168**	**636**
Other emoluments						
Salaries and other benefits	**–**	**176**	**–**	**–**	**–**	**176**
Contributions to retirement benefits schemes	**–**	**–**	**–**	**–**	**–**	**–**
Share-based compensation benefits	**12,602**	**–**	**–**	**–**	**–**	**12,602**
Total emoluments	**12,602**	**356**	**168**	**120**	**168**	**13,414**

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

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

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

14. Five Highest Paid Employees

The five highest paid employees of the Group during the year included one director (2015: one), details of whose remuneration are set out in note 13. Details of the remuneration for the year of the remaining four (2015: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**4,644**	3,506
Discretionary and performance related incentive payments	**475**	284
Contributions to retirement benefits schemes	**52**	54
Share-based compensation benefits	**1,380**	6,323
	6,551	10,167

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

	Number of employees	
	2016	2015
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
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 (including directors) during the current financial year in relation to performance for the preceding year.

15. Dividends

No dividend was paid or proposed during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

16. Earnings (loss) per Share

For continuing and discontinued operations

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

	2016 HK$'000	2015 HK$'000
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**559**	(85,365)
	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**1,485,632**	1,474,952
Effect of dilutive potential ordinary shares: Share options issued by the Company	**5,860**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,491,492**	1,474,952

The computation of diluted loss per share for the year ended 31 December 2015 did not assume exercise of share options since their exercise would result in a decrease in loss per share.

From continuing operations

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

	2016 HK$'000	2015 HK$'000 (Restated)
Profit (loss) for the year attributable to owners of the Company	**559**	(85,365)
Less: (Profit) loss for the year from discontinued operations	**(2,607)**	2,159
Loss for the purpose of basic and diluted loss per share from continuing operations	**(2,048)**	(83,206)

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

From discontinued operations

For the year ended 31 December 2016, basic and diluted earnings per share for the discontinued operations is HK0.18 cent per share (2015: loss of HK0.15 cent per share), based on the profit for the year from discontinued operations attributable to owners of the Company of approximately HK$2,607,000 (2015: loss of HK$2,159,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

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 2015	–	379	–	–	–	379
Additions	–	114	–	–	–	114
At 31 December 2015 and at 1 January 2016	–	493	–	–	–	493
Additions	512	439	893	563	7,795	10,202
Acquired on acquisitions of subsidiaries *(Note 33)*	1,515,565	140,622	69,829	9,432	1,552	1,737,000
Transfer	1,572	2,600	3,697	–	(7,869)	–
Disposal	–	(1,892)	–	–	(393)	(2,285)
At 31 December 2016	1,517,649	142,262	74,419	9,995	1,085	1,745,410
DEPRECIATION						
At 1 January 2015	–	73	–	–	–	73
Provided for the year	–	140	–	–	–	140
At 31 December 2015 and at 1 January 2016	–	213	–	–	–	213
Provided for the year	38,048	36,238	10,491	2,101	–	86,878
Disposal	–	(64)	–	–	–	(64)
At 31 December 2016	38,048	36,387	10,491	2,101	–	87,027
CARRYING VALUES						
At 31 December 2016	1,479,601	105,875	63,928	7,894	1,085	1,658,383
At 31 December 2015	–	280	–	–	–	280

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.

17. Property, Operating Right and Equipment (continued)

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

The buildings mainly include 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 at minimal consideration if the land lease is not extended, to reflect the estimated useful life of the buildings of 30 years.

18. Long-term Prepayments

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

19. Interests in Joint Ventures

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

	2016 HK$'000	2015 HK$'000
Cost of unlisted investment in joint ventures	**5**	418,546
Share of post-acquisition losses and other comprehensive expenses	**(737)**	(412,700)
Deemed capital contribution	**1,345**	318,558
	613	324,404
Loans to joint ventures	**1,572**	385,049

On 14 April 2016, the Investment Agreement (as defined in note 33) of Oriental Regent, previously a joint venture of the Group, was amended. Oriental Regent together with its wholly-owned subsidiary, G1 Entertainment, are engaged in the gaming and hotel operations. As a result of the amendments to the Investment Agreement and the additional rights to appoint two extra directors to the board of Oriental Regent by the Group, the Group has obtained control of Oriental Regent which has become a subsidiary of the Group. Please refer to note 33 for details of the acquisition.

19. Interests in Joint Ventures (continued)

As at 31 December 2016, the Group had an interest in the following joint venture:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2016	2015	Proportion of voting rights held by the Group 2016	2015	Principal activity
Oriental Winner Limited ("Oriental Winner")	Hong Kong	Hong Kong	**50%**	50%	**50%**	50%	Travel and travel related business

Information of a joint venture that is not material

Oriental Winner

	2016 HK$'000	7.7.2015 (date of incorporation) to 31.12.2015 HK$'000
The Group's share of loss and total comprehensive expense for the year	**(272)**	(465)

20. 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.

21. Trade and Other Receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**17,208**	27
Prepayments to services providers	**11**	–
Customs' deposit for import purchase	**165**	–
Other receivables, deposits and prepayments	**10,615**	1,416
	27,999	1,443

21. Trade and Other Receivables (continued)

Trade receivables for the current year mainly represent outstanding amounts pending settlements by patrons which are repayable within 10 days after each trip. The Group extends short-term temporary credit to approved patrons following background checks and credit risk assessments of these patrons. The amount has been fully settled subsequent to the end of the reporting period.

In prior year, the Group allowed an average credit period of 30 to 90 days to its trade customers. All of the Group's trade receivables as at 31 December 2016 were within their credit terms with no default history and neither past due nor impaired.

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

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**15,856**	20
31–90 days	**1,352**	7
	17,208	27

Included in other receivables are amounts of individually impaired receivables amounting to HK$1,889,000 (2015: Nil) which was recognised during the year.

Movement in allowance for other receivables

	2016 **HK$'000**	2015 HK$'000
Balance at beginning of the year	**–**	–
Impairment losses recognised	**1,889**	–
Balance at end of the year	**1,889**	–

22. Bank Balances and Cash

Bank balances carry interest at market rates which ranges from 0.001% to 0.850% (2015: 0.001% to 1.000%) per annum.

23. Trade and Other Payables

	2016 HK$'000	2015 HK$'000
Trade payables	–	320
Payables for purchase of property and equipment and construction costs	24,649	–
Gaming tax payables	1,117	–
Payable in respect of transfer of connection right to local electricity supply network	12,127	–
Accruals and other payables	20,254	3,222
Provision for VAT arrangements *(note 26)*	10,728	–
Outstanding gaming chips	2,963	–
Deposits received from customers	–	1,925
	71,838	5,467

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

	2016 HK$'000	2015 HK$'000
Within 30 days	–	–
31–90 days	–	4
Over 90 days	–	316
	–	320

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

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. Amount Due to a Related Party

The related party is an entity controlled by a director of the Company. The amount is unsecured, non-interest bearing and repayable on demand.

25. 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 in the current year (Note 33), 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.

26. 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. During the current year, such Input VAT amounting to RUB349,467,000 (approximately HK$44,824,000) 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 RUB511,920,000 (approximately HK$65,660,000) (31 December 2015: Nil) 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 11.91% per annum. Accordingly, approximately RUB83,642,000 (approximately HK$10,728,000) of such provision is presented as current and included in trade and other payables (Note 23) 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 RUB428,278,000 (approximately HK$54,932,000) presented as non-current.

27. Share Capital of the Company

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	3,200,000,000	80,000
Issued and fully paid:		
At 1 January 2015	1,463,113,836	36,578
Exercise of share options	22,382,000	559
At 31 December 2015 and 1 January 2016	1,485,495,836	37,137
Exercise of share options	522,000	13
At 31 December 2016	1,486,017,836	37,150

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

28. 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.

28. Share-based Payment Transactions (continued)

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

As at 31 December 2016, the number of shares in respect of the options granted and remained outstanding under the Scheme was 36,264,000 (2015: 36,786,000), representing 2.44% (2015: 2.48%) of the total number of issued shares of the Company. As at the date of this annual report, the number of shares available for issue under the Scheme was 127,503,383 (2015: 136,907,383), representing 8.58% (2015: 9.22%) of the 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.

Movements of the Company's share options held by directors, employees and consultants during the year ended 31 December 2016 are set out below:

	Number of share options									
				Before granting of Replacement Share Options		After granting of Replacement Share Options				
Category of Participants	As at 1 January 2016	Granted	Exercised	Reclassified *(Note viii)*	Modified *(Note vi)*	Reclassified *(Note viii)*	As at 31 December 2016	Date of grant	Exercise price HK$	Notes
Director	20,000,000	–	–	–	–	–	20,000,000	10 July 2013	1.73	iv
Directors	2,882,000	–	(522,000)	–	–	–	2,360,000	26 August 2011	0.375	ii
Employees	6,892,000	–	–	920,000	(7,812,000)	–	–	9 December 2014	4.218	–
Employees	–	–	–	–	7,812,000	(920,000)	6,892,000	1 September 2016	1.99	vii
Consultants	4,500,000	–	–	–	–	–	4,500,000	10 July 2013	1.73	iv
Consultants	2,512,000	–	–	(920,000)	(1,592,000)	–	–	9 December 2014	4.218	–
Consultants	–	–	–	–	1,592,000	920,000	2,512,000	1 September 2016	1.99	vii
Total	36,786,000	–	(522,000)	–	–	–	36,264,000			
Exercisable at the end of the year							31,562,000			
Weighted average exercise price	2.260	–	0.375	–	–	–	1.709			

28. Share-based Payment Transactions (continued)

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

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

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

28. Share-based Payment Transactions (continued)

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

Notes:

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

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

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

iv. The share options granted on 10 July 2013 are divided into 4 tranches exercisable from 31 October 2013, 31 October 2014, 31 October 2015 and 31 October 2016 respectively to 9 July 2018. The director is Mr. Ho, Lawrence Yau Lung.

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

vi. 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. The Replacement 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.

viii. During the year, a consultant of the Group, who was an employee of G1 Entertainment, had become an employee of the Group after G1 Entertainment becoming a subsidiary of the Company on 14 April 2016. Subsequently, the employee changed to become a consultant on 1 November 2016.

ix. During the year, no share options were cancelled or lapsed under the Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the date on which the options were exercised were HK$2.44 and HK$2.49 respectively.

28. 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			
	1 September 2016	10 July 2013 (Consultants)	17 October 2013 (Directors)	26 August 2011
Share price at date of grant	HK$1.99	HK$3.46	HK$11.96	HK$1.60
Exercise price	HK$1.99	HK$3.46	HK$3.46	HK$1.77
Expected volatility	65%	60%	60%	55%
Expected life	5 years	5 years	4.7 years	10 years
Risk-free rate	0.642%	1.37%	0.98%	1.76%
Expected dividend yield	0%	0%	0%	0%

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

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

The Group recognised a total expense of HK$14,786,000 for the year ended 31 December 2016 (2015: HK$43,082,000) in relation to share options granted by the Company, including the Replacement Share Options granted during the year. The estimated fair values of the Previously Granted Options were approximately HK$18,558,000 and HK$4,354,000 at the date of grant and date of cancellation, respectively. The estimated fair value of the Replacement Share Options was approximately HK$9,410,000 and the incremental fair value at date of grant of HK$5,056,000 will be expensed over the vesting period of 2 years from 1 September 2016.

29. 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 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 25 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.

30. Financial Instruments

30a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**355,181**	517,627
Financial liabilities		
Amortised cost	**337,115**	2,793
Obligations under finance leases	**2,316**	–

30b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, trade and other receivables, loans to joint ventures, trade and other payables, amount due to a related party, obligations under finance leases 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

As set out in note 33, Oriental Regent has become a subsidiary of the Group on 14 April 2016. Upon this, 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 28% (2015: 0%) 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.

30. Financial Instruments (continued)

30b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

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

	2016 HK$'000	2015 HK$'000
Assets		
United States dollar ("US$")	**164,301**	4,581
Euro ("EUR")	**414**	–
Russian Ruble ("RUB")	**36,110**	–
Liabilities		
US$	**310,898**	–
RUB	**21,913**	–

Sensitivity analysis

The Group is mainly exposed to EUR and 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% increase and decrease in HK$ against the relevant foreign currency. 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% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year where EUR and RUB strengthen 30% against HK$. For a 30% weakening of EUR and RUB against HK$, there would be an equal and opposite impact on the loss and equity and balances below would be negative.

	EUR		**RUB**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Loss for the year	**99**	–	**3,407**	–

(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.

30. Financial Instruments (continued)

30b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2016						
Trade and other payables	–	46,719	–	–	46,719	46,719
Amount due to a related party	–	4,156	–	–	4,156	4,156
Loans from non-controlling shareholders of a subsidiary	11.28	–	–	428,494	428,494	286,240
		50,875	–	428,494	479,369	337,115
Obligations under finance leases	33.00	1,921	1,063	–	2,984	2,316
		52,796	1,063	428,494	482,353	339,431
At 31 December 2015						
Trade and other payables	–	2,793	–	–	2,793	2,793

30. Financial Instruments (continued)

30c. 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.

31. Retirement Benefit Plan

Defined contribution plan

Hong Kong

The Group participates in the 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 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$17,635,000 (2015: HK$153,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2016 and 2015, 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.

32. Operating Lease Commitments

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2016 **HK$'000**	2015 HK$'000
Land plots and office	**1,893**	1,700

Operating lease payments represent rental paid or payable by the Group for the land plots and its office premises. The leases have terms of 14 years for the land plots and 1 to 5 years for office space.

	2016 **HK$'000**	2015 HK$'000
Within one year	**2,588**	1,709
In the second to fifth years inclusive	**4,522**	96
Over five years	**2,284**	–
	9,394	1,805

33. Acquisition of Subsidiaries

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

(a) The number of directors on the board of Oriental Regent is increased from 5 to 7.

(b) The Group is entitled to increase board seats by appointing 4 out of 7 directors on the board of Oriental Regent, while the rights for the other two shareholders to appoint 1 director and 2 directors, respectively, remained unchanged.

(c) Certain reserved matters relating to relevant activities of Oriental Regent affecting the Group's variable return from Oriental Regent for which unanimous written approval of all the members of the board of Oriental Regent or unanimous consent of the shareholders of Oriental Regent is required, are deleted or amended.

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

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

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

Further, the carrying value of the loan made to Oriental Regent of approximately HK$396,242,000 at the date of business combination of Oriental Regent on 14 April 2016 was eliminated at consolidation. The loan is discounted at an effective interest rate calculated at 11.28% per annum at inception.

33. Acquisition of Subsidiaries (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Inventories	4,840
Trade and other receivables	55,626
Amounts due from related parties	15,782
Intangible assets	198
Bank balances and cash	82,470
Property, operating right and equipment	1,737,000
Long-term prepayments	13,222
Trade and other payables	(113,286)
Amount due to a related party	(640)
Obligations under finance leases	(2,699)
Loans from shareholders	(264,161)
Long-term payables	(4,732)
Provision for VAT arrangements	(21,432)
	1,502,188

Goodwill arising on acquisition

	HK$'000
Interest in a joint venture	
– Previously held interest before the acquisition *(note i)*	1,069,955
Non-controlling interest *(note ii)*	440,758
Less: fair value of identifiable net assets acquired (100%)	(1,502,188)
Goodwill arising on acquisition *(note iii)*	8,525

33. Acquisition of Subsidiaries (continued)

Goodwill arising on acquisition (continued)

Notes:

(i) As the business combination is achieved without the transfer of consideration, the Group uses the acquisition-date fair value of its interest in Oriental Regent as the acquisition-date fair value of the consideration transferred for purchase price allocation and determination of goodwill. The net difference between the fair value and the Group's carrying amount of its equity interest in Oriental Regent before the business combination of approximately HK$362,464,000 together with the translation reserve of approximately HK$342,284,000 that was previously recognised in other comprehensive expenses are recognised in the profit or loss as a gain on deemed disposal of the previously held interest in Oriental Regent as a joint venture of approximately HK$20,180,000.

(ii) The non-controlling interest (40%) in Oriental Regent recognised at the acquisition date was measured at the non-controlling interest's proportion of the recognised amounts of net assets of Oriental Regent amounting to approximately HK$440,758,000.

(iii) Goodwill arose on the acquisition of Oriental Regent because the acquisition included the assembled workforce of Oriental Regent and some potential arrangements which are still under negotiation with prospective agents in respect of its rolling chip business as at the date of acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Cash inflow on acquisition of Oriental Regent

	HK$'000
Cash and cash equivalent balances acquired	82,470

Impact of acquisition on the results of the Group

Included in the loss for the year is HK$14,788,000 attributable to the additional business generated by Oriental Regent. Revenue for the year includes HK$323,286,000 generated from Oriental Regent.

Had the acquisition of Oriental Regent been completed on 1 January 2016, the total revenue of the Group from continuing operations for the year ended 31 December 2016 would have been HK$414,348,000, and the amount of the loss for the year from continuing operations would have been HK$26,315,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Oriental Regent been acquired at the beginning of the current year, the Directors calculated depreciation and amortisation of property, operating right and equipment based on the recognised amounts of property, operating right and equipment at the date of the acquisition.

34. Related Party Transactions

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

	2016 HK$'000	2015 HK$'000
Continuing operations		
Transactions with related parties:		
Service fees expense *(Note)*	**240**	240
Marketing fee	**370**	–
Transactions with joint ventures:		
Imputed interest income	**12,765**	40,679
Management fee income	**2,578**	1,963
Transaction with non-controlling shareholders of a subsidiary:		
Imputed interest on loan	**22,079**	–

Note: The service fees for the year ended 31 December 2016 and 2015 were paid to a related company controlled by a director of the Company.

Details of the balances with the related parties have been disclosed in the consolidated statement of financial position on page 52.

Compensation of key management personnel

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

	2016 HK$'000	2015 HK$'000
Short-term benefits	**4,616**	3,256
Post-employment benefits	**37**	36
Share-based payments	**13,982**	39,956
	18,635	43,248

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 28. The estimated fair value of such share options are recognised as share-based payments expense for both years based on the accounting policy described in Note 3.

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

35. Particulars of Subsidiaries of the Company

Details of the Group's subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital 2016	Particulars of issued share capital 2015	Proportion of ownership/ effective interest held by the Company Directly 2016	Directly 2015	Indirectly 2016	Indirectly 2015	Principal activities
Colour Castle Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**100%**	100%	**–**	–	Investment holding
Summit Ascent Russia Limited	BVI	Hong Kong	**1 ordinary share of US$1**	1 ordinary share of US$1	**100%**	100%	**–**	–	Investment holding
Worth Apex Limited	Hong Kong	Hong Kong	**1 ordinary share of HK$1**	1 ordinary share of HK$1	**–**	–	**100%**	100%	Inactive
Summit Ascent Services Limited	Hong Kong	Hong Kong	**1 ordinary share of HK$1**	1 ordinary share of HK$1	**100%**	100%	**–**	–	Provision of administrative services
Oriental Regent *(Note 1)*	Hong Kong	Hong Kong	**140,000 ordinary shares of HK$1**	N/A	**–**	–	**60%**	N/A	Investment holding
G1 Entertainment *(Note 1)*	Russian Federation	Russian Federation	**Charter capital of RUB 1,190,795,312**	N/A	**–**	–	**60%**	N/A	Operation of hotel and gaming business in Integrated Entertainment Zone in the Russian Federation
EZ Transport Limited Liability Company ("EZ Transport") *(Note 1 and 2)*	Russian Federation	Russian Federation	**Charter capital of RUB20,000**	N/A	**–**	–	**30.6%**	N/A	Provision of bus services in the Russian Federation
Easy Market *(Note 3)*	BVI	BVI	**–**	642,723 ordinary shares of US$642,723	**–**	100%	**–**	–	Investment holding
Arnhold Trading *(Note 3)*	Hong Kong	Hong Kong	**–**	1 ordinary share of HK$1	**–**	–	**–**	100%	Trading of tiles and engineering operations products

35. Particulars of Subsidiaries of the Company (continued)

Notes:

1. On 14 April 2016, the Investment Agreement of Oriental Regent, a then joint venture of the Group, was amended. As a result of the amendments to the Investment Agreement and the additional rights to appoint two extra directors to the board of Oriental Regent by the Group, the Group has obtained control of Oriental Regent which has become a subsidiary of the Group. The Group's voting power of Oriental Regent is 57% in accordance with the Amendment Agreement. Please refer to note 33 for details.

2. 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.

3. The subsidiaries have been disposed of during the year Please refer to note 12 for details.

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	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
Oriental Regent and its subsidiaries (Note)	Hong Kong	**40%/43%**	N/A	**5,915**	N/A	**434,843**	N/A

Note: On 14 April 2016, the Investment Agreement of Oriental Regent, a then joint venture of the Group, was amended. As a result of the amendments to the Investment Agreement and the additional rights to appoint two extra directors to the board of Oriental Regent by the Group, the Group has obtained control of Oriental Regent which has become a subsidiary of the Group. Please refer to note 33 for details. Oriental Regent holds 100% direct and 51% indirect equity interest in G1 Entertainment and EZ Transport respectively for both years.

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.

35. Particulars of Subsidiaries of the Company (continued)

Oriental Regent and its subsidiaries

	2016 HK$'000
Current assets	**251,977**
Non-current assets	**1,680,492**
Current liabilities	**83,307**
Non-current liabilities	**753,529**
Total Equity	**1,095,633**
Equity attributable to owners of the Company	**660,790**
Non-controlling interests	**434,843**

	From 14 April 2016 (date of acquisition) to 31 December 2016
Revenue	**323,286**
Expenses	**(359,608)**
Loss for the period	**(14,788)**
Loss and total comprehensive expense for the period attributable to:	
– owners of the Company	**(8,873)**
– non-controlling interests	**(5,915)**
	(14,788)
Net cash inflow from operating activities	**111,054**
Net cash inflow from investing activities	**26,507**
Net cash outflow from financing activities	**(1,427)**
Effect of foreign exchange rate changes	**2,248**
Net cash inflow	**138,382**

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 charge resulted from the acquisition of Oriental Regent.

36. Information about Financial Position of the Company

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

	2016 **HK$'000**	2015 HK$'000
Non-current assets		
Equipment	**33**	107
Unlisted investments in subsidiaries *(Note i)*	**114,321**	119,321
Advance to subsidiaries	**949,876**	949,866
	1,064,230	1,069,294
Current assets		
Other receivables	**409**	412
Amounts due from subsidiaries	**43,431**	34,081
Bank balances and cash	**106,860**	123,001
	150,700	157,494
Current liabilities		
Trade and other payables	**3,459**	2,215
Amounts due to subsidiaries	**–**	4,967
Amount due to a related company	**20**	–
Amount due to a joint venture	**–**	10
	3,479	7,192
Net current assets	**147,221**	150,302
Net assets	**1,211,451**	1,219,596
Capital and reserves		
Share capital *(Note 27)*	**37,150**	37,137
Reserves *(Note ii)*	**1,174,301**	1,182,459
Total equity	**1,211,451**	1,219,596

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

Note i: **Interests in subsidiaries**

	2016 HK$'000	2015 HK$'000
Unlisted interests, at cost *(Note a)*	–	5,000
Deemed capital contribution *(Note b)*	**114,321**	114,321
	114,321	119,321

Notes:

a. The Company disposed of its interest in Easy Market Trading Limited during the year *(Note 12)*. The balance at 31 December 2016 is presented as zero when rounded to the nearest thousand.

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

Note ii: **Movement in reserves**

	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	1,162,842	146,087	(159,154)	1,149,775
Loss and total comprehensive expense for the year	–	–	(45,332)	(45,332)
Exercise of share options	122,397	(87,463)	–	34,934
Recognition of equity-settled share-based payments	–	43,082	–	43,082
At 31 December 2015 and 1 January 2016	1,285,239	101,706	(204,486)	1,182,459
Loss and total comprehensive expense for the year	–	–	(23,127)	(23,127)
Exercise of share options	298	(115)	–	183
Recognition of equity-settled share-based payments	–	14,786	–	14,786
At 31 December 2016	1,285,537	116,377	(227,613)	1,174,301

FIVE-YEAR SUMMARY

	2012 HK$'000 (Restated)	2013 HK$'000 (Restated)	2014 HK$'000 (Restated)	2015 HK$'000 (Restated)	**2016** **HK$'000**
Results					
Turnover					
– Continuing operations	–	–	–	–	**323,286**
– Discontinued operations	9,845	7,913	21,926	18,832	**29**
	9,845	7,913	21,926	18,832	**323,315**
Profit/(loss) before income tax expense					
– Continuing operations	–	(77,098)	(74,916)	(83,206)	**(7,963)**
– Discontinued operations	(6,008)	(2,493)	(3,958)	(2,159)	**2,607**
	(6,008)	(79,591)	(78,874)	(85,365)	**(5,356)**
Income tax credit					
– Continuing operations	–	–	–	–	**–**
– Discontinued operations	–	51	–	–	**–**
	–	51	–	–	**–**
Profit/(loss) for the year					
– Continuing operations	–	(77,098)	(74,916)	(83,206)	**(7,963)**
– Discontinued operations	(6,008)	(2,442)	(3,958)	(2,159)	**2,607**
	(6,008)	(79,540)	(78,874)	(85,365)	**(5,356)**
Profit/(loss) attributable to					
– Owners of the Company	(6,008)	(79,540)	(78,874)	(85,365)	**559**
– Non-controlling interests	–	–	–	–	**(5,915)**
	(6,008)	(79,540)	(78,874)	(85,365)	**(5,356)**
Assets and liabilities					
Total assets	37,360	655,271	1,026,437	843,710	**2,050,393**
Total liabilities	(8,032)	(38,462)	(24,106)	(5,467)	**(419,482)**
	29,328	616,809	1,002,331	838,243	**1,630,911**
Equity attributable to owners of the Company	29,328	616,809	1,002,331	838,243	**1,196,068**
Non-controlling interests	–	–	–	–	**434,843**
	29,328	616,809	1,002,331	838,243	**1,630,911**

CORPORATE INFORMATION

Board of Directors

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

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Company Secretary

Mr. Leung Hoi Wai, Vincent

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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

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Hong Kong Branch Share Registrar and Transfer Office

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Stock Code

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