SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Website : www.saholdings.com.hk
(Stock Code: 102)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

The board of directors (the "Board") of Summit Ascent Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2017, together with comparative figures for the corresponding period in 2016 as follows:

HIGHLIGHTS

- Oriental Regent Limited, the company through which Tigre de Cristal, our majority-owned integrated resort in the Russian Far East, is operated, generated an Adjusted EBITDA of HK$56.9 million in 1H2017, representing an increase of 62% compared to HK$35.2 million in 1H2016.

- Total net revenues for the Group were HK$204.6 million, wholly contributed by Oriental Regent Limited in 1H2017, representing an increase of 20% compared to HK$170.2 million in 1H2016*.

- Net loss for the period attributable to owners of the Company was HK$5.4 million in 1H2017, compared to a profit of HK$5.5 million in 1H2016. Net loss arose primarily due to the following notional non-cash items which are of a non-operating nature:

  a) Depreciation and amortisation of HK$63.5 million;

  b) Imputed interest of HK$19.8 million primarily arising from the non-interest bearing shareholders' loans in Oriental Regent Limited; and

  c) Absence of a gain on deemed disposal of interest in a joint venture amounting to HK$20.2 million as a result of the corporate restructuring exercises taking place in 1H2016.

- 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 in 1H2017 amounts to HK$8.4 billion, representing an increase of 140% compared to HK$3.5 billion in 1H2016.

- The much anticipated simplified visa regime for foreign visitors to Vladivostok was implemented in the beginning of August 2017, and applies to foreign nationals from 18 countries including our major overseas feeder markets. We expect that this new visa regime, combined with increasing flight connectivity and ongoing efforts of the Russian government to promote the Russian Far East as a tourism destination, will accelerate the already explosive growth of foreign tourism and provide us optimism that there is additional room to further ramp up our business.

* *Following a group restructuring effective from 14 April 2016, Oriental Regent Limited has been consolidated as a subsidiary henceforth. Prior to that date, it had been consolidated as a joint venture. As a result, the revenue figures shown in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for 1H2016 only reflect the revenue of Oriental Regent Limited from 14 April 2016 to 30 June 2016, rather than the entire six-month period.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

		Six-month period ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited) (Restated)
Continuing operations			
Revenue from gaming and hotel operations	5	**204,636**	79,152
Other income	6	**1,724**	15,943
Gaming tax and special levies		**(7,206)**	(3,107)
Inventories consumed		**(5,870)**	(1,864)
Marketing and promotion expenses		**(8,935)**	(4,905)
Employee benefits expenses		**(79,080)**	(42,181)
Depreciation and amortisation		**(63,460)**	(24,993)
Other expenses and losses	8	**(54,774)**	(17,030)
Gain on deemed disposal of interest in a joint venture	18 (i)	**–**	20,180
Finance costs	9	**(20,088)**	(6,328)
Share of losses of joint ventures		**(138)**	(17,028)
Loss before taxation		**(33,191)**	(2,161)
Income tax expense	10	**(52)**	–
Loss for the period from continuing operations	11	**(33,243)**	(2,161)
Discontinued operations			
Profit for the period from discontinued operations	12	**–**	2,607
(Loss) profit for the period		**(33,243)**	446
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Reclassification adjustment of translation reserve upon deemed disposal of interest in a joint venture		**–**	342,284
Total comprehensive (expense) income for the period		**(33,243)**	342,730

	NOTE	Six-month period ended 30 June **2017** ***HK$'000*** **(Unaudited)**	2016 *HK$'000* (Unaudited) (Restated)
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		**(5,434)**	2,886
– from discontinued operations		**–**	2,607
(Loss) profit for the period attributable to owners of the Company		**(5,434)**	5,493
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(27,809)**	(5,047)
– from discontinued operations		**–**	–
Loss for the period attributable to non-controlling interests		**(27,809)**	(5,047)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(5,434)**	347,777
Non-controlling interests		**(27,809)**	(5,047)
		(33,243)	342,730
		HK cents **(Unaudited)**	*HK cents* (Unaudited) (Restated)
(Loss) earnings per share	14		
From continuing and discontinued operations			
Basic		**(0.37)**	0.37
Diluted		**(0.37)**	0.37
From continuing operations			
Basic		**(0.37)**	0.19
Diluted		**(0.37)**	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	**As at 30 June 2017** ***HK$'000*** **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Non-current assets			
Property, operating right and equipment		**1,600,832**	1,658,383
Long-term prepayments		**13,533**	13,533
Goodwill	18	**8,525**	8,525
Intangible assets		**140**	168
Interest in a joint venture		**475**	613
Loan to a joint venture		**1,662**	1,572
		1,625,167	1,682,794
Current assets			
Inventories		**3,901**	4,462
Trade and other receivables	15	**34,388**	27,999
Bank balances and cash		**293,150**	335,138
		331,439	367,599
Current liabilities			
Other payables	16	**53,836**	71,838
Amount due to a related party		**20**	4,156
Amount due to a non-controlling shareholder of a subsidiary		**3,307**	–
Obligations under finance leases – due within one year		**1,667**	1,516
		58,830	77,510
Net current assets		**272,609**	290,089
Total assets less current liabilities		**1,897,776**	1,972,883

	NOTE	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary		**266,044**	286,240
Provision for value-added tax ("VAT") arrangements		**48,738**	54,932
Obligations under finance leases – due after one year		**86**	800
		314,868	341,972
Net assets		**1,582,908**	1,630,911
Capital and reserves			
Share capital	17	**37,150**	37,150
Reserves		**1,155,829**	1,158,918
Equity attributable to owners of the Company		**1,192,979**	1,196,068
Non-controlling interests		**389,929**	434,843
Total equity		**1,582,908**	1,630,911

1. BASIS OF PREPARATION

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

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

In April 2017, Oriental Regent Limited ("Oriental Regent"), a non-wholly owned subsidiary of the Company and the immediate holding company of G1 Entertainment Limited Liability Company, resolved by board resolution to make a voluntary early repayment of US$17,000,000 (equivalent to HK$132,260,000) to settle partially the loans from its shareholders with original amount of US$137,691,000 (equivalent to HK$1,071,236,000).

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle

The directors of the Company anticipate that the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

4. RESTATEMENT RESULTED FROM ADJUSTMENT TO PROVISIONAL AMOUNTS

The assets acquired and liabilities recognised in relation to the acquisition of subsidiaries (note 18) in the condensed consolidated financial statements for the six-month period ended 30 June 2016 were based on a provisional assessment. The assessment of the adjustments to the fair value of property, operating right and equipment has not been completed by the date on which condensed consolidated financial statements for the six-month period ended 30 June 2016 were approved for issuance by the directors of the Company.

The Group has completed the assessment of adjustments to the fair value of property, operating right and equipment as at 31 December 2016. In accordance with the assessment agreed by the Group and the independent valuer, the fair value of property, operating right and equipment was finalised at an aggregate amount of HK$1,737,000,000, resulting in an increase of HK$180,546,000 over their provisional value and a decrease in goodwill of HK$108,328,000 and an increase in non-controlling interests arising from acquisition of HK$72,218,000. The six-month period ended 30 June 2016 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in profit for the period and total comprehensive income previously reported for the six-month period ended 30 June 2016 of HK$1,270,000 arising from the additional depreciation expense on the finalised value of property, operating right and equipment from the business combination.

5. REVENUE FROM GAMING AND HOTEL OPERATIONS

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Revenue from gaming and hotel operations:		
– Gaming operations	**188,294**	74,693
– Hotel operations	**16,342**	4,459
	204,636	79,152

6. OTHER INCOME

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	**724**	277
Imputed interest income from loans to joint ventures	**90**	12,678
Management fee income	**–**	2,578
Rental income	**334**	51
Others	**576**	359
	1,724	15,943

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 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 period, all revenue from the continuing operation is derived from customers patronising in the Group's property located in the Russian Federation.

8. OTHER EXPENSES AND LOSSES

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Security expenses	**8,295**	3,117
Overseas travel expenses	**1,452**	1,074
Utilities and fuel	**4,238**	1,086
Travel agency expenses	**5,265**	211
Repair and maintenance expenses	**6,334**	1,666
Others	**29,190**	9,876
	54,774	17,030

9. FINANCE COSTS

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Imputed interest on payables	**676**	–
Imputed interest on loans from non-controlling shareholders of a subsidiary	**15,604**	6,328
Imputed interest on VAT arrangements	**3,489**	–
Interest on obligations under finance leases	**319**	–
	20,088	6,328

10. INCOME TAX EXPENSE

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

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

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

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

At the end of the reporting period, the Group has unused tax losses of HK$17,771,000 (31 December 2016: HK$17,771,000) and HK$390,653,000 (approximately RUB2,924,665,000) (31 December 2016: HK$331,620,000) 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 periods due to the unpredictability of future profit streams.

Unused tax losses of HK$10,524,000 have been eliminated from tax losses carried forward upon the disposal of subsidiaries during the six-month period ended 30 June 2016 (note 12). Other losses may be carried forward indefinitely.

11. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Loss for the period from continuing operations has been arrived at after charging (crediting):		
Directors' remunerations	**394**	369
Share-based compensation benefits to directors	**–**	7,545
Salaries, wages, bonus and other benefits, excluding directors	**62,034**	28,597
Contributions to retirement benefits schemes, excluding directors	**14,934**	5,670
Share-based compensation benefits, excluding directors and consultants	**1,718**	–
Total employee benefits expenses (including directors' emoluments)	**79,080**	42,181
Exchange losses (gains), net	**2,536**	(1,548)
Impairment losses reversed on other receivables (included in other expenses and losses)	**(709)**	–
Loss on disposal of property, operating right and equipment	**197**	–
Share-based compensation benefits to consultants	**627**	165

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 condensed 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.

The results from the discontinued trading of tiles and engineering operations products business for the six-month period ended 30 June 2016 were analysed as follows.

	Six-month period ended 30 June 2016 *HK$'000* (Unaudited)
Loss of trading of tiles and engineering operations products business for the period	(4)
Gain on disposal of trading of tiles and engineering operations products business	2,611
	2,607

Analysis of loss for the period 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 condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	From 1 January to 14 March 2016 *HK$'000* (Unaudited)
Revenue	29
Changes in inventories	(22)
Other expenses	(11)
Loss before taxation	(4)
Income tax expense	–
Loss for the period from discontinued operations	(4)

Loss for the period from discontinued operations included the following:

	From 1 January to 14 March 2016 *HK$'000* (Unaudited)
Cost of inventories recognised as expenses	22

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 (Unaudited)
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* (Unaudited)
Net cash flows from operating activities	(8)
Net cash flows	(8)

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six-month period ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period (six-month period ended 30 June 2016: Nil).

14. (LOSS) EARNINGS PER SHARE

<u>For continuing and discontinued operations</u>

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

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	**(5,434)**	5,493
	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,486,018**	1,485,496
Effect of dilutive potential ordinary shares: Share options issued by the Company	**–**	3,498
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,486,018**	1,488,994

The computation of diluted loss per share for the six-month period ended 30 June 2017 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) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
(Loss) profit for the period attributable to owners of the Company	**(5,434)**	5,493
Less: Profit for the period from discontinued operations	**–**	2,607
(Loss) profit for the purpose of basic and diluted (loss) earnings per share from continuing operations	**(5,434)**	2,886

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

From discontinued operations

For the six-month period ended 30 June 2016, basic and diluted earnings per share for the discontinued operations is HK0.18 cent per share, based on the profit for the period from discontinued operations attributable to owners of the Company of approximately HK$2,607,000 and the denominators detailed above for both basic and diluted earnings per share. No profit or loss from discontinued operations was noted for the six-month period ended 30 June 2017.

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**18,959**	17,208
Other receivables, deposits and prepayments	**15,429**	10,791
	34,388	27,999

Trade receivables for the current period 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 end of the reporting period. All the Group's trade receivables as at 30 June 2017 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 at the end of the reporting period:

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Within 30 days	**18,959**	15,856
31 – 90 days	**–**	1,352
	18,959	17,208

Included in other receivables, deposits and prepayments are amounts of individually impaired receivables amounting to HK$1,180,000 (31 December 2016: HK$1,889,000) recognised at the end of the reporting period.

Movement in allowance for other receivables, deposits and prepayments

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Balance at the beginning of the period/year	**1,889**	–
Impairment losses (reversed) recognised	**(709)**	1,889
Balance at the end of the period/year	**1,180**	1,889

16. OTHER PAYABLES

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Payables for purchase of property and equipment and construction costs	**–**	24,649
Gaming taxes payables	**1,115**	1,117
Payable in respect of transfer of connection right to local electricity supply network	**13,110**	12,127
Accruals and other payables	**26,267**	20,254
Outstanding gaming chips	**2,330**	2,963
Provision for VAT arrangements	**11,014**	10,728
	53,836	71,838

17. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2016 (Audited), 31 December 2016 (Audited) and 30 June 2017 (Unaudited)	3,200,000,000	80,000
Issued and fully paid:		
At 1 January 2016 (Audited)	1,485,495,836	37,137
Exercise of share options	522,000	13
At 31 December 2016 (Audited) and 30 June 2017 (Unaudited)	1,486,017,836	37,150

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

18. 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 the 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 was achieved without transfer of consideration from the Group, the consideration transferred for the purpose of purchase price allocation was 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 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.

Assets acquired and liabilities recognised at the date of acquisition were as follows (restated):

	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 interests *(note ii)*	440,758
Less: fair value of identifiable net assets acquired (100%)	(1,502,188)
Goodwill arising from acquisition *(note iii)*	8,525

Notes:

(i) As the business combination was achieved without the transfer of consideration, the Group used 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 were 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 interests (40%) in Oriental Regent recognised at the acquisition date was measured at the non-controlling interests' 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 were 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 profit for the six-month period ended 30 June 2016 was HK$11,219,000 (unaudited) attributable to the additional business generated by Oriental Regent. Revenue for the six-month period ended 30 June 2016 included HK$79,152,000 (unaudited) was entirely 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 six-month period ended 30 June 2016 would have been HK$170,214,000 (unaudited), and the amount of the loss for the period from continuing operations would have been approximately HK$20,486,000 (unaudited) (restated). 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 at the beginning of the period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Oriental Regent been acquired at the beginning of the period, the directors of the Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's gaming and hotel operations are conducted through its 60% equity interest in Oriental Regent Limited ("Oriental Regent"). The Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by G1 Entertainment Limited Liability Company ("G1 Entertainment"), a wholly-owned subsidiary of Oriental Regent.

G1 Entertainment holds development rights on two parcels of land 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.

Key features of Tigre de Cristal are as follows:

- Approximately 36,000 square meters of gaming and hotel space, offering a broad range of gaming options 24 hours a day, 7 days a week, 365 days a year;

- The finest luxury hotel in the Russian Far East with 121 rooms and suites;

- Casual and fine dining in 2 restaurants and 4 bars;

- Spa and health club, karaoke rooms and a virtual golf zone;

- A jewelry store; and

- A recently opened high-end diamond and luxury watch boutique "DOMINO", which helps to expand our diversified non-gaming amenities.

Hotel occupancy has remained stable – weekends are at 88% occupancy, and weekdays are at 43% occupancy in the first half of 2017. Since July 2017, Fridays and Saturdays are at or close to 97% occupancy, and other days are running at around 64% occupancy. Food and beverage covers have continued to increase in line with the optimization of F&B offerings.

Financial Review

For the six-month period ended 30 June 2017, the Group operated in only one business segment, namely the gaming and hotel operations. On the other hand, the consolidated revenue and expenses of the Group for the six-month period ended 30 June 2016 recorded two different business segments: (i) the results of the Group's discontinued operations – the trading of tiles and engineering operations products for the period from 1 January 2016 to 14 March 2016 before the Group Restructuring as discussed in our 2016 Annual Report and (ii) the gaming and hotel operations generated from Oriental Regent and its subsidiaries for the period from 14 April 2016 to 30 June 2016. As such, management believes that it is not meaningful to include a detailed narrative discussion to compare the performance and changes of the Group on a year-over-year basis.

Restatement resulted from adjustment to provisional amounts

The assets acquired and liabilities recognised of Oriental Regent in relation to the Group Restructuring as disclosed in the 2016 Interim Report were based on a provisional assessment. The assessment of the adjustments to the fair value of property, operating right and equipment had not been completed when the 2016 Interim Report was published.

By 31 December 2016, the Group had completed the assessment of adjustments to the fair value of property, operating right and equipment as at 31 December 2016, resulting in an increase of HK$180,546,000 over the provisional fair value of the property, operating right and equipment and a decrease in goodwill of HK$108,328,000 and an increase in non-controlling interests arising from acquisition of HK$72,218,000. Thus, the 2016 comparative information was restated to reflect the relevant adjustments. As a result, there was a decrease in profit for the period and total comprehensive income of HK$1,270,000 previously reported for the six-month period ended 30 June 2016, arising from the additional depreciation expense on the finalised fair value of property, operating right and equipment.

Reconciliation of Adjusted EBITDA to the loss for the six-month period ended 30 June 2017 attributable to owners of the Company

Adjusted EBITDA is used by management as the primary measure of operating performance of our gaming and hotel operations under Tigre de Cristal. Adjusted EBITDA is defined as net income including adjustment for management fee payable to the holding company, depreciation and amortisation, interest, and taxes. The following table sets forth a reconciliation of the Adjusted EBITDA to the reported loss for the period attributable to owners of the Company as per the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June 2017.

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Adjusted EBITDA of Tigre de Cristal	**56,912**	35,247
Add: Management fee payable to the Group (Note)	**5,649**	4,818
Less: Company corporate expenses	**(7,999)**	(8,415)
Adjusted EBITDA of the Group	**54,562**	31,650
Add: Bank interest income	**724**	277
Less: Interest on obligations under finance leases	**(319)**	–
Income tax expense	**(52)**	–
	54,915	31,927
Items attributable to change in Group consolidation methodology:		
Less: EBITDA of Tigre de Cristal from 1 January 2016 to 14 April 2016	**–**	(12,435)
Share of losses of joint ventures	**(138)**	(17,028)
	54,777	2,464
Notional non-cash items:		
Add: Imputed interest income from loans to joint ventures	**90**	12,678
Gain on deemed disposal of interest in a joint venture	**–**	20,180
Profit from discontinued operations	**–**	2,607
Less: Depreciation and amortisation	**(63,460)**	(24,993)
Imputed interest	**(19,769)**	(6,328)
Net exchange (losses) gains	**(2,536)**	1,548
Notional share-based compensation benefits	**(2,345)**	(7,710)
(Loss) profit for the period of the Group	**(33,243)**	446
Add: Loss for the period attributable to non-controlling interests	**27,809**	5,047
(Loss) profit for the period attributable to owners of the Company	**(5,434)**	5,493

Note: The Group receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by Tigre de Cristal.

Gaming Revenue

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

Rolling chip business

Our net revenues from rolling chip business in 1H2017 were HK$79.7 million, an increase of 48%, compared to HK$53.9 million in 1H2016, primarily driven by an increase in volume of our VIP business.

The table below sets forth the key performance indicators of our rolling chip business from the fourth quarter of 2015 to 30 August 2017.

	2015 (audited)	2016 (audited)				2017 (unaudited)			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Jul**	**Aug***
(HK$'million)									
Rolling chip turnover	570	1,335	2,121	5,648	4,977	3,438	4,965	2,242	2,025
Gross win	28	42	82	240	140	164	148	68	88
Less: Rebate	(13)	(24)	(46)	(158)	(106)	(118)	(114)	(52)	65
Net win after rebate	15	18	36	82	34	46	34	16	23
Daily average number of tables opened	9	8	9	13	12	13	18	17	18

* *The figures are only given up to 30 August 2017, being the latest practicable date prior to the publication of this Announcement.*

Mass table business

The table below sets forth the key performance indicators of our mass table business from the fourth quarter of 2015 to 30 August 2017.

	2015 (audited)	2016 (audited)				2017 (unaudited)			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Jul**	**Aug***
(RUB' million)									
Total table drop	1,160	1,193	1,101	1,027	947	992	929	376	381
Table net win	243	314	241	213	240	195	227	87	92
Daily average number of tables opened	25	23	22	21	20	21	20	17	19

* *The figures are only given up to 30 August 2017, being the latest practicable date prior to the publication of this Announcement.*

As seen from the above figures, mass table business in 1H2017 saw a small decline in volume compared to the corresponding period in 2016. It is mainly because foreign banknotes are not allowed to be used for settling gaming wins or losses under the current Russian legislation. Foreign currency banknotes have to be converted into Russian ruble (RUB) 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.

On a brighter note, mass table volume in July and August of 2017 has shown consistent improvement, primarily as a result of our local marketing, player development initiatives and recent closure of illicit gaming venues.

Slot business

Our slot business primarily targets the local Russian market. The ramp up of the slot business since opening has been satisfactory. In 1H 2017, there were 305 slot machines in operation at Tigre de Cristal and the table below sets forth the key performance indicators of our slot business from the fourth quarter of 2015 to 30 August 2017.

	2015 (audited)	**2016 (audited)**				**2017 (unaudited)**			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Jul**	**Aug***
(RUB' million)									
Total slot handle	2,014	3,139	2,840	4,093	3,721	3,132	3,799	1,456	1,334
Slot net win	146	214	185	234	212	170	214	83	81

* *The figures are only given up to 30 August 2017, being the latest practicable date prior to the publication of this Announcement.*

Tax

No provision for taxation in Hong Kong has been made as the Group has no estimated assessable profit for the six-month period ended 30 June 2017.

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%.

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 on 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 30 June 2017 was HK$1,193 million, a decrease of HK$3.1 million or 0.3% compared with HK$1,196.1 million as at 31 December 2016.

The Group continues to maintain a strong financial position with no borrowings throughout the six-month period ended 30 June 2017, except for the non-interest bearing loans of HK$266 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 and slot businesses are conducted on a cash basis, which removes the risk of bad debt problems. Trade receivables for the current period mainly represent outstanding amounts pending settlements by patrons undergoing necessary administrative processing and the amount has been fully settled subsequent to the end of the reporting period. Net current assets of the Group were maintained at HK$272.6 million as at 30 June 2017 (31 December 2016: HK$290.1 million).

As at 30 June 2017, cash and bank balances held by the Group amounted to HK$293.2 million (31 December 2016: HK$335.1 million), of which 45% was denominated in Hong Kong dollar, 10% in Russian ruble and 45% in United States dollar.

The following table sets forth a summary of our cash flows for the first half of 2017:

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Net cash generated from operating activites	**52,941**	18,988
Net cash (used in) generated from investing activites	**(41,175)**	72,817
Net cash used in financing activities	**(54,555)**	–
Net (decrease) increase in cash and cash equivalents	**(42,789)**	91,805
Cash and cash equivalents at beginning of the period	**335,138**	130,276
Effect of foreign exchange rate changes	**801**	(512)
Cash and cash equivalents at end of the period	**293,150**	221,569

Net cash generated from operating activities in both 2016 and 2017 represented the positive EBITDA contributed from the gaming and hotel operations by Tigre de Cristal.

Net cash used in investing activities of HK$41.2 million for the six-month period ended 30 June 2017 was mainly due to the actual payments for property, operating right and equipment acquired in the previous period. Net cash of HK$72.8 million generated from investing activities in 2016 was mainly attributable to acquisition of subsidiaries, albeit no consideration was actually paid in the business combination.

Net cash used in financing activities for the six-month period ended 30 June 2017 of approximately HK$54.6 million represented primarily the partial repayment of shareholders' loans to the non-controlling interests in Oriental Regent.

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 30 June 2017 and 31 December 2016.

Exposure to Fluctuations in Exchange Rates

The functional currency of the Company and its subsidiaries is Hong Kong dollar and the condensed 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 30 June 2017 and 31 December 2016.

Contingent Liabilities

There were no contingent liabilities as at 30 June 2017 and 31 December 2016.

Employees

As at 30 June 2017, total number of employees employed by the Group was 992 (31 December 2016: 1,014). 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.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

Outlook

We continue to be optimistic that we will continue our upward trend in terms of overall gaming revenues in our majority-owned Tigre de Cristal property. This would be in line with the increases we have seen in rolling chip volume and gaming machine yields, which for the former are a result of additional junket room operator signings and higher value players and for the latter consistent local mass visitation spread as a result of our local marketing, player development initiatives and recent closure of illicit gaming venues. The expressway that was opened in August 2016 has also been a contributing factor to our year-over-year growth as it has dramatically shortened the travel time to the property for both domestic and international customers. While the mass table business remained relatively flat in the first half of 2017, we are beginning to see evidence of increased mass table drop in the summer months. The new visa regime that went into effect in the first week of August 2017, should not only have a positive impact on our foreign mass table and slot businesses, but also incrementally enhance our rolling chip business.

Other factors that may contribute to our ongoing success and further future ramp up of our business are:

- **Ongoing growth in tourism.** Tourist visitation in the Primorye region grew substantially. The government expects tourism to continue to grow, especially given the newly implemented electronic visa regime. Most notably, the tourism growth has mainly come from our key foreign feeder markets. Subsequent to the completion of the acquisition of the Vladivostok International Airport by a consortium led by Singapore's Changi Airports International in February 2017, we have seen year-over-year increases in the number of flights as well as more efficient management of the airport. In August 2017, there were 65 direct weekly flights from our foreign feeder markets which is approximately 30% higher than in August 2016.

- **Future cluster potential.** Over the past months, we saw increased lodging options come online, with approximately 50 rooms having become available for our use at local resorts nearby. We expect another 130 rooms to become available over the winter months. We plan to house our lower value players in the offsite rooms while moving up the value chain at our own property with higher value players especially during the busier summer months. Furthermore, recent statements from two other casino operators have reiterated their intent to open properties in the Primorye IEZ by the second half of 2019, which reinforces the potential for a future cluster effect.

- **Ongoing improvements in non-gaming facilities.** We continue to fine-tune our F&B offerings, marketing programs, and service deliverables to satisfy the needs of our domestic and foreign clientele. Over the past few months we have opened a jewelry shop, a high-end luxury watch and diamond boutique, and expect very soon to open a convenience store – all within the property. Notably, Tigre de Cristal was among twelve nominees for the "Russia's Leading Hotel 2017" by World Travel Awards and is the only nominee from the Russian Far East.

- **Supportive government policies.** The Russian government has recently become more aggressive in the closure of illegal gambling dens and internet slot parlours in the city of Vladivostok and the immediate surrounding provinces. This has resulted in incremental increases in our patron visitation and mass gaming yields. For now, we continue to lobby the government to allow us to accept foreign currency banknotes from foreign customers, and we hope to hear some positive news on this front in the coming months.

In conclusion, the newly implemented simplified electronic visa regime, continuing growth in tourism, ongoing government support, increasing brand awareness, and improving service deliverables coupled with stringent cost controls are likely to enable us to maintain our year-over-year growth in most of our major gaming metrics going into the second half of 2017.

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.

The Company has complied with the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period from 1 January 2017 to 30 June 2017.

The Company has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Corporate Governance Committee to ensure maintenance of a high corporate governance standard. Terms of reference of the aforesaid committees have been posted on the Company's website at www.saholdings.com.hk under the "Corporate Governance" section.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards as set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2017.

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems. The Audit Committee has reviewed the unaudited interim results of the Group for the six-month period ended 30 June 2017.

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

During the six-month period ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Ho, Lawrence Yau Lung* (Chairman), Mr. Wang, John Peter Ben# (Deputy Chairman), Mr. Tsui Yiu Wa, Alec+, Mr. Pang Hing Chung, Alfred+ and Dr. Tyen Kan Hee, Anthony+.

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

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

Hong Kong, 31 August 2017