Summit Ascent Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 102)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of Summit Ascent Holdings Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 as follows:

HIGHLIGHTS

- The Adjusted Property EBITDA generated by Oriental Regent Limited, a subsidiary of the Group through which Tigre de Cristal, our majority-owned integrated resort in the Russian Far East, is operated, was HK$173.7 million for the year 2017 (2016: HK$131.5 million), representing an increase of 32% year-over-year.

- The Group's total revenue for the year 2017 was HK$470.8 million (2016: HK$323.3 million), representing an increase of 46% year-over-year.

- Profit attributable to owners of the Company was HK$13.8 million for the year ended 31 December 2017 (2016: HK$559,000), after deducting depreciation and amortisation of HK$133.7 million and other notional non-operating and non-cash items.

- The main contribution to the profitability of the Group is the rolling chip business, which targets VIP customers from Northeast Asia. Rolling chip turnover at Tigre de Cristal in 2017 amounts to HK$18.8 billion (2016: HK$14.1 billion), representing an increase of 33% year-over-year.

- On 28 February 2018, the local parliament of Primorsky Krai voted overwhelmingly to maintain the gaming tax rates at existing levels, despite the new power given to them to double gaming tax pursuant to a new federal law enacted on 27 November 2017. Accordingly, no changes in gaming tax rates have been applied to Tigre de Cristal.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Continuing operations			
Revenue from gaming and hotel operations	4	**470,821**	323,286
Other income	5	**2,945**	17,180
Other gains and losses	7	**(1,200)**	(643)
Gaming tax		**(13,899)**	(10,331)
Inventories consumed		**(12,311)**	(8,258)
Marketing and promotion expenses		**(19,236)**	(16,883)
Employee benefits expenses		**(155,887)**	(119,013)
Depreciation and amortisation		**(133,717)**	(86,916)
Other expenses	8	**(103,119)**	(76,963)
Gain on deemed disposal of interest in a joint venture		**–**	20,180
Finance costs	9	**(43,964)**	(32,532)
Share of losses of a joint venture		**(284)**	(17,070)
Loss before taxation		**(9,851)**	(7,963)
Income tax expense	10	**(109)**	–
Loss for the year from continuing operations	11	**(9,960)**	(7,963)
Discontinued operations			
Profit for the year from discontinued operations		**–**	2,607
Loss for the year		**(9,960)**	(5,356)
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 year		**(9,960)**	336,928

	NOTE	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		**13,778**	(2,048)
– from discontinued operations		**–**	2,607
Profit for the year attributable to owners of the Company		**13,778**	559
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(23,738)**	(5,915)
– from discontinued operations		**–**	–
Loss for the year attributable to non-controlling interests		**(23,738)**	(5,915)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**13,778**	342,843
Non-controlling interests		**(23,738)**	(5,915)
		(9,960)	336,928
		HK cent	*HK cent*
Earnings (loss) per share	13		
From continuing and discontinued operations			
Basic		**0.93**	0.04
Diluted		**0.93**	0.04
From continuing operations			
Basic		**0.93**	(0.14)
Diluted		**0.93**	(0.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, operating right and equipment		**1,548,989**	1,658,383
Long-term prepayments		**13,533**	13,533
Goodwill	14	**–**	8,525
Intangible assets		**158**	168
Interest in a joint venture		**329**	613
Loan to a joint venture		**1,759**	1,572
		1,564,768	1,682,794
Current assets			
Inventories		**3,462**	4,462
Trade and other receivables	15	**37,873**	27,999
Bank balances and cash		**400,208**	335,138
		441,543	367,599
Current liabilities			
Other payables	16	**56,750**	71,838
Amount due to a non-controlling shareholder of a subsidiary		**1,302**	–
Amount due to a related party		**–**	4,156
Obligations under finance leases – due within one year		**1,029**	1,516
		59,081	77,510
Net current assets		**382,462**	290,089
Total assets less current liabilities		**1,947,230**	1,972,883
Non-current liabilities			
Loans from non-controlling shareholders of a subsidiary		**281,535**	286,240
Provision for value-added tax ("VAT") arrangements		**57,816**	54,932
Obligations under finance leases – due after one year		**–**	800
		339,351	341,972
Net assets		**1,607,879**	1,630,911

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**37,209**	37,150
Reserves	**1,176,670**	1,158,918
Equity attributable to owners of the Company	**1,213,879**	1,196,068
Non-controlling interests	**394,000**	434,843
Total equity	**1,607,879**	1,630,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. APPLICATION OF NEW AND REVISED 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the above 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financial activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates: (iv) changes in fair value; and (v) other changes.

Apart from the additional disclosures in the annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2017.

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.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

4. REVENUE FROM GAMING AND HOTEL OPERATIONS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Revenue from gaming and hotel operations:		
– Gaming operations	**434,106**	299,558
– Hotel operations	**36,715**	23,728
	470,821	323,286

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**1,567**	948
Rental income	**772**	398
Imputed interest income from loan to a joint venture	**187**	12,765
Management fee income	**–**	2,578
Others	**419**	491
	2,945	17,180

6. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Deputy Chairman and Executive Director, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance.

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

During the years ended 31 December 2016 and 2017, all revenue from the continuing operations is derived from customers patronising in the Group's property located in the Russian Federation.

7. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Exchange gains, net	**7,593**	2,900
Impairment loss recognised on goodwill *(Note 14)*	**(8,525)**	–
Loss on disposal of property, operating right and equipment	**(265)**	(1,654)
Impairment losses recognised on other receivables, deposits and prepayments *(Note 15)*	**(3)**	(1,889)
	(1,200)	(643)

8. OTHER EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Security expenses	**16,162**	10,657
Repair and maintenance expenses	**12,682**	5,769
Travel agency expenses	**11,549**	6,176
Utilities and fuel	**7,879**	4,903
Insurance expenses	**4,548**	3,187
Auditor's remuneration		
– Audit services	**3,689**	3,128
– Non-audit services	**1,574**	2,854
Overseas travel expenses	**2,885**	7,370
Minimum lease payments under operating leases	**2,672**	1,893
Management fee expenses	**1,302**	–
Others	**38,177**	31,026
	103,119	76,963

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Imputed interest on loans from non-controlling shareholders of a subsidiary	**31,095**	22,079
Imputed interest on VAT arrangements	**11,011**	8,500
Imputed interest on payables	**975**	1,321
Interest on obligations under finance leases	**883**	632
	43,964	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 has no assessable profit for both years.

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

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.

11. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Loss for the year from continuing operations has been arrived at after charging:		
Directors' remunerations	**1,394**	812
Contributions to retirement benefits schemes to Directors	**6**	–
Share-based compensation benefits to Directors	**–**	12,602
Salaries, wages, bonus and other benefits, excluding Directors	**124,435**	86,567
Contributions to retirement benefits schemes, excluding Directors	**27,745**	17,635
Share-based compensation benefits, excluding Directors and consultants	**2,307**	1,397
Total employee benefits expenses (including Directors' emoluments)	**155,887**	119,013
Amortisation of intangible assets	**54**	38
Depreciation of property, operating right and equipment	**133,663**	86,878
Total depreciation and amortisation	**133,717**	86,916
Share-based compensation benefits to consultants	**842**	787

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	2017	2016
	HK$'000	*HK$'000*
Profit for the purposes of basic and diluted earnings per share	**13,778**	559

	Number of shares	
	(in thousands)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,486,409**	1,485,632
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**25**	5,860
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,486,434**	1,491,492

From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**13,778**	559
Less: Profit for the year from discontinued operations	**–**	(2,607)
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	**13,778**	(2,048)

The denominators used are the same as detailed above for both basic and diluted earnings per share for the year ended 31 December 2017. The computation of diluted loss per share for the year ended 31 December 2016 did not assume exercise of share options since the exercise would result in a decrease in 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, based on the profit for the year from discontinued operations attributable to owners of the Company of HK$2,607,000 and the denominators detailed above for both basic and diluted earnings per share. There was no profit or loss from discontinued operations for the year ended 31 December 2017.

14. GOODWILL AND IMPAIRMENT LOSS ON GOODWILL

	2017	2016
	HK$'000	*HK$'000*
COST		
At 1 January	**8,525**	–
Arising on acquisition of subsidiaries	**–**	8,525
At 31 December	**8,525**	8,525
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised in the year	**8,525**	–
At 31 December	**8,525**	–
CARRYING VALUES		
At 31 December	**–**	8,525

For the purposes of impairment testing, goodwill has been allocated to the cash generating unit ("CGU"), comprising subsidiaries in the gaming and hotel operations segment. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2017 and 31 December 2016 allocated to this unit is as follows:

Goodwill

	2017	2016
	HK$'000	*HK$'000*
Gaming and hotel operations – Oriental Regent Limited ("Oriental Regent")	**–**	8,525

During the year ended 31 December 2017, the Group recognised an impairment loss of HK$8,525,000 (2016: Nil) in relation to goodwill arising on the acquisition of Oriental Regent.

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

Oriental Regent:

The recoverable amount of this unit has been determined on the basis of value in use calculation. The key factors for the value in use calculation are discount rates, growth rates and expected changes to revenue and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for the goodwill, based on cash flow forecasts derived from the most recent financial budgets for the next five years using a discount rate of 17% (2016: 21.29%), while the remaining forecast beyond that five-year period are extrapolated using a steady 4% (2016: 4%) growth rate which is with reference to the long term inflation rate in the Russia Federation in which the CGU operates. Due to the lower recoverable amount of this CGU as assessed by the management based on the current business condition and operating environment in Primorye Integrated Entertainment Zone in the Russian Federation, the Group recognised an impairment loss of HK$8,525,000 (2016: Nil) in the current year in relation to goodwill arising from the acquisition of Oriental Regent.

15. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**27,769**	17,208
Prepayments	**9,437**	9,932
Other receivables and deposits	**1,993**	2,748
Less: Allowance	**(1,326)**	(1,889)
	10,104	10,791
	37,873	27,999

Trade receivables mainly represent outstanding amounts pending settlements by patrons which are usually repaid within 7 days (2016: 10 days) after each trip to the Group's gaming property. 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.

All of the Group's trade receivables as at 31 December 2017 and 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, at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**27,769**	15,856
31 – 90 days	**–**	1,352
	27,769	17,208

Movements in allowance for other receivables, deposits and prepayments

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,889**	–
Impairment losses recognised *(Note 7)*	**3**	1,889
Amounts written off	**(566)**	–
Balance at end of the year	**1,326**	1,889

16. OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Payable in respect of transfer of connection right to local electricity supply network	**13,753**	12,127
Provision for VAT arrangements	**11,196**	10,728
Outstanding gaming chips	**2,554**	2,963
Gaming tax payables	**1,107**	1,117
Payables for purchase of property and equipment and construction costs	**–**	24,649
Accruals and other payables	**28,140**	20,254
	56,750	71,838

CHAIRMAN'S STATEMENT

2017 was the second full year operation of our majority-owned hotel and casino resort Tigre de Cristal. Tigre de Cristal generated an adjusted property EBITDA of HK$173.7 million for the year (2016: HK$131.5 million), representing a year-over-year increase of 32%. Most impressively, this was achieved during a period of substantial ownership changes at the Summit Ascent level, the changeover of Chief Operating Officer at Tigre de Cristal, policy uncertainties regarding gaming taxes in the Russian Federation as well as geopolitical instability in the region.

I would like to commend our management team for the ongoing enthusiasm and professionalism they have demonstrated despite the aforementioned challenges during the year. Also, I would also like to express my appreciation for the government officials in the Russian Far East for their ongoing support and in particular, the tremendous efforts they made in maintaining consistent tax and regulatory stability that makes the Russian Far East such an attractive destination for investment.

I am proud to state that Summit Ascent remains fully committed to our majority-owned asset Tigre de Cristal, and our Phase II project in the Russian Far East. I strongly believe in the massive potential of tourism growth in the Russian Far East and that outbound tourism and investment will be a key success factor in China's 'One Belt, One Road' strategy. I also believe that our strategy of developing both gaming and non-gaming facilities will enhance the attractiveness of the Russian Far East as a tourism destination for customers from nearby Asian countries, and will help our casino, hotel, and restaurant business to continue to expand. With the support and cooperation of our devoted management team and staff, a pro-business government in the Russian Far East and our new shareholders and investment partners, I maintain a positive view towards Summit Ascent's business prospects going forward.

Kuo Jen Hao
Chairman and Non-executive Director

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") in the Russian Federation, 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.

Tigre de Cristal is the first and, for the time being, the only casino, hotel and entertainment destination operating in the Russian Far East where gaming and casino activities are permitted. 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, which has been certified as a 5-star hotel since October 2017;
- Casual and fine dining in 2 restaurants and 4 bars;
- Spa and health club, karaoke rooms and a virtual golf zone;
- A convenience store, a health food store and a Tigre de Cristal branded shop;
- A jewelry boutique and a Montblanc outlet; and
- A high-end diamond and luxury watch boutique "DOMINO".

Financial Review

Segment Information

Subsequent to the disposal of the entire equity interest in Easy Market Trading Limited on 14 March 2016, a subsidiary engaged in the trading of tiles and engineering operations products, the Group operates in only one business segment, namely the gaming and hotel operations.

Gaming revenue of Tigre de Cristal

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

Rolling chip business

The table below sets forth the key performance indicators of our rolling chip business in 2017.

Rolling chip business *(HK$'million)*	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**FY 2017**	**FY 2016**
Rolling chip turnover	3,438	4,965	5,570	4,818	18,791	14,081
Gross win	164	148	197	193	702	504
Less: Rebate	(118)	(114)	(148)	(140)	(520)	(334)
Net win after rebate	46	34	49	53	182	170
Gross win %	4.77%	2.98%	3.54%	4.01%	3.74%	3.58%
Daily average number of tables opened	13	18	17	16	16	10

Rolling chip turnover at Tigre de Cristal in 2017 was HK$18.8 billion (2016: HK$14.1 billion), up 33% year-over-year. Revenue from rolling chip business for 2017, net of all commissions rebated directly or indirectly to customers, increased by 7.1% to HK$182 million.

The main contribution to the profitability of the Group is the rolling chip business, which targets VIP customers from Northeast Asia. Despite occasional inclement weather in the winter months, recent improvements in highway infrastructure, increased airline flight frequency and the free electronic visa policy in the Russian Far East, have lessened the impact of seasonal factors on our rolling chip business notably compared to previous years.

Mass table business

The table below sets forth the key performance indicators of our mass table business in 2017.

Mass table business *(HK$'million)*	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**FY 2017**	**FY 2016**
Total table drop	132	127	155	163	577	496
Table net win	26	31	39	36	132	117
Hold %	19.7%	24.4%	25.2%	22.1%	22.9%	23.6%
Daily average number of tables opened	21	20	19	19	20	22

Revenue from our mass table business increased by 13%, from HK$117 million in 2016 to HK$132 million in 2017. The increase is in line with the growth in mass table drop from HK$496 million in 2016 to HK$577 million in 2017, partially offset by a decrease in mass table hold percentage from 23.6% in 2016 to 22.9% in 2017.

Slot business

Our slot business primarily targets the local Russian market. The table below sets forth the key performance indicators in 2017.

Slot business *(HK$'million)*	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**FY 2017**	**FY 2016**
Total slot handle	415	518	595	664	2,192	1,620
Slot net win	22	29	35	34	120	99
Hold %	5.3%	5.6%	5.9%	5.1%	5.5%	6.1%
Average number of slots deployed	309	302	286	285	295	319

Revenue from slot business increased by 21% year-over-year to HK$120 million in 2017. The increase was due to the continuous growth in slot handle by 35% to HK$2,192 million in 2017.

Adjusted Property EBITDA of Tigre de Cristal

Adjusted Property EBITDA is used by management as the primary measure of operating performance of our gaming and hotel operations under Tigre de Cristal. Adjusted Property EBITDA is defined as net income before share-based compensation benefits, management fee payable to the holding company, corporate expenses, gain or loss on disposal or impairment of assets, depreciation and amortisation, interest, and taxes. The following table sets forth a reconciliation of the Adjusted Property EBITDA to the reported profit for the year attributable to owners of the Company as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017.

On 14 April 2016, the shareholders of 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 consolidated financial statements of the Group from 14 April 2016 onwards. For illustrative purposes, the comparative figures in 2016 are presented below as if the acquisition of Oriental Regent had been completed on 1 January 2016. In determining the "pro-forma" revenue and loss of the Group had Oriental Regent been acquired on 1 January 2016, depreciation and amortisation were calculated based on the recognised amounts of property, operating right and equipment from 14 April 2016.

Reconciliation of Adjusted Property EBITDA to the profit for the year ended 31 December 2017 attributable to owners of the Company

	2017	2016
	HK$'000	*HK$'000*
Gross revenue from rolling chip business	**702,243**	503,559
Less: Rebates	**(520,782)**	(333,614)
Revenue from rolling chip business	**181,461**	169,945
Revenue from mass table business	**132,364**	116,957
Revenue from slot business	**120,281**	98,601
Net revenue from gaming operations	**434,106**	385,503
Revenue from hotel operations	**36,715**	28,845
Total revenue from gaming and hotel operations	**470,821**	414,348
Add: Other income	**1,071**	1,640
Less: Other gains and losses	**(265)**	(1,651)
Gaming tax	**(13,899)**	(14,246)
Inventories consumed	**(12,311)**	(10,571)
Marketing and promotion expenses	**(19,236)**	(22,368)
Employee benefits expenses	**(146,278)**	(137,808)
Other expenses	**(106,175)**	(97,834)
Adjusted Property EBITDA of Tigre de Cristal	**173,728**	131,510
Add: Management fee payable to the Company	**13,023**	11,564
Less: Company corporate expenses	**(16,307)**	(22,202)
	170,444	120,872
Add: Bank interest income	**1,567**	955
Less: Interest on obligations under finance leases	**(883)**	(762)
Income tax expense	**(109)**	(797)
	171,019	120,268

	2017	2016
	HK$'000	*HK$'000*
Notional non-cash items:		
Add: Imputed interest income from loans to a joint venture	**187**	12,765
Net exchange gains	**7,593**	7,583
Gain on deemed disposal of interest in a joint venture	**–**	20,180
Profit for the year from discontinued operations	**–**	2,607
Less: Imputed interest expenses	**(43,081)**	(44,498)
Depreciation and amortisation	**(133,717)**	(102,421)
Notional share-based compensation benefits	**(3,149)**	(14,786)
Share of losses of a joint venture	**(284)**	(273)
Non-recurring write-off relating to goodwill	**(8,525)**	–
Non-recurring write-offs relating to construction	**(3)**	(1,889)
Loss for the year of the Group	**(9,960)**	(464)
Add: Loss for the year attributable to non-controlling interests	**23,738**	1,023
Profit for the year attributable to owners of the Company	**13,778**	559

The Group made positive growth in 2017, which was our second full year of operations. Total revenue of Tigre de Cristal increased by 14% to HK$470.8 million. Revenue from gaming operations increased by 13% year-over-year to HK$434.1 million with progress on all fronts. Revenue from hotel operations increased by 27% year-over-year to HK$36.7 million primarily due to our efforts to encourage visitation and extend the length of customers' stay within Tigre de Cristal. Hotel occupancy has remained satisfactory – weekends are at 89% occupancy, and weekdays are at 52%. Food and beverage covers have continued to increase in line with the optimisation of F&B offerings.

In parallel, the Company has maintained its stringent cost controls and streamlined our operations. Total operating costs, including inventories consumed, marketing and promotion expenses, employee benefits expenses and other expenses, were HK$284.0 million, increased by a single digit of 6% year-over-year. Company corporate expenses were HK$16.3 million (2016: HK$22.2 million), representing a decrease of 27% year-over-year.

As a result, the Adjusted Property EBITDA of Tigre de Cristal increased by 32%, from HK$131.5 million in 2016 to HK173.7 million in 2017. The Adjusted Property EBITDA margin, as a percentage of the Group's total revenue, was 37% in 2017 compared to 32% in 2016.

Profit attributable to owners of the Company was HK$13.8 million for the year ended 31 December 2017 (2016: HK$559,000), after deducting depreciation and amortisation of HK$133.7 million and other notional non-cash items. Loss for the year of the Group was HK$10.0 million, primarily caused by the notional imputed interest expenses of HK$43.1 million arising from interest-free loans from the non-controlling shareholders of Oriental Regent.

Tax

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

Since 2004 up to 31 December 2017

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

Effective from 1 January 2018

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

For the year ended 31 December 2017, the monthly rates per gaming table and per gaming machine applicable to the Group were RUB125,000 and RUB7,500 respectively (2016: RUB125,000 and RUB7,500 respectively), which corresponded to approximately 3.2% of the Group's gaming revenue for the year 2017.

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

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

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for the year 2017.

Anti-money Laundering Policy

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

In accordance with the provisions of the Russian AML/CFT Law, Tigre de Cristal has adopted its own anti-money laundering and combating financing of terrorism policies and the key components include: internal control systems; a special officer to oversee the daily compliance; client identification and screening; and reporting unusual transactions subject to mandatory requirements.

Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position and finances its business operations with internal resources and cash revenues generated from operating activities. As at 31 December 2017, total assets of the Group were HK$2,006.3 million (2016: HK$2,050.4 million) which were financed by shareholders' equity of HK$1,213.9 million (2016: HK$1,196.1 million), non-controlling interests of HK$394.0 million (2016: HK$434.8 million), non-current liabilities of HK$339.4 million (2016: HK$342.0 million), and current liabilities of HK$59.1 million (2016: HK$77.5 million).

The Group had no outstanding external borrowings throughout the years ended 31 December 2017 and 31 December 2016, except for the obligations under finance leases amounted to HK$1.0 million and HK$2.3 million respectively. The gearing ratio, expressed as a percentage of total borrowings divided by total assets, was 0% as at 31 December 2017 (2016: 0.1%).

The Group remains conservative in its working capital management. As at 31 December 2017, cash and bank balances held by the Group amounted to HK$400.2 million (2016: HK$335.1 million), of which 47.8% was denominated in United States dollar, 35.2% in Hong Kong dollar, and 17.0% in Russian ruble.

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

	2017	2016
	HK$'000	*HK$'000*
Net cash from operating activities	**180,136**	76,501
Net cash (used in) from investing activities	**(58,440)**	126,704
Net cash used in financing activities	**(58,225)**	(591)
Net increase in cash and cash equivalents	**63,471**	202,614
Cash and cash equivalents at 1 January	**335,138**	130,276
Effect of foreign exchange rate changes	**1,599**	2,248
Cash and cash equivalents at 31 December	**400,208**	335,138

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

Net cash used in investing activities of HK$58.4 million for the year ended 31 December 2017 was mainly due to the cash payments for property, operating right and equipment, out of which HK$24.6 million was the retention money paid to a subcontractor for the construction works of Tigre de Cristal. Net cash from investing activities of HK$126.7 million in 2016 was mainly contributed by the acquisition of subsidiaries amounted to HK$82.5 million and refund of value-added tax amounted to HK$44.8 million from the Russian tax authority.

Net cash used in financing activities of HK$58.2 million for the year ended 31 December 2017 primarily represented the partial repayment of loans from non-controlling shareholders of Oriental Regent. Net cash used in financing activities of HK$591,000 in 2016 mainly represented the interest payment.

Charge on Assets

None of the Group's assets were pledged or otherwise encumbered as at 31 December 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 consolidated financial statements of the Group are presented in Hong Kong dollars.

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

Notwithstanding the majority of our costs incurred by subsidiaries operating in the Russian Federation are denominated in Russian rubles, the risk of Russian ruble fluctuation impacting the results of the Group is substantially mitigated by a natural hedge in matching our costs with revenue denominated in the same currency that is generated from the mass table and slot businesses.

Capital Commitment

The Group had no capital commitment as at 31 December 2017 and 31 December 2016.

Contingent Liabilities

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

Employees

As at 31 December 2017, total number of employees employed by the Group was 1,000 (31 December 2016: 1,014). Currently, more than 97% of our full time employees are local Russian citizens (2016: 97%). The Group continues to provide remuneration packages and training programs to employees in line with prevailing market practices. In addition to the contributions to employees' provident fund and medical insurance programs, the Company has a share option program in place and occasionally may grant shares options to directors, employees and consultants of the Group as incentives.

Outlook

The ramp up of our business has been satisfactory with all areas showing year-over-year improvements. We expect to see continued growth across all major business areas in 2018 and believe the following factors will assist in the ongoing expansion of our business.

- **Growth of tourism.** Foreign tourist visitation has grown substantially over the past few years in the Russian Far East and shows no signs of slowing. In December 2017, there were nearly 50% more direct flights than in December 2016. Improvements in infrastructure, increased tourist attractions like the Primorye Oceanarium, the new free e-visa regime implemented in August 2017, the local tourism department's promotional efforts, and the subsequent increased international awareness of Vladivostok as a tourist destination have all contributed to ongoing growth in foreign visitation. We expect awareness of the Russian Federation as a tourist destination to only continue to grow when hosting the "2018 FIFA World Cup Russia" this summer.

- **Other integrated resort developments in the IEZ.** We have seen increased preparatory and building works by other future integrated resort operators and at least two other operators appear to be committed to their investment and development plans with targeted openings in late 2019. We also continue to target an opening of the first stage of our Phase II property in the latter half of 2019 and are in the midst of finalizing design and financing options so that we can commence construction. Finally, we expect the Primorsky Krai and the IEZ to directly benefit and our current and future integrated resort projects to incidentally benefit from China's ongoing investment in the Russian Far East as part of their "One Belt, One Road" initiative.

- **Expansion and refinement of our non-gaming facilities.** We relentlessly strive to improve our non-gaming facilities within the property. We now have 6 retail outlets in the property including a convenience store, a midrange jewelry boutique, a Montblanc outlet, a health food store, a Tigre de Cristal branded shop, and a high-end luxury watch and diamond retailer. Our two restaurants have both received increased recognition and subsequently improved visitation as we have refined the offerings to suit our clientele's taste while maintaining high quality materials and services. We are also very proud to state that our resort has received a 5-star designation by the Russian Federation since October 2017.

- **Russian government policy.** On 28 February 2018, the local parliament of the Primorsky Krai voted overwhelmingly to maintain the gaming tax rates at the existing levels. In addition, a duty free regime for the IEZ and Primorye Free Port is expected to be effectively put in place later this year. The above initiatives signify the Russian government's commitment to maintaining a welcoming environment and consistent policies to stimulate ongoing foreign investment.

In conclusion, the aforementioned positive macro-trends in tourism and positive government policy, coupled with our relentless focus on the constant improvement of gaming and non-gaming offerings and services should enable us to continue to grow our business.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 1 June 2018. 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, 29 May 2018 to Friday, 1 June 2018 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 May 2018.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2017 except code provision A.2.7. Pursuant to code provision A.2.7, the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year ended 31 December 2017, no meeting between the Chairman and the Non-executive Directors was held due to the tight schedule of the Chairman of the Board during the year. The Company shall optimise the planning and procedures of the meetings such that the Chairman could hold meetings with the Non-executive Directors in the future.

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 http://www.saholdings.com.hk under the "Corporate Governance" section.

MODEL CODE FOR SECURITIES TRANSACTIONS 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 2017.

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 reviewing the Group's risk management and internal control systems.

The Audit Committee, made up of three Independent Non-executive Directors, met twice 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.

The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee and audited by the independent auditor of the Group, Messrs. Deloitte Touche Tohmatsu.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the Company's website (http://www.saholdings.com.hk) and the Stock Exchange's website (http://www.hkexnews.hk). The 2017 annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

BOARD OF DIRECTORS

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

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

Hong Kong, 22 March 2018