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## **SUMMIT ASCENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 102)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018 as follows:

#### **HIGHLIGHTS**

- The Adjusted Property EBITDA generated by Oriental Regent Limited, a subsidiary of the Group and the majority shareholder of Tigre de Cristal, our integrated resort in the Russian Far East, was HK\$181.4 million for the year 2018 (2017: HK\$173.7 million), up 4% year-over-year and representing continuous growth over the past three years.
- Adjusted Property EBIDTA margin also improved, increasing to 39.2% in 2018 versus 36.9% in 2017.
- Profit for the year of the Group was HK\$4.1 million for the year ended 31 December 2018, compared to a loss of HK\$10.0 million for the year ended 31 December 2017.
- The Group’s total revenue for the year 2018 was HK\$463.2 million (2017: HK\$470.8 million), down 1.6% year-over-year, partly due to the weakening Russian ruble.
- Mass table business saw significant improvement with revenue increasing by 26% from HK\$132.1 million in 2017 to HK\$166.9 million in 2018 and has replaced the rolling chip business as our main revenue contributor.
- We appointed new members to the Board including Mr. Lo Kai Bong, an executive director of Suncity Group Holdings Limited (which held approximately 3.29% of the issued share capital of the Company at the date of Mr. Lo’s appointment on 12 December 2018), and Dr. U Chio Ieong as Non-executive Directors as well as three new Independent Non-executive Directors, to take up the reins for three departing Independent Non-executive Directors.

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

*For the year ended 31 December 2018*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2018*

	<i>NOTES</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, operating right and equipment		<b>1,460,566</b>	1,548,989
Long-term prepayments and deposits		<b>16,687</b>	13,533
Intangible assets		<b>115</b>	158
Interest in a joint venture		–	329
Loan to a joint venture		–	1,759
		<hr/> <b>1,477,368</b>	<hr/> 1,564,768
<b>Current assets</b>			
Inventories		<b>2,802</b>	3,462
Trade and other receivables	14	<b>45,287</b>	37,873
Bank balances and cash		<b>479,822</b>	400,208
		<hr/> <b>527,911</b>	<hr/> 441,543
<b>Current liabilities</b>			
Contract liabilities, trade and other payables	15	<b>76,266</b>	56,750
Amount due to a non-controlling shareholder of a subsidiary		–	1,302
Obligations under finance leases – due within one year		–	1,029
		<hr/> <b>76,266</b>	<hr/> 59,081
Net current assets		<hr/> <b>451,645</b>	<hr/> 382,462
Total assets less current liabilities		<hr/> <b>1,929,013</b>	<hr/> 1,947,230
<b>Non-current liabilities</b>			
Loans from non-controlling shareholders of a subsidiary		<b>257,892</b>	281,535
Provision for value-added tax (“VAT”) arrangements		<b>44,537</b>	57,816
		<hr/> <b>302,429</b>	<hr/> 339,351
Net assets		<hr/> <b>1,626,584</b>	<hr/> 1,607,879

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 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 “Stock Exchange”).

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

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

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

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

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

	<b>Year ended 31 December 2017 HK\$'000 (as previously stated)</b>	<b>Effect on adoption of HKFRS 15 HK\$'000 (Note)</b>	<b>Year ended 31 December 2017 HK\$'000 (as restated)</b>
Revenue from gaming and hotel operations:			
– Gaming operations	434,106	(13,351)	420,755
– Hotel operations	36,715	13,351	50,066
	<u>470,821</u>	<u>0</u>	<u>470,821</u>

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

- a change in the presentation of, and accounting for, revenue generated from goods or services provided on a discount or complimentary basis that are provided to gaming customers in relation to their gaming play in the casino. Those complimentary or discounted goods or services were previously excluded from revenues in the consolidated statement of profit or loss and other comprehensive income prepared in accordance with HKFRS. The adoption of the new standard resulted in an increase in the revenue from hotel operations and a decrease in revenue from gaming operations due to the revision in the allocation of transaction price for revenue contracts with multiple performance obligations.
- a change in the measurement of the loyalty points related to its customer relationship programs which is accounted for as a separate performance obligation and allocating the transaction price to performance obligations for providing gaming services, hotel related services and loyalty points under the relative stand-alone selling price. When the benefits are redeemed, revenue will be recognised in the respective category of the goods or services provided.

## 2.2 HKFRS 9 Financial Instruments

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

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

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

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

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

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

### New and amendments to HKFRSs in issue but not yet effective

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

### 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 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

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



## 5. OTHER INCOME

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

## 6. SEGMENT INFORMATION

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

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

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

## 7. OTHER GAINS AND LOSSES

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

## 8. OTHER EXPENSES

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

## 9. FINANCE COSTS

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

## 10. INCOME TAX EXPENSE

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.

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

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

## 11. PROFIT (LOSS) FOR THE YEAR

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

## 12. DIVIDENDS

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

### 13. EARNINGS PER SHARE

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

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

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

### 14. TRADE AND OTHER RECEIVABLES

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

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

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

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

**15. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES**

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

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

	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>185</b>	–
31-90 days	<b>7</b>	–
Over 90 days	<b>41</b>	–
	<b>233</b>	–

## **CHAIRMAN’S STATEMENT**

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

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

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

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

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

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

**Kuo Jen Hao**

*Chairman and Non-executive Director*

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

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

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

## FINANCIAL REVIEW

### *Segment Information*

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

### *Foreign Exchange Impact on Revenue*

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

### *Revenue from Gaming Operations*

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

#### *Rolling chip business*

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

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

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



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

*Mass table business*

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

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

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

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

### *Slot business*

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

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

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

### ***Revenue from Hotel Operations***

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

### ***Effect Arising from Initial Application of HKFRS 15***

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

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

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

***Adjusted Property EBITDA of Tigre de Cristal***

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

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

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

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

## **Expenses**

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

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

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

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

### **Gaming Tax**

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

*Since 2004 up to 31 December 2017*

	<i>Minimum (RUB)</i>	<i>Maximum (RUB)</i>
Each gaming table	25,000	125,000
Each gaming machine	1,500	7,500

*Effective from 1 January 2018*

	<i>Minimum (RUB)</i>	<i>Maximum (RUB)</i>
Each gaming table	50,000	250,000
Each gaming machine	3,000	15,000

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

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

## **Income Tax Expense**

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

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

## **Profit for the Year**

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

## **Anti-money Laundering Policy**

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

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

## Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

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

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



### **Charge on Assets**

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

### **Exposure to Fluctuations in Exchange Rates**

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

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

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

### **Capital Commitments**

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

### **Contingent Liabilities**

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

### **Employees**

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

## Outlook

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

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

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

- **Growth in cooperation with the Suncity Group.** On 12 December 2018, Mr. Lo Kai Bong was appointed as a Non-executive Director of the Company. Mr. Lo is an executive director of Suncity Group Holdings Limited, a company listed on the Stock Exchange (“Suncity”, which held approximately 3.29% of the issued share capital of the Company at the date of Mr. Lo’s appointment). Mr. Lo is also the chief investment officer of the Suncity Group, which is one of Asia’s leading VIP services and entertainment conglomerates. Mr. Lo has been involved in the development of the Suncity Group’s overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of Suncity and the Suncity Group and is experienced in the gaming industry. We are optimistic about the potential collaboration with the Suncity Group.
- **Expansion of our existing integrated resort.** In order to address the acute shortage of hotel rooms during weekends at Tigre de Cristal, provide additional lodging options to our mass and VIP customers, and maximize our existing property’s gaming yields, we are about to commence the construction of 8 villas and 22 serviced apartments beside Tigre de Cristal. We expect that these luxury accommodations will increase our lodging capacity by approximately 50% and are targeting an opening in early 2020. We will finance the capital expenditure for this expansion organically.
- **Phase II.** We are now targeting an opening of the first stage of our Phase II property by summer 2021, owing to our recent changes in substantial shareholders and subsequent alterations in the design and financing options. The first stage of Phase II is expected to significantly increase the existing hotel capacity, gaming tables and slots. This expansion will also include additional restaurants and bars, an indoor beach club, and a premium outlet mall.

- **Acceleration of tourism.** Tourism to the Primorye region grew significantly in recent years with neighboring countries China, South Korea and Japan contributing the largest amount of visitors respectively. The Primorsky Krai Department of Tourism has continued to expand its marketing efforts, and direct flights from our feeder markets increased by more than 40% year-over-year. Overall tourism has been growing at an annualized rate of over 30% over the past five years and is expected to continue its positive momentum as the region's international reputation as a destination grows.
- **The cluster effect.** We have observed an acceleration of building works by other integrated resort operators in the IEZ Primorye. Assuming that our own Phase II project and the other operators' development plans remain on track, we may see the benefits of a cluster effect as early as 2021.
- **Refinement of our non-gaming facilities.** We are very proud that Tigre de Cristal was named "Russia's Leading Resort in 2018" at the Europe Gala Ceremony 2018 organised by the World Travel Awards on 30 June 2018, but we continuously strive to cater to our mass and VIP players by adjusting our gaming offerings, refurbishing our property where needed, and modifying customer-facing areas like our main stage and bar.

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

## **FINAL DIVIDEND**

The Board did not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The annual general meeting of the Company is scheduled to be held on Friday, 31 May 2019. 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, 28 May 2019 to Friday, 31 May 2019 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2019.

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

During the year ended 31 December 2018, 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 Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2018.

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

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

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

## **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 ended 31 December 2018.

## **AUDIT COMMITTEE**

The Company's Audit Committee is currently composed of three Independent Non-executive Directors, met twice during the financial year. The primary duties of the Audit Committee are (i) to review the Group's 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 Group's annual results for the year ended 31 December 2018 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 2018 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 annual results announcement is published on the Company's website (<http://www.saholdings.com.hk>) and the Stock Exchange's website (<http://www.hkexnews.hk>). The 2018 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 Directors are Mr. Kuo Jen Hao (Chairman), Mr. Lo Kai Bong and Dr. U Chio Jeong, and the Independent Non-executive Directors are Mr. Gerard Joseph McMahon, Mr. Lau Yau Cheung and Mr. Li Chak Hung.

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

Hong Kong, 18 March 2019