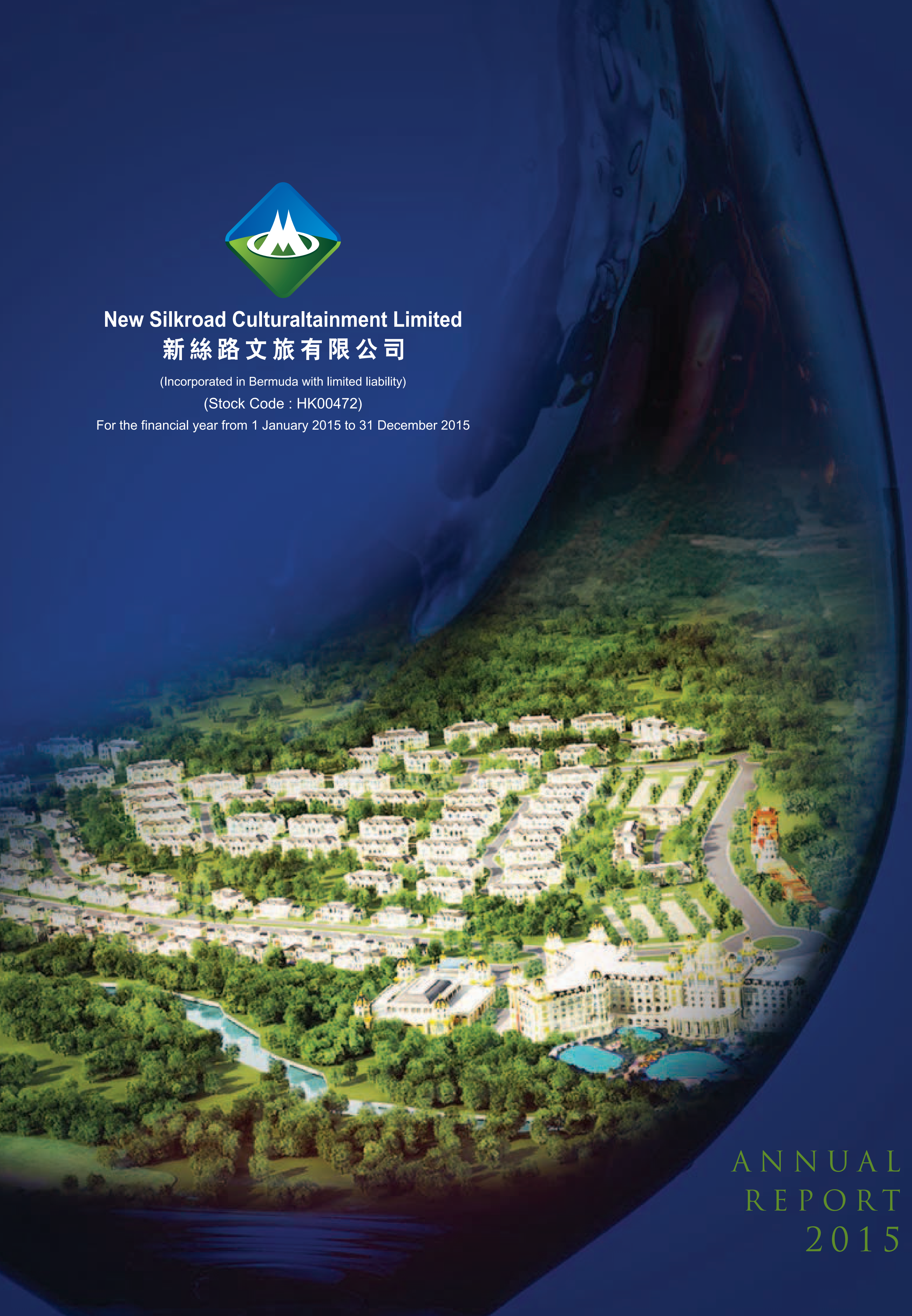
New Silkroad Culturaltainment Limited
新絲路文旅有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : HK00472)

For the financial year from 1 January 2015 to 31 December 2015



ANNUAL REPORT 2015

MOVING
TO A NEW ERA

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Mr. Su Bo (Chairman)
(Appointed on 8 June 2015)
Mr. Yan Tao (Vice-Chairman and Chief Executive)
Mr. Ng Kwong Chue, Paul
Mr. Zhang Jian
Mr. Hang Guanyu
(Appointed on 8 June 2015)
Mr. Liu Huaming
(Appointed on 8 June 2015)

Independent Non-executive Directors:
Mr. Ting Leung Huel, Stephen
Mr. Cao Kuangyu
Mr. Che Kuong Hon
(Appointed on 24 November 2015)

AUTHORISED REPRESENTATIVES

Mr. Su Bo
(Appointed on 26 June 2015)
Mr. Ng Kwong Chue, Paul

COMPANY SECRETARY

Mr. Ng Kwong Chue, Paul

NOMINATION COMMITTEE

Mr. Su Bo (Chairman)
(Appointed on 26 June 2015)
Mr. Yan Tao
Mr. Ting Leung Huel, Stephen
Mr. Cao Kuangyu
Mr. Che Kuong Hon
(Appointed on 24 November 2015)

REMUNERATION COMMITTEE

Mr. Ting Leung Huel, Stephen (Chairman)
Mr. Su Bo
(Appointed on 26 June 2015)
Mr. Liu Huaming
(Appointed on 26 June 2015)
Mr. Cao Kuangyu
Mr. Che Kuong Hon
(Appointed on 24 November 2015)

AUDIT COMMITTEE

Mr. Ting Leung Huel, Stephen (Chairman)
Mr. Cao Kuangyu
Mr. Che Kuong Hon
(Appointed on 24 November 2015)

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

LEGAL ADVISERS

Bermuda:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Hong Kong:
Michael Li & Co.
19/F., Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank Corporation
Agricultural Development Bank of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1501, 15/F., COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

Tricor Progressive Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

00472

CHAIRMAN'S STATEMENT

EXPLORING NEW OPPORTUNITIES TO ACHIEVE NEW HEIGHTS

Dear Fellow Shareholders,

On behalf of the board of directors (the "Board") of New Silkroad Culturaltainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the Group's annual report and financial results for the year ended 31 December 2015.

ECONOMY OUTLOOK

The world economy remains restrained in 2015, punctuated by market volatility across the globe. Growth in emerging markets and developing economies, except the United States, continued to be overshadow by three "Cs": Commodity, Currency and China. For commodity, particularly the oil prices, has fallen sharply adding deflationary pressure to the sluggish global economy. The decline in commodity prices and various economic quantitative easing programs executed across Europe, Japan and other major countries plummeting capital flows to emerging markets causing pressure on currencies and increasing market volatility. China's economy was experiencing a major slowdown with gross domestic product growth rate slowed to 6.9% in 2015, down from 7.3% in 2014 as a result of volatility in global economy and domestic economic restraints. The International Monetary Fund has recently released that global growth will slow slightly taking into account China's ongoing economic transition. The prospect of downside risks has arisen.

CHANGE OF SUBSTANTIAL SHAREHOLDER AND BOARD OF DIRECTORS

The Company also experienced a major change in shareholder in 2015. On 22 April 2015, Macro-Link International Land Limited ("MIL"), a wholly-owned subsidiary of Macrolink Real Estate Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code: 000620), entered into a sales and purchase agreement with the then controlling shareholder of the Company, JLF Investment Company Limited ("JLF"), to acquire 841,120,169 shares, representing 50.41% of the Company's equity interests, from JLF at a cash consideration of HK$555,139,312 (equivalent to HK$0.66 per sale share). The transaction was completed on 19 May 2015. Subsequently, an unconditional general offer was made by MIL to other shareholders under the Code on Takeovers and Mergers on 5 June 2015. Upon closure of the general offer on 26 June 2015, the current Board was formed. Macrolink Group with its holding of 50.42% of the Company's shares via MIL, together with 12.94% of the Company's shares already in control via MACRO-LINK International Investment Co, Ltd., has become the controlling shareholder of the Company with a total controlling stake of 63.36%.

CHANGE OF COMPANY NAME

A resolution was passed at the special general meeting held on 6 July 2015 to change the name of the Company to 'New Silkroad Culturaltainment Limited' with the adoption of a secondary Chinese name "新絲路文旅有限公司". Upon completion of all necessary application and filings, the new names of the Company have come into effect on 10 July 2015. The implication of the names change has more meaning than just a demonstration of the change in control and management. In times of current volatile economy, it signifies Macrolink Group's confidence in promoting the Company as its international flagship platform to replicate its success in China.

PLACEMENT OF NEW SHARES

The Company announced a share placing on 4 May 2015 to raise HK$396 million from the equity market by issuing 600 million of new shares at HK$0.66 per share. The placing was approved at the special general meeting held on 6 July 2015 and was completed on 10 July 2015. Upon completion of the placing, the equity interest of Macrolink Group in the Company was diluted to 46.6%. The additional fund raised had strengthened the Company's financial position and was subsequently used by the Company to seize investment opportunities in Jeju, Korea.

ACQUISITIONS IN JEJU, KOREA

It has been quite a while since the Company has been looking for investment opportunities to diversify the operation risk from the deteriorating wine and Chinese baijiu businesses and to strengthen the Company's investment portfolio. Finally, the tone was set on 29 July 2015 when the Company announced its acquisition of 51.5% equity interests in Development Golden Beach Co., Ltd. ("Golden Beach") and subscription for 55% equity interests of the enlarged capital of Macrolink Glory Hill Co., Ltd. ("Glory Hill").

Golden Beach holds a gaming license and has been operating a casino at KAL Hotel in Jeju since 2010 whereas Glory Hill owns parcels of integrated land with a total area of around 1,800 mu (equivalent to approximately 1.2 million square meters) which is intended to be developed into an integrated resort (the "Glory Hill Project") comprising residential and commercial properties, hotel, shopping and entertainment complexes. The Glory Hill Project when completed in 2020, will be one of the largest integrated resorts in Jeju. The Company believes that the gaming license held by Golden Beach is not only a scarce and valuable asset but also has great synergy with the Glory Hill Project and the Group's future development plan.

The success completion of both projects on 28 December 2015 marked an important milestone for the Group to participate in the gaming and entertainment, and integrated resort businesses in a tourism booming city. Integrated resort and real estate operation, gaming and entertainment together with the existing wine and baijiu businesses form the Group's three core strategies covering short-term, mid-term and long-term growth with each stage contributing splendid returns to our shareholders.

BUSINESS OVERVIEW

WINE AND CHINESE BAIJIU OPERATION

Despite the challenging market condition, with strong promotional and brand building exercises in our core markets, our wine and Chinese baijiu operations demonstrated signs of recovery. During the year, Shangri-la Winery showed a slight increase in revenue of around 1.5% to HK$164 million (2014: HK$162 million). Most important of all Shangri-la Winery has returned to profit and we shall see the trend to continue. Yuquan Winery is still undergone a painful product mix adjustment process. Revenue of Chinese baijiu was still on the fall yet the division demonstrated a slight improvement in profit margin and a narrowing operating loss for the year.

FINANCIAL OVERVIEW

For the year ended 31 December 2015, the Group's revenue was reported at HK$241 million, representing a decrease of 5.5% from HK$255 million last year. The decrease was mainly attributable to the fall in Chinese baiju revenue for the year. Taking out last year's one off adjustment of around HK$179 million relating to the provision for slow-moving inventories amounted to HK$8 million and the impairments of goodwill and trademark amounted to HK$171 million, the total operating costs of the Group fell by 5.2% to HK$158 million (2014: HK$166 million). The Group's loss attributable to shareholders posted at HK$35 million, representing an improvement of 81.7% compared to last year.

CORPORATE SUSTAINABILITY

The Group takes pride in being a responsible corporate citizen which forms an integral part of our business strategy. As we forge ahead with our corporate sustainable path, we presented our first environment, social and governance report in this year's annual report with a reporting scope reaffirming our efforts in enhancing environmental, social and corporate transparency and responsibility.

PROSPECTS

Looking ahead, global economic growth is expected to be remained turbulence. The ending of the zero-interest rate era indicated growing confidence in the United States's economy, yet recovery of other advanced economies is still very slow and downward pressures on emerging market economies are still prominent. With diverging monetary policies among major central banks and heightened geopolitical tensions, global economy will remain fragile. Notwithstanding a tough operating environment, our professional management team with a proven track record of mastering changes will stay focused on consolidating our business strengths and leading market position. We have strong confidence in the growth potential of the Group in the years ahead.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our valued shareholders for their firm belief in the Group over the years. I would also like to extend my utmost gratitude to all our management team and staffs for their efforts and supports. Whilst remaining open to new investment opportunities, we will continue to make strides in converting strategic directions and to consolidate our new acquisition and existing businesses to deliver greater returns to our shareholders

Su Bo
Chairman

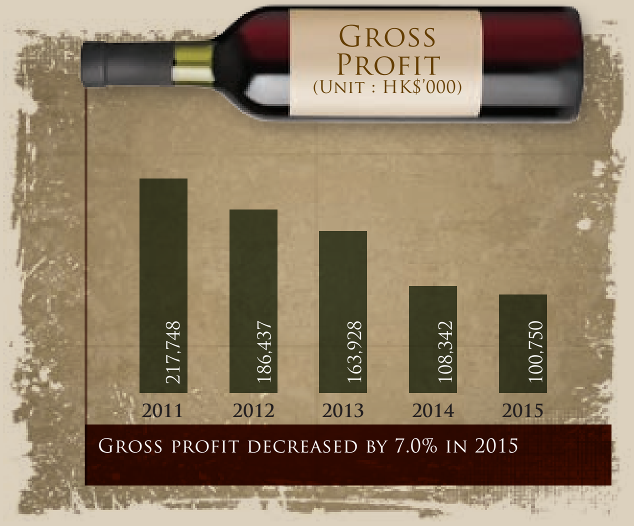
Hong Kong, 30 March 2016

FINANCIAL HIGHLIGHTS

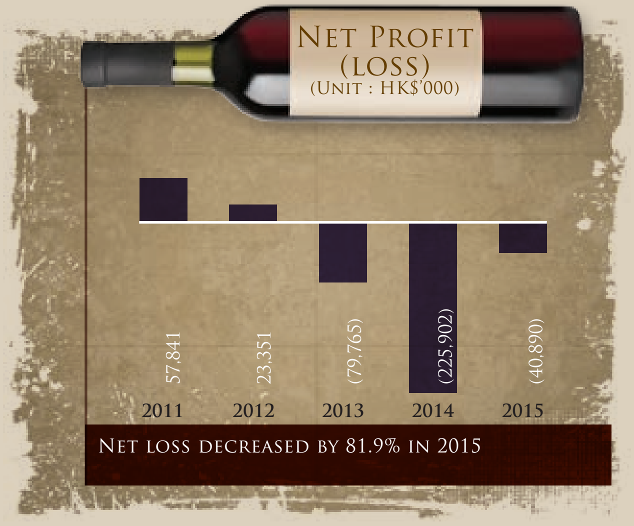
Operation Analysis

Revenue decreased by 5.5% in 2015

Cost of sales decreased by 4.5% in 2015



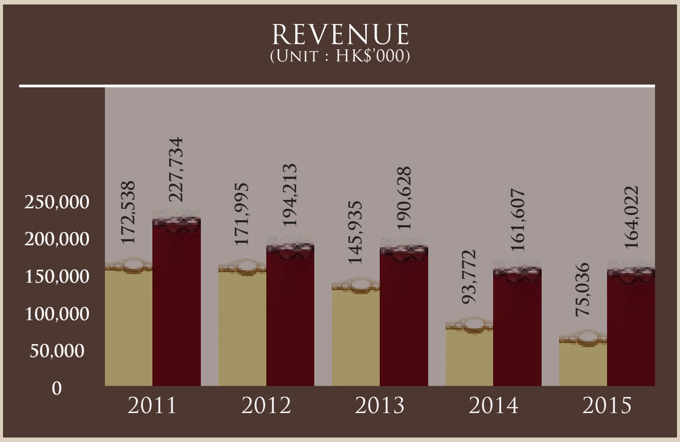
Gross profit decreased by 7.0% in 2015



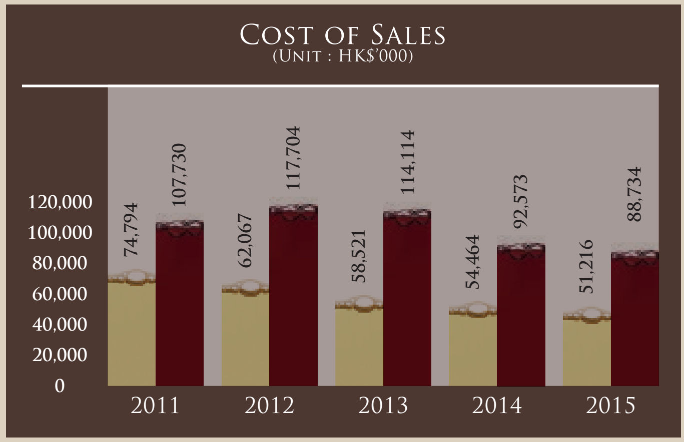
Net loss decreased by 81.9% in 2015

Loss per share decreased by 84.4% in 2015

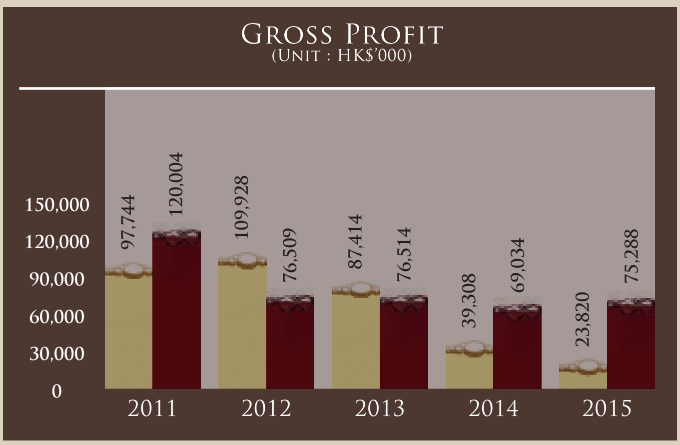
Business Segments Analysis



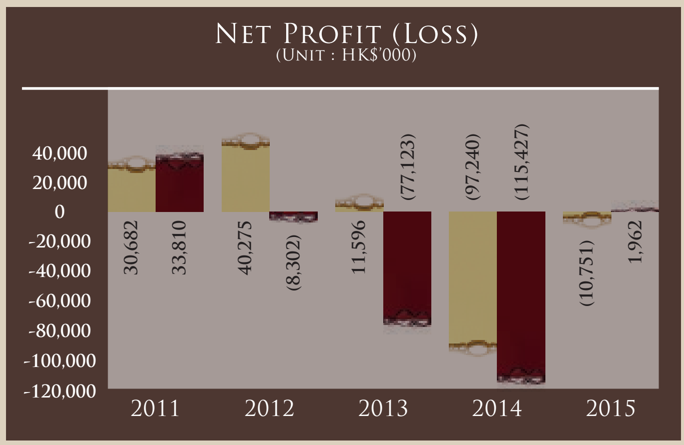
Baijiu decreased by 20.0% in 2015 Wine increased by 1.5% in 2015



Baijiu decreased by 6.0% in 2015 Wine decreased by 4.2% in 2015



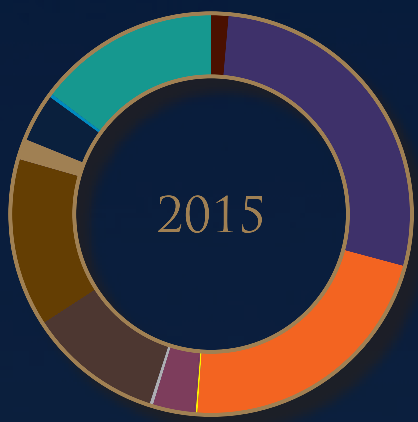
Baijiu decreased by 39.4% in 2015 Wine increased by 9.1% in 2015

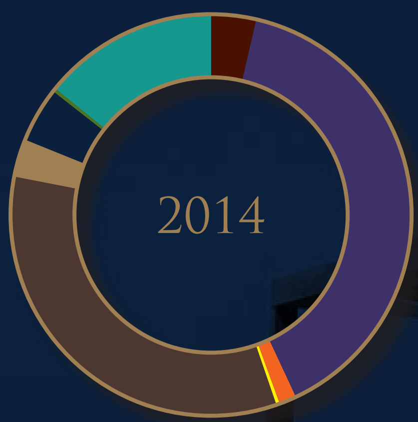


Net loss of Baijiu decreased by 88.9% in 2015 Wine Returned To Profit in 2015

ASSETS DISTRIBUTION ANALYSIS

(UNIT : HK$'000)

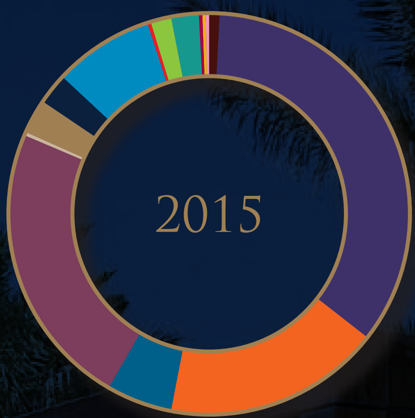


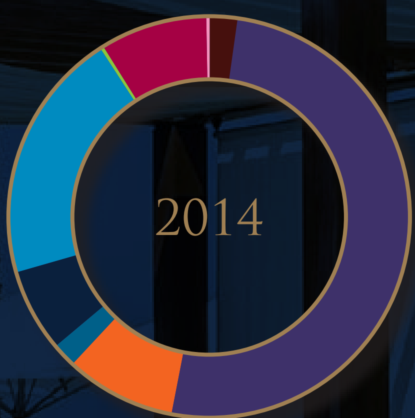


LAND USE RIGHTS	2015 29,338 (1.41%)	2014 27,678 (3.72%)
PROPERTY, PLANT AND EQUIPMENT	2015 583,864 (27.91%)	2014 294,520 (39.60%)
INTANGIBLE ASSETS	2015 458,732 (21.93%)	2014 9,192 (1.24%)
AVAILABLE-FOR-SALE INVESTMENT	2015 1,728 (0.08%)	2014 1,810 (0.24%)
GOODWILL	2015 75,221 (3.60%)	2014 – (0.00%)
DEFERRED TAX ASSETS	2015 3,203 (0.15%)	2014 – (0.00%)
INVENTORIES	2015 229,227 (10.96%)	2014 248,056 (33.35%)
STOCK OF PROPERTIES	2015 281,452 (13.45%)	2014 – (0.00%)
TRADE AND BILLS RECEIVABLES	2015 34,536 (1.65%)	2014 23,052 (3.10%)
PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES	2015 81,363 (3.89%)	2014 32,659 (4.40%)
SHORT-TERM LOANS RECEIVABLES	2015 7,289 (0.35%)	2014 – (0.00%)
TAX RECOVERABLE	2015 – (0.00%)	2014 1,270 (0.17%)
CASH AND CASH EQUIVALENTS	2015 305,867 (14.62%)	2014 105,455 (14.18%)

LIABILITIES AND EQUITY ANALYSIS

(UNIT : HK$'000)





	2015	2014
SHARE CAPITAL	22,685 (1.08%)	16,685 (2.24%)
RESERVES	725,020 (34.66%)	378,725 (50.92%)
NON-CONTROLLING INTERESTS	367,112 (17.55%)	66,039 (8.88%)
DEFERRED TAX LIABILITIES	112,799 (5.39%)	15,711 (2.11%)
LOAN FROM IMMEDIATE HOLDING COMPANY	481,674 (23.03%)	– (0.00%)
NET DEFINED BENEFITS LIABILITIES	5,082 (0.24%)	– (0.00%)
BANK BORROWING – DUE AFTER ONE YEAR	60,315 (2.88%)	– (0.00%)
TRADE PAYABLES	49,581 (2.37%)	48,548 (6.54%)
ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES	169,170 (8.09%)	152,402 (20.49%)
AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY	4,101 (0.20%)	– (0.00%)
AMOUNTS DUE TO RELATED PARTIES	32,011 (1.53%)	1,263 (0.17%)
LOAN FROM IMMEDIATE HOLDING COMPANY	50,000 (2.39%)	– (0.00%)
BANK BORROWING – DUE WITHIN ONE YEAR	6,216 (0.30%)	63,150 (8.49%)
DEFERRED REVENUE	5,377 (0.26%)	– (0.00%)
TAX PAYABLES	677 (0.03%)	1,169 (0.16%)

MANAGEMENT DISCUSSION AND ANALYSIS

Evolution with Trust and Quality

OPERATION ANALYSIS

During the year, China continued its efforts in shifting the country's major economic drivers from export and investment oriented to domestic consumption. Despite the additional effort by the government to stimulate domestic demand and consumption, the weakening momentum of the underlying economy has dampened especially on the appetite for high-end products.

Revenue

Despite the challenging business environment, the Group continued to focus on consolidating its business strengths and brand equity. During the year, the Group ramped up marketing effort and promotion to strengthen customer and brand loyalty. As a result, the Group maintained a total revenue of HK$241 million (2014: HK$255 million), representing an adjustment of 5.5% from last year.

Chinese baijiu segment, which accounted for 31.1% (2014: 36.7%) of the Group's revenue, continued its product mix re-adjustment process in order to accommodate the changes of consumption pattern, resulted in a significant drop in revenue by 20.0% to HK$75 million (2014: HK$94 million).

The wine segment, which currently accounted for 68.0% (2014: 63.3%) of the Group's revenue, showed a sign of recovery. Revenue of wine increased 1.5% to HK$164 million (2014: HK$162 million).

Our newly acquired casino business had also contributed HK$2 million to the Group's revenue for the year and we shall see this trend to continue.

Cost of Sales

Cost of sales decreased by 4.5% to HK$140 million (2014: 147 million). Cost of sales to total revenue increased slightly by 0.6% to 58.2% due to higher production costs from the Chinese baijiu segment.

Despite the sharp fall in Chinese baijiu revenue, the cost of sales only reduced slightly by 6.0% to HK$51 million (2014: HK$54 million) reflecting a higher cost margin on the middle to low-end baijiu products being focused.

Cost of sales for wine segment decreased by 4.1% to HK$89 million (2014: HK$93 million) due to improved profit margin on wine products.

Gross Profit

Gross profit decreased by 7.0% to HK$101 million (2014: HK$108 million). Wine and Chinese baijiu segments each accounted for HK$75 million and HK$24 million respectively. Gross profit margin of wine segment increased slightly by 3.2% to 45.9% (2014: 42.7%) whereas Chinese baijiu segment fell by 10.2% to 31.7% (2014: 41.9%) leading to a drop in the Group's gross profit margin by 0.6% to 41.8% (2014: 42.4%).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 17.5% to HK$80 million (2014: HK$96 million) mainly due to reduced advertising and promotional expenses. Selling and distribution expenses as a percentage of revenue decreased by 4.8% to 33.0% (2014: 37.8%) for the year.

Administrative Expenses

Administrative expenses increased by 11.9% to HK$78 million (2014: HK$70 million) as a result of the consolidation of Glory Hill's administrative expenses amounted to HK$7 million.

Other Operating Expenses

Other operating expenses for 2014 represented impairments of goodwill and trademark of HK$171 million, and provision for slow-moving inventories of HK$8 million. There was no such impairment for the year.

Loss Before Tax

Taking into account of the aforementioned, loss before taxation amounted to HK$38 million (2014: loss of HK$228 million).

Taxation

Taxation comprises current income tax and deferred tax. Current income tax reduced by 39.2% to HK$3 million (2014: HK$5 million). No deferred tax was recognised for the year (2014: deferred tax credit of HK$7 million).

Loss Attributable to Owners

Loss after tax for the year was HK$41 million (2014: HK$226 million). Loss attributable to owners of the Company was HK$35 million (2014: HK$193 million). Basic loss per share attributable to owners of the Company for the year ended 31 December 2015 was HK1.81 cents (2014: HK11.57 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Bank Borrowing

During the year, the Group's source of fund was generated from net proceed from the placing of new shares, operating activities and bank facilities provided by Agricultural Development Bank of China and Woori Bank. As at 31 December 2015, the Group had cash and cash equivalents of HK$306 million (2014: HK$105 million), representing an increase of 190.0%. The Group's cash position has improved as a result of the placing of new shares during the year.

As at 31 December 2015, total bank borrowing increased by 5.4% to HK$67 million (2014: HK$63 million) mainly due to the consolidation of bank borrowing of Golden Beach. Our major borrowings are denominated in Renminbi ("RMB") and Won ("KRW"). In view of the Group's cash and bank balances, funds generated internally from our operations and the unutilised bank facilities available, we are confident that the Group will have sufficient resources to meet its debt commitment and working capital requirements in the foreseeable future.

Capital Expenditure

During the year, our total capital expenditure amounted to HK$23 million (2014: HK$24 million) which was mainly used for the purchase of machineries and the construction in wineries. For the year 2016, we have budgeted HK$480 million on capital expenditure mainly for the development of Glory Hill.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. The Group's inventories decreased by 7.6% to HK$229 million (2014: HK$248 million). Finished goods decreased by 25.7% to HK$45 million (2014: HK$61 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 137 days for the year (2014: 155 days).

Balance Sheet Analysis

Followed by the completion of the placing of new shares and the acquisition of Golden Beach and Glory Hill, the Group's financial position has improved significantly.

As at 31 December 2015, the Group had total assets of HK$2,092 million (2014: HK$744 million) which composed of current assets of HK$940 million (2014: HK$411 million) and non-current assets of HK$1,152 million (2014: HK$333 million). Such significant increase was mainly attributable to (i) the recognition of the casino license of HK$451 million acquired through the acquisition of Golden Beach; (ii) the recognition of goodwill of HK$75 million in relation to the acquisition of Golden Beach; (iii) the consolidation of land and properties held by Glory Hill of HK$575 million; and (iv) the prepayment of HK$51 million paid by Glory Hill for the acquisition of lands in Jeju, South Korea.

Total liabilities of the Group included current liabilities of HK$317 million (2014: HK$267 million) and non-current liabilities of HK$660 million (2014: HK$16 million). The significant increase of non-current liabilities was mainly because of (i) the reclassification of a bank borrowing from short-term to long-term amounted to HK$60 million; (ii) the recognition of deferred tax liabilities in relation to the casino license amounted to HK$99 million; and (iii) the consolidation of a long-term loan recorded in the books of Glory Hill from the Group's immediate holding company amounted to HK$482 million.

Our total equity composed of owners' equity of HK$748 million (2014: HK$395 million) and non-controlling interests of HK$367 million (2014: HK$66 million).

The Group's current ratio as at 31 December 2015 was 3.0 (2014: 1.5). Gearing ratio, representing total borrowings divided by total equity, was 54.0% (2014: 13.7%). About 88.9% of borrowings are from immediate holding companies which are unsecured and repayable within a 5-year period. We believe that both ratios are at healthy level indicating that the Group is able to meet its short-term and long-term debts.

Trade receivables turnover (being average trade receivables divided by revenue) was 16 days (2014: 13 days). The Group did not experience any material doubtful debts that required to be written off in 2015.

The Group had capital commitments amounted to HK$37 million (2014: HK$50 million) but no material contingent liabilities as at 31 December 2015.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 43.3% (2014: 48.0%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 20.6% (2014: 16.1%). Excluding Yunnan Jinliufu Trading Limited and VATS Chain Liquor Store Management Company Limited which are connected persons of the Company, the Group's five largest customers accounted for 13.9% (2014: 34.0%) of the Group's total revenue and the sales attributable to the Group's largest customer was 3.5% (2014: 7.6%).

None of the directors, their close associates or shareholders of the Company which, to the knowledge of the directors of the Company, owned more than 5% of the Company's issued share capital had any beneficial interest in the five largest suppliers or customers of the Group.

GOVERNMENT SUBSIDIES

During the year, the Group has been granted an aggregate amount of HK$19 million (2014: HK$11 million) from the respective local finance department for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2015 (2014: Nil).

PLEDGE OF ASSETS

At 31 December 2015, the Group pledged its land, property, plant and equipment with net book value amounted to HK$30 million (2014: HK$39 million) to secure general bank facilities granted.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in RMB, HKD and KRW.

The functional currency of the Group's subsidiaries in the People's Republic of China ("PRC") is RMB whereas the functional currencies of the Group's subsidiaries in South Korea are in KRW and RMB. As the impact of the fluctuation of RMB is low, therefore, no material exchange rate risk is anticipated and no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group has already strengthened its treasury management function and will closely monitor its currency and interest rate exposures. We will engage suitable foreign exchange hedging policy as and when appropriate in order to prevent the related risks.

MATERIAL ACQUISITION AND DISPOSAL

Major transaction in relation to the acquisition of 51.5% equity interests in Golden Beach

On 29 July 2015, the Company entered into a sale and purchase agreement with Blackstone Resort Co. ("Blackstone") to acquire 206,000 shares of Golden Beach, representing 51.5% of its entire issued share capital (the"Acquisition") at a consideration of HK$258,876,000.

Major and connected transaction in relation to the subscription of shares in Glory Hill

On 29 July 2015, the Company, Glory Hill and Blackstone entered into a subscription agreement pursuant to which the Company has agreed to subscribe for 2,707,848 shares of Glory Hill (representing 55% of its enlarged issued share capital) at a consideration of HK$153,916,000 (the "Subscription").

Both the Acquisition and Subscription were completed on 28 December 2015, upon which Golden Beach and Glory Hill had become non-wholly owned subsidiaries of the Company. For details, please refer to the announcements of the Company dated 13 August 2015 and 28 December 2015, and the circular of the Company dated 4 December 2015.

Save as disclosed above, no other material acquisition and disposal of subsidiaries or associated companies was made by the Group during the year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2015, the Group employed a total of 870 (2014: 869) full time employees, in which 350 staff were related to sales and marketing, 258 staff were related to production, 80 staff were related to management and 182 staff were related to administration. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees in compliance with the applicable laws and regulation.

SU BO

Chairman and Executive Director

Mr. Su Bo, aged 48, was appointed as an executive director of the Company on 8 June 2015 and has become the chairman of the Board and authorised representative of the Company since 26 June 2015. He is the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee"). Mr. Su holds a bachelor degree in law from People's Public Security University of China and a postgraduate diploma in business administration from Swansea Institute, University of Wales. From 2006 to 2011, he had been acting as senior vice president of Airport City Development Co. Ltd., managing director of Beijing Airport City Real Estate Development Co. Ltd., assistant to the president and the northern China general manager of Hopson Development Holdings Ltd., assistant to the president of Chint Group Co. Ltd. and the director and president of He Tai Land Co. Ltd.. Since 2012, Mr. Su serves as the general manager of Beijing Macrolink Land Ltd. and the director and general manager of Macrolink Real Estate Co., Ltd. ("MRE"), a company listed on the Shenzhen Stock Exchange (stock code: 000620). Mr. Su is also a director of Macro-Link International Land Limited ("MIL") which is the controlling shareholder of the Company.

YAN TAO

Vice-Chairman, Chief Executive and Executive Director

Mr. Yan Tao, aged 52, was appointed as an executive director and the vice-chairman of the Company on 27 April 2009, and has become the chief executive of the Company since 26 June 2015. He is a member of the Nomination Committee. He is also a director of a subsidiary of the Company. Mr. Yan is a member of the Communist Party of China. He graduated from Hunan University with a postgraduate in economics faculty. He had worked as a deputy general manager at Hunan Zhuzhou Electric Welding Company Limited. He had acted as the vice president of VATS Group Limited and also involved in various operating positions within VATS Group including acting as the general manager of Shangri-la Winery Company Limited and the chief operation officer of Jin Liu Fu Sales Company Limited. He is currently the president of VATS Group Limited. Mr. Yan has many years of experience in marketing wine and baijiu products and has extensive experience in the operation of chain stores.

NG KWONG CHUE, PAUL

Executive Director

Mr. Ng Kwong Chue, Paul, aged 45, was appointed as an executive director of the Company on 28 March 2011. He is the authorised representative, company secretary and chief investment officer of the Company. He is also a director of certain subsidiaries of the Company. He holds a bachelor degree in Commerce from the University of Melbourne. He is a member of each of CPA Australia, Hong Kong Institute of Certified Public Accountants and Hong Kong Investor Relations Association, and a fellow member of The Hong Kong Institute of Directors. He has many years of experience in corporate finance, corporate restructuring and taxation gained from international accounting firms. He had served as the executive director of Daqing Dairy Holdings Limited (stock code: 1007) from September 2013 to February 2016. He was also the co-founder of China Innovation Investment Limited (stock code: 1217) and had acted as the executive director and non-executive director of the company from April 2003 to May 2006 and from May 2006 to May 2013 respectively. Mr. Ng is also the honorary chairman for Macao ASEAN International Chamber of Commerce, the honorary president for Fujian Province Shishi Yuhu Care Charity Association and The General Association of Xiamen (H.K.) Ltd.

ZHANG JIAN

Executive Director

Mr. Zhang Jian, aged 42, was appointed as an executive director of the Company on 25 February 2004. He currently serves as an executive director of Dongyue Group Limited (stock code: 189) and a director of MRE. Mr. Zhang has many years of experience in investment banking and corporate finance. He holds a bachelor degree in law and economics from Jiangxi University of Finance and Economics and a master degree in business administration from The Chinese University of Hong Kong.

HANG GUANYU

Executive Director

Mr. Hang Guanyu, aged 49, was appointed as an executive director of the Company on 8 June 2015. He is also a director of a subsidiary of the Company. Mr. Hang holds a master degree in business administration from Asia International Open University (Macau). He also holds Chinese Securities Practising Certificate and Chinese Career Manager Qualification Certificate. From January 2007 to June 2008, Mr. Hang was the director of UBS Securities Co., Ltd. He joined Beijing Macrolink Land Ltd. as the vice general manager since December 2009. From 2010 onwards, he also acts as the vice general manager and secretary to the board of MRE.

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 44, was appointed as an executive director of the Company on 8 June 2015. He is a member of the Remuneration Committee. Mr. Liu is a PRC certified public accountant and certified public valuer. From 2004 to 2010, he worked as vice general manager and financial controller in Beijing Macrolink Gas Ltd. and Beijing Macrolink Industrial Investment Co. Ltd.. He has been the financial controller of Beijing Macrolink Land Ltd. and MRE since 2011. Mr. Liu is also a director of MIL.

TING LEUNG HUEL, STEPHEN

Independent Non-Executive Director

Mr. Ting Leung Huel, Stephen, MH, FCCA, FCPA (Practising), ACA, CTA (HK), FHKIoD, aged 62, was appointed as an independent non-executive director of the Company on 25 February 2004. He is the chairman of each of the audit committee of the Company (the "Audit Committee") and the Remuneration Committee, and a member of the Nomination Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is the managing partner of Messrs Ting Ho Kwan & Chan, Certified Public Accountants and the director of Ting Ho Kwan & Chan CPA Limited. He is a member of the 9th, 10th and 11th Chinese People's Political Consultative Conference, Fujian. He is a non-executive director of Chow Sang Sang Holdings International Limited (stock code: 116) and holds independent non-executive director in six other listed companies, namely Tongda Group Holdings Limited (stock code: 698), Tong Ren Tang Technologies Co. Ltd. (stock code:1666), Computer and Technologies Holdings Limited (stock code: 46), Texhong Textile Group Limited (stock code: 2678), China SCE Property Holdings Limited (stock code: 1966) and Dongyue Group Limited (stock code: 189).

CAO KUANGYU

Independent Non-Executive Director

Mr. Cao Kuangyu, aged 65, was appointed as an independent non-executive director of the Company on 25 February 2004. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He holds a bachelor degree in economics from the University of Hunan and a master degree in financial management from the University of London. Mr. Cao has extensive experience in the areas of banking and finance. He worked in Bank of China, Hunan Province branch for the period from July 1981 to February 1996 and his last position was the deputy president of the branch. For the period from February 1996 to September 1999, Mr. Cao was the deputy general manager of Bank of China, Singapore branch. For the period from September 1999 to September 2003, he was the president of China Citic Bank, Shenzhen branch. He also acted as the managing director of the investment banking division of BOCI Asia Limited from September 2003 to September 2007. Mr. Cao is currently an independent non-executive director of Dingyi Group Investment Limited (stock code: 508), Huili Resources (Group) Limited (stock code: 1303), Dongwu Cement International Limited (stock code: 695) and Junefield Department Store Group Limited (stock code: 758). He was an independent non-executive director of King Stone Energy Group Limited (stock code: 663) from February 2010 to April 2012.

CHE KUONG HON

Independent Non-Executive Director

Mr. Che Kuong Hon, aged 61, was appointed as an independent non-executive director of the Company on 24 November 2015. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Che holds a bachelor degree in Business Administration and a diploma in Chinese Law from the University of East Asia, Macau, a bachelor degree in Law from China University of Political Science and Law, a postgraduate diploma in Macau Law from University of Macau, a master degree in International Commercial Law from Asia International Open University (Macau) and a doctor degree in Civil and Commercial Law from Xiamen University. Mr. Che is the founder and director of 'Che Kuong Hon Legal & Translation Service Centre'. He has over 30 years of experience in corporate management and corporate legal counsel. He currently serves as director and senior consultant in various companies which are engaged in real estate, tourism and entertainment related businesses. He has been awarded the 'Diploma of Merit' and 'Medal of Merit in Profession' issued by the Macau Security Forces and the Macau Governor respectively. He has also been awarded the "Medalha de Mérito Desportivo" in 2015. He is now the vice president of Macao ASEAN International Chamber of Commerce.

DIRECTORS' REPORT

INSPIRATION AND PRAGMATIC MANAGEMENT

The directors of the Company (the "Directors") present their annual report together with the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) manufacturing and trading of original brand grape wine, Tibetan barley wine and Chinese baijiu in the PRC; (ii) development and operation of real estate and cultural tourism in South Korea; and (iii) operation of gaming business in Jeju, South Korea. Details of the principal activities and other particulars of the subsidiaries are shown in note 21 to the consolidated financial statements.

BUSINESS REVIEW

The business review as required by Schedule 5 to the Hong Kong Companies Ordinance is set out as below:

Overview

A fair review of the business of the Group for the year ended 31 December 2015 is set out in the section headed "Chairman's Statement" on pages 3 to 6 of this annual report.

Key financial and business performance indicators

Details of the key financial and business performance indicators comprising revenue growth, cost of sales to revenue ratio, gross profit margin, selling and distribution expenses to revenue ratio, inventories turnover ratio, trade receivables turnover ratio, current ratio, gearing ratio and capital adequacy levels are shown in the sections headed "Financial Highlights" and "Management Discussion and Analysis" on pages 7 to 11 and pages 12 to 17 of this annual report respectively.

Environmental policies and performance

The Group is committed to environmental protection by reducing harmful emissions and improving resources utilization efficiency. Our ecological vineyards contribute to a green ecology. Discussion on the Group's environmental policies and performance can be found in the section headed "Environmental, Social and Governance Report" on pages 50 to 56 of this annual report.

BUSINESS REVIEW *(Continued)*

Compliance with laws and regulations

The Group recognises the importance to compliance with laws and regulations. During the year, the Group's principal operations are carried out in China while the Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Our establishment and operations comply with relevant laws and regulations in the PRC and Hong Kong.

The Company has complied with the Securities and Futures Ordinance (Chapter 571) ("SFO"), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Hong Kong Companies Ordinance (Chapter 622), the Code on Takeovers and Mergers and other relevant rules and regulations. Details regarding the compliance with applicable laws and regulations by the PRC subsidiaries are set out in the section headed "Environmental, Social and Governance Report" on pages 50 to 56 of this annual report.

Principal risks and uncertainties

A number of factors may affect the results and operations of the Group in the year under review, some of which are inherent to our business and some are from external sources. Major risks are summarised below:

(i) Macroeconomic environment

The Group's business is affected by the volatility and uncertainty of global macroeconomic conditions, particularly the changes in domestic economy and gross domestic products. The adjustment in macroeconomy caused unfavourable factors and market uncertainty affecting China's consumer market which may result in reduced demand for our products, lead to lower revenue and increased inventory pressure. It is therefore necessary for the Group to diversify its investments and to adjust the business model and operation approach to adapt to the change.

(ii) Government policies

The Group's business continues to be affected by the PRC government policies. Given the government's efforts to promote agriculture and new technologies, we have enjoyed great government support and subsidies in this area. On the other hand, with the government's anti ostentation campaign and stringent control over public spending on entertainment and gifting caused the markets for high-end wine and Chinese baijiu to plunge. Accordingly, we have to develop new and innovative products, manufacture and operate in a more scientific way, and adjust our product mix so as to adapt to relevant policies.

(iii) Intense competition

With fierce competition brought by e-commerce and imported wine, challenges in China's wine and Chinese baijiu industry remain. By enhancing brand awareness and producing better quality wine, we are able to differentiate us from our competitors and maintain our leading position in major markets.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

(iv) Credit risk

We extend credit to our customers based on the assessments of their financial conditions, repayment history and sales performance, without requiring collateral. The average credit period ranges from 30 to 90 days. The risk of default in repayment would have an adverse effect on our results of operation. We have established a credit control team to monitor and ensure recovery of debts and to take follow-up actions.

(v) Reputational risk

We rely on brand reputation and brand image to maintain a leading position in the market. Should there exist any adverse publicity concerning our brands or products or in the industry in general, whether true or not, it may degrade consumer confidence and in turn have a material adverse effect on our business and results of operations. It is important that we continue to uphold the brand value, corporate image, product safety and maintain high business ethics.

(vi) Negative operating cash flow

For the two years ended 31 December 2014 and 31 December 2015, we had net cash used in operating activities of approximately HK$10 million and HK$63 million respectively. Our net cash for year 2015 was mainly used for the purchase of lands in Jeju, South Korea. Negative operating cash flows may adversely affect our liquidity and reduce our financial flexibility.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise shareholders, regulators, customers, employees, local communities, business partners, media and peers etc. Such relationship is further discussed in the section headed "Environmental, Social and Governance Report" on pages 50 to 56 of this annual report.

Important events

Save as disclosed in note 49 to the consolidated financial statements, no important event affecting the Group has occurred since 31 December 2015.

Future business developments

An indication of future development of the Group's business is presented in the section headed "Chairman's Statement" on pages 3 to 6 of this annual report.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 59.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 140.

SHARES ISSUED

600,000,000 ordinary shares were placed at a price of HK$0.66 per share to not less than six independent investors under a specific mandate during the year. The net proceeds raised of HK$394 million (representing a net issue price of HK$0.657 per share) have strengthened the Company's financial position which is available for investment and as general working capital. Details of movements in the share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company did not have any distributable reserves.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:
Mr. Su Bo (Chairman) (Appointed on 8 June 2015)
Mr. Yan Tao (Vice-Chairman and Chief Executive)
Mr. Ng Kwong Chue, Paul
Mr. Zhang Jian
Mr. Hang Guanyu (Appointed on 8 June 2015)
Mr. Liu Huaming (Appointed on 8 June 2015)

Mr. Wu Xiang Dong (Resigned on 26 June 2015)
Mr. Shu Shi Ping (Resigned on 26 June 2015)
Mr. Sun Jian Xin (Resigned on 26 June 2015)

Independent non-executive Directors:
Mr. Ting Leung Huel, Stephen
Mr. Cao Kuangyu
Mr. Che Kuong Hon (Appointed on 24 November 2015)

Mr. E Meng (Resigned on 25 August 2015)

Each of Mr. Wu Xiang Dong, Mr. Shu Shi Ping and Mr. Sun Jian Xin has resigned as executive Director with effect from 26 June 2015. Mr. E Meng has resigned as independent non-executive Director with effect from 25 August 2015. The reasons for aforesaid resignations were due to their respective other business commitments. The Board expressed its gratitude to the resigned Directors for their valuable contribution to the Company during their terms of office.

Mr. Su Bo, Mr. Hang Guanyu and Mr. Liu Huaming were appointed as executive Directors with effect from 8 June 2015 and each was respectively re-elected as executive Director at the Company's special general meeting held on 6 July 2015. Mr. Che Kuong Hon was appointed as independent non-executive Director with effect from 24 November 2015 and was re-elected as independent non-executive Director at the Company's special general meeting held on 22 December 2015.

In accordance with bye-law 87(1) of the Company's bye-laws (the "Bye-laws"), Mr. Ng Kwong Chue, Paul, Mr. Zhang Jian and Mr. Cao Kuangyu will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 18 to 19 of this annual report.

MANAGEMENT CONTRACTS

Save for service and employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 36, 43 and 46 to the consolidated financial statements, no contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling shareholder of the Company during the year ended 31 December 2015.

INDEMNITY PROVISION

The Bye-laws provides that the Directors shall be indemnified by the Company against all actions, costs, charges, losses, damages and expenses which shall or may incur by reason of any act done or omitted in the execution of their duties. The Company has maintained directors' and officers' liability insurance during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Details of the share option scheme of the Company are set out in note 45 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out in note 45 to the consolidated financial statements, no equity-linked agreements were entered into by the Company, or existed during the year ended 31 December 2015.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Each of Mr. Su Bo, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming is the director and/or senior management of Macrolink Real Estate Co., Ltd., a company listed on the Shenzhen Stock Exchange with stock code 000620, which is involved in the development and operation of residential and commercial real estate, and cultural tourism businesses in the PRC through its subsidiaries.

Mr. Yan Tao is a director of a number of private companies which are involved in the manufacturing, sale and distribution of Chinese baijiu in the PRC.

Save as disclosed above, none of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

The above-mentioned competing businesses are operated and managed by companies with independent management and administration. In addition, the Board is independent of the boards of the above-mentioned companies carrying on the competing businesses. Accordingly, the Group is capable of carrying on its businesses independent of the competing businesses mentioned above.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31 December 2015, the following Directors and the chief executive of the Company had or were deemed to have interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules:

(i) Long positions in the shares of the Company

Name of Director	Nature of interest	No. of shares held	Approximate percentage of issued share capital
Mr. Ng Kwong Chue, Paul	Beneficial owner	3,000,000	0.13%

(ii) Long positions in the registered capital in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Registered capital held in the associated corporation	Approximate percentage of registered capital
Mr. Zhang Jian	Cheung Shek Investment Company Limited	Beneficial owner	RMB1,665,000	3.33%

Save as disclosed above, as at 31 December 2015, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS *(Continued)*

(b) Interests of Substantial Shareholders

As at 31 December 2015, so far as is known to the Directors or the chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholders	*Notes*	Nature of interest	No. of shares held	Approximate percentage of issued share capital
Macro-Link International Land Limited	*1,2*	Beneficial owner	841,197,369	37.08%
Macrolink Real Estate Co., Ltd.	*2*	Controlled corporation	841,197,369	37.08%
MACRO-LINK International Investment Co, Ltd.	*3*	Beneficial owner	215,988,336	9.52%
Macro-Link Industrial Investment Limited	*4*	Controlled corporation	215,988,336	9.52%
Macro-Link Holding Company Limited	*2,4*	Controlled corporation	1,057,185,705	46.60%
Mr. Fu Kwan	*4,5*	Controlled corporation	1,057,185,705	46.60%
Cheung Shek Investment Company Limited	*2,5*	Controlled corporation	1,057,185,705	46.60%
Ms. Xiao Wenhui	*5*	Beneficial owner/ Controlled corporation	1,060,195,705	46.73%

Notes:

1. These shares are held by Macro-Link International Land Limited which is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Macrolink Real Estate Co., Ltd. whose issued shares are listed on the Shenzhen Stock Exchange with stock code 000620.

2. Macrolink Real Estate Co., Ltd. is owned as to 59.79% by Macro-Link Holding Company Limited and as to 1.61% by Cheung Shek Investment Company Limited.

3. These shares are held by MACRO-LINK International Investment Co, Ltd. which is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Macro-Link Industrial Investment Limited.

4. Macro-Link Industrial Investment Limited is wholly owned by Macro-Link Holding Company Limited which in turn is owned as to 75% by Cheung Shek Investment Company Limited, as to 10.63% by Mr. Fu Kwan and as to the remaining 14.37% by six individuals.

5. Cheung Shek Investment Company Limited is owned as to 53.35% by Mr. Fu Kwan, as to 33.33% by Ms. Xiao Wenhui (who also has a personal interest in 3,010,000 shares of the Company), as to 3.33% by Mr. Zhang Jian and as to 3.33% by each of the other three individuals.

Save as disclosed above, as at 31 December 2015, the Directors or the chief executive of the Company were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with related parties of which fall into connected and/or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules, the details of which are set out below:

(A) Major and Connected Transaction

On 29 July 2015, the Company, Macrolink Glory Hill Co., Ltd. ("Glory Hill") and Blackstone Resort Co. ("Blackstone") entered into a subscription agreement (the "Subscription Agreement") in relation to the subscription of 2,707,848 shares and 300,872 shares of Glory Hill by each of the Company and Blackstone respectively (the "Subscription"). The cash consideration of HK$153,916,000 was paid by the Company on 28 December 2015. As Glory Hill is owned as to 90% by Macro-Link International Land Limited, which is the substantial shareholder of the Company interested in 37.08% of the Company's shares as at the date of the Subscription Agreement, such transaction constituted connected transaction under Chapter 14A of the Listing Rules. Besides, as the relevant applicable percentage ratios for the Subscription under the Subscription Agreement are more than 25% but less than 100%, the transaction contemplated under the Subscription Agreement was subject to reporting, announcement and independent shareholders' approval requirements. A special general meeting of the Company was held on 22 December 2015 and approval of the Subscription Agreement was given by the then independent shareholders of the Company.

Details of the transaction were set out in the announcement and the circular of the Company dated 29 July 2015 and 4 December 2015 respectively.

(B) Continuing Connected Transactions

Master Sales Agreements

i. Shangri-la Agreement

On 4 December 2014, Shangri-la Winery Company Limited ("Shangri-la Winery") entered into a master sales agreement (the "Shangri-la Agreement") with VATS Chain Liquor Store Management Company Limited ("VATS Chain Store") pursuant to which VATS Chain Store has agreed to purchase grape wine, Tibetan naked barley and the related services (the "Shangri-la Wines") produced and provided by Shangri-la Winery, on a non-exclusive basis, to VATS Chain Store for a term commencing from 1 January 2015 up to 31 December 2017.

As VATS Chain Store is owned as to 67.08% by Mr. Wu Xiang Dong ("Mr. Wu") (who was the chairman of the Board and an executive Director in the last 12 months) and thus, is a connected person of the Company.

Under the Shangri-la Agreement, the Shangri-la Wines are sold by the Group to VATS Chain Store at a price which is no more than 20% discount to the average wholesale prices as VATS Chain Store has agreed to purchase not less than 1,000 cartons of Shangri-la Wines and to be solely responsible for all the costs and expenses to be incurred in relation to the sales and distribution of Shangri-la Wines. The terms of sales will be of no more favourable than terms offered to other independent third parties who are willing to order similar quantity under similar conditions.

The sales caps under the Shangri-la Agreement for the year ended 31 December 2015 was RMB20 million and for each of the two years ending 31 December 2016 and 31 December 2017 is RMB25 million and RMB30 million respectively.

CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Master Sales Agreements (Continued)

ii. Jinliufu Agreement

On 4 December 2014, Shangri-la Winery entered into a master sales agreement (the "Jinliufu Agreement") with Yunnan Jinliufu Trading Limited ("Yunnan JLF Trading") pursuant to which Yunnan JLF Trading has agreed to purchase the Shangri-la Wines produced and provided by Shangri-la Winery, on a non-exclusive basis, to Yunnan JLF Trading for a term commencing from 1 January 2015 up to 31 December 2017.

As Yunnan JLF Trading is ultimately owned as to 80% by VATS Group Limited (a company owned as to 90% by Mr. Wu and 10% by Mr. Yan Tao (who is the vice-chairman, chief executive and executive Director) and thus, is a connected person of the Company.

Under the Jinliufu Agreement, the Shangri-la Wines are sold by the Group to Yunnan JLF Trading at a price which is no more than 20% discount to the average wholesale prices as Yunnan JLF Trading has agreed to purchase not less than 1,000 cartons of Shangri-la Wines and to be solely responsible for all the costs and expenses to be incurred in relation to the sales and distribution of Shangri-la Wines. The terms of sales will be of no more favourable than terms offered to other independent third parties who are willing to order similar quantity under similar conditions.

The sales caps under the Jinliufu Agreement for the year ended 31 December 2015 was RMB40 million and for each of the two years ending 31 December 2016 and 31 December 2017 is RMB45 million and RMB50 million respectively.

As stated in the circular of the Company dated 6 February 2015, the Shangri-la Agreement and the Jinliufu Agreement have been entered into mainly for the purposes of renewing and revising certain terms and the annual sales caps under the master sales agreements dated 6 July 2012 to cater for the growth of the Group's business. A special general meeting of the Company was held on 27 February 2015 and approval of each of the Shangri-la Agreement and the Jinliufu Agreement (including their respective annual caps) were given by the then independent shareholders.

Annual Review of the Continuing Connected Transactions

The Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules. The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to each of the Shangri-la Agreement and the Jinliufu Agreement governing them respectively on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed and issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange. They confirmed that the above continuing connected transactions (i) have been approved by the Board; (ii) were, in all material respects, in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with each of the Shangri-la Agreement and the Jinliufu Agreement governing the transactions respectively; and (iv) have not exceeded the relevant annual caps under each of the Shangri-la Agreement and the Jinliufu Agreement respectively.

Save as disclosed herein, no other connected transactions have been entered into by the Group during the year ended 31 December 2015.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 32 to 49 of this report.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Cao Kuangyu and Mr. Che Kuong Hon.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's annual results for the year ended 31 December 2015. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

EVENT AFTER THE REPORTING PERIOD

On 1 February 2016, the Company entered into a sale and purchase agreement to purchase from Mr. Jung Hee Tae (who is a director of Golden Beach, a non-wholly owned subsidiary of the Company) 30,000 shares, representing 7.5% of the entire issued share capital of Golden Beach for a consideration of KRW5,700,000,000 (equivalent to approximately HK$37,000,000). The acquisition is subject to the reporting, announcement and annual review requirements. Details of the acquisition are set out in the announcement of the Company dated 1 February 2016. Upon completion, the Company's shareholding in Golden Beach increased to 59.0%.

AUDITORS

The consolidated financial statements for the year ended 31 December 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

PUBLIC FLOAT

Based on the information which is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

On behalf of the Board
Su Bo
Chairman

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

Integrity, Communication, Responsibility and Development

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2015.

CORPORATE GOVERNANCE CODE

Good corporate governance has always been recognised as vital to the Group's success and to sustain development of the Group. We commit to attain and maintain high standards of corporate governance to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. The Board has implemented corporate governance code appropriate to the conduct and growth of the Group's businesses.

The Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out principles of good corporate governance.

Throughout the year ended 31 December 2015, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the deviations from code provisions A.6.7 and E.1.2 which are explained as follows:

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. E Meng and Mr. Cao Kuangyu ("Mr. Cao"), both being the independent non-executive Directors at the time, were unable to attend the special general meetings of the Company held on 27 February 2015 and 6 July 2015 respectively, and the annual general meeting of the Company held on 5 June 2015 (the "2015 AGM") due to their overseas business engagement. In addition, Mr. Cao and Mr. Che Kuong Hon, being independent non-executive Directors, were unable to attend the special general meeting of the Company held on 22 December 2015 due to their overseas business engagement.

Code provision E.1.2 provides that the chairmen of the Board and board committees should attend the annual general meeting to be available to answer questions thereat. Mr. Wu Xiang Dong, who was the chairman of the Board and Nomination Committee at the time being, was unable to attend the 2015 AGM due to his overseas business engagement. However, Mr. Ng Kwong Chue, Paul, being the executive Director and company secretary of the Company, took the chair at the 2015 AGM, and the chairman of both the Audit Committee and Remuneration Committee, and the auditors attended the 2015 AGM. The Company considers that their presence is sufficient for effective communication with shareholders at the 2015 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who, because of such office or position, are likely to possess inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all operating policies, business strategies, financial budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company's company secretary (the "Company Secretary") with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions or commitments entered into on the Company's behalf.

The Board has the full support of the senior management to discharge its responsibilities.

THE BOARD *(Continued)*

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions as set out in the code provision D.3.1 of the CG Code including, among other matters:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2015, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code.

Composition

The Board currently comprises six executive Directors and three independent non-executive Directors. The function of the Board is to guide the management to ensure the interests of the shareholders of the Company and other stakeholders are safeguard.

The Company recognises and embraces the benefits of having a diverse board to enhance the quality of its performance. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of operations of the Company, to ensure that the necessary balance of skills and experience appropriate to the requirements of the business of the Company and facilitate effective decision-making.

As at 31 December 2015, the Board comprised the following members:

Name of Directors	Positions	Date of first appointment to the Board	Date of last re-election at general meetings
Mr. Su Bo	Chairman/Executive Director/Chairman of Nomination Committee	8/6/2015	6/7/2015
Mr. Yan Tao	Vice-Chairman/Chief Executive/ Executive Director	27/4/2009	5/6/2015
Mr. Ng Kwong Chue, Paul	Executive Director/Company Secretary/ Chief Investment Officer	28/3/2011	16/6/2014
Mr. Zhang Jian	Executive Director	25/2/2004	16/6/2014
Mr. Hang Guanyu	Executive Director	8/6/2015	6/7/2015
Mr. Liu Huaming	Executive Director	8/6/2015	6/7/2015
Mr. Ting Leung Huel, Stephen	Independent non-executive Director/ Chairman of Remuneration Committee and Audit Committee	25/2/2004	5/6/2015
Mr. Cao Kuangyu	Independent non-executive Director	25/2/2004	16/6/2014
Mr. Che Kuong Hon	Independent non-executive Director	24/11/2015	22/12/2015

THE BOARD *(Continued)*

Composition *(Continued)*

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and expertise relevant to the business operations and development of the Group. All executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. Biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 18 to 19 of this annual report. The Company has maintained an updated list of Directors identifying their roles and functions on the websites of the Company and the Stock Exchange.

Save and except that Mr. Su Bo, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming are management of Macro-Link Group, there is no relationship (including financial, business, family, or other material/relevant relationship(s)) among the Board members.

Appointment and Re-election

The Company has established formal, considered and transparent procedures for the appointment of new Directors. A person may be appointed as a member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nomination Committee. The procedures for shareholders of the Company to propose a person as a Director are accessible from the Company's website.

In compliance with code provision A.4.1 of the CG Code, non-executive Directors are appointed for a specific term, subject to re-election. Each of the independent non-executive Directors has accepted a formal appointment by the Company for a period of three years and subject to retirement by rotation. According to the Bye-laws and the code provision of the CG Code, all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years.

Pursuant to bye-law 86(2) of the Bye-laws, the Board may appointed any Director(s) to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director(s) so appointed shall hold office only until the following general meeting of the Company and shall then be eligible for re-election at that meeting. Code provision A.4.2 of the CG Code also stipulates that any directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Mr. Su Bo, Mr. Hang Guanyu and Mr. Liu Huaming, who have been appointed as executive Directors on 8 June 2015 as additions to the existing Board, have been re-elected at the special general meeting of the Company held on 6 July 2015. Mr. Che Kuong Hon who has been appointed as the independent non-executive Director on 24 November 2015 to fill a casual vacancy on the Board, has been re-elected at the special general meeting of the Company held on 22 December 2015.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013 which sets out its approach to achieve and maintain diversity on the Board.

The Company recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies and sustainable development. According to the Board Diversity Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

THE BOARD *(Continued)*

Board Diversity Policy *(Continued)*

The Nomination Committee has set measurable objectives (in terms of gender, age, skills and experience) to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness.

The Board Diversity Policy has been published on the Company's website for public information.

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall operating strategies and policies of the Company.

24 Board meetings were held during the year ended 31 December 2015. The attendance records of the Directors are set out below:

	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Su Bo *(Appointed on 8 June 2015)*	17/17
Mr. Yan Tao	24/24
Mr. Ng Kwong Chue, Paul	24/24
Mr. Zhang Jian	24/24
Mr. Hang Guanyu *(Appointed on 8 June 2015)*	17/17
Mr. Liu Huaming *(Appointed on 8 June 2015)*	17/17
Mr. Wu Xiang Dong *(Resigned on 26 June 2015)*	7/7
Mr. Shu Shi Ping *(Resigned on 26 June 2015)*	7/7
Mr. Sun Jian Xin *(Resigned on 26 June 2015)*	5/7
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	24/24
Mr. Cao Kuangyu	24/24
Mr. Che Kuong Hon *(Appointed on 24 November 2015)*	5/5
Mr. E Meng *(Resigned on 25 August 2015)*	10/12

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The chief executive and Company Secretary attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

THE BOARD *(Continued)*

Board Meetings *(Continued)*

Practices and Conduct of Meetings (Continued)

The Company Secretary is responsible to take and keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves conflict of interests on a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates have a material interest.

Independent non-executive Directors

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through serving on Board committees and active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, all independent non-executive Directors make various contributions to the effective direction of the Company.

The Company has received written annual confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers all the independent non-executive Directors to be independent.

Mr. Cao Kuangyu, who is to retire by rotation at the forthcoming annual general meeting of the Company, has served as an independent non-executive Director for more than 9 years. He has confirmed his independence with reference to the factors as set out in Rule 3.13 of the Listing Rules. He is neither involved in the daily management of the Company nor has any relationships, and there does not exist any circumstances which would interfere with the exercise of his independent judgement. In addition, he continues to demonstrate the attributes of an independent non-executive Director and there is no evidence that his tenure has had any impact on his independence. Accordingly, the Company considers that Mr. Cao remains independent notwithstanding the length of his service and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Compliance with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules

Upon the appointment of Mr. Su Bo, Mr. Hang Guanyu and Mr. Liu Huaming as executive Directors on 8 June 2015, the number of independent non-executive Directors has fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules. Following the resignation of Mr. Wu Xiang Dong, Mr. Shu Shi Ping and Mr. Sun Jian Xin as executive Directors on 26 June 2015, the requirement of the number of independent non-executive Directors under Rule 3.10A of the Listing Rules has been fulfilled by the Company. For details, please refer to the announcements of the Company dated 8 June 2015 and 26 June 2015 respectively.

Following the resignation of Mr. E Meng as the independent non-executive Director on 25 August 2015, the number of independent non-executive Directors has fallen below the minimum number of independent non-executive directors required under Rules 3.10(1) and 3.10A of the Listing Rules and the requirement under Rule 3.21 of the Listing Rules which requires that the audit committee must comprise a minimum of three members. Following the appointment of Mr. Che Kuong Hon as the independent non-executive Director on 24 November 2015, the Company has complied with requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. For details, please refer to the announcements of the Company dated 25 August 2015 and 24 November 2015 respectively.

THE BOARD *(Continued)*

Supply of and Access to Information

The management supplied the Board with adequate and sufficient information through financial reports, business and operational reports, in a timely manner, to enable them to make informed decisions.

The management also provided Directors with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Company in respect of legal action against them arising from the performance of their duties. The insurance policy covers directors' and officers' liability contract, company reimbursement contract, legal representation expenses contract and securities claims contract. Throughout the year ended 31 December 2015, no claim has been made against the Directors and officers of the Company.

Continuing Professional Development

Every Director keeps abreast of his responsibility as a Director and of the conduct, business activities and development of the Group. The Company regularly reviews the business development of the Group. The Company Secretary from time to time updates and provides written materials to the Directors on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

Every newly appointed Director will be provided a comprehensive, formal and tailored induction so as to ensure he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory requirements.

The Directors have complied with the code provision A.6.5 of the CG Code on continuous professional development by participating in appropriate continuous professional development to develop and refresh their knowledge and skills and providing the Company their records of training for the year ended 31 December 2015. The training attended by the Directors during the year are as follows:

	Corporate governance/updates on laws, rules and regulations/Finance/Business	
Directors	**Read materials**	**Attended seminars/briefings**
Executive Directors		
Mr. Su Bo	✓	
Mr. Yan Tao		✓
Mr. Ng Kwong Chue, Paul	✓	✓
Mr. Zhang Jian	✓	
Mr. Hang Guanyu	✓	✓
Mr. Liu Huaming	✓	✓
Independent non-executive Directors		
Mr. Ting Leung Huel, Stephen	✓	✓
Mr. Cao Kuangyu	✓	✓
Mr. Che Kuong Hon	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive to ensure a balance of power and authority.

The positions of the chairman and the chief executive are currently held by Mr. Su Bo and Mr. Yan Tao respectively.

The chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information and appropriate briefing on issues arising at Board meetings in a timely manner.

The chief executive focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The chief executive is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

BOARD COMMITTEES

The Board has established three Board committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs, details of which are as follows:

	Committee membership		
Names	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Mr. Su Bo[1]	C	M	
Mr. Yan Tao[2]	M		
Mr. Ng Kwong Chue, Paul			
Mr. Zhang Jian			
Mr. Hang Guanyu			
Mr. Liu Huaming[3]		M	
Mr. Ting Leung Huel, Stephen	M	C	C
Mr. Cao Kuangyu	M	M	M
Mr. Che Kuong Hon[4]	M	M	M
Mr. Wu Xiang Dong[5] *(resigned on 26 June 2015)*			
Mr. Shu Shi Ping			
Mr. Sun Jian Xin			
Mr. E Meng[6] *(resigned on 25 August 2015)*			

Notes:

1 Mr. Su Bo has been appointed as chairman of the Nomination Committee and member of the Remuneration Committee with effect from 26 June 2015.

2 Mr. Yan Tao has resigned as member of the Remuneration Committee with effect from 26 June 2015.

3 Mr. Liu Huaming has been appointed as member of the Remuneration Committee with effect from 26 June 2015.

4 Mr. Che Kuong Hon has been appointed as member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 24 November 2015.

5 Mr. Wu Xiang Dong ceased to be the chairman of the Nomination Committee and member of the Remuneration Committee with effect from 26 June 2015.

6 Mr. E Meng ceased to be the member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 25 August 2015.

C Chairman of the relevant Board committees
M Member of the relevant Board committees

BOARD COMMITTEES *(Continued)*

The written terms of reference of each of the Board committees, which set out the committees' major duties, are available on the websites of the Company and the Stock Exchange.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) Nomination Committee

The Nomination Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The Nomination Committee comprises two executive Directors namely Mr. Su Bo (Chairman) and Mr. Yan Tao and three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen, Mr. Cao Kuangyu and Mr. Che Kuong Hon.

The Nomination Committee is responsible for, among other matters, the following:

- to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify and nominate qualified individual for appointment as additional Director or to fill Board's casual vacancy for the Board's approval as and when the circumstances arise. In identifying suitable individual, it shall consider individual on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

- to assess the independence of independent non-executive Directors and to review the independence non-executive Directors' annual confirmations with respect to their independence; and make disclosure of its review results in the Corporate Governance Report;

- to regularly review the time required for the Directors to perform their responsibilities and to assess if they are spending enough time to fulfill their duties;

- to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive; taking into consideration the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;

- to ensure that on appointment to the Board, Directors receive a formal letter of appointment setting out clearly the key terms and conditions of their appointment;

- to review the Board Diversity Policy as appropriate and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, the progress on achieving the objectives and make disclosure of its review results in the Corporate Governance Report annually;

- to do such things to enable the Nomination Committee to discharge its duties conferred on it by the Board; and

- to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or imposed by the Listing Rules or applicable laws.

BOARD COMMITTEES *(Continued)*

(1) Nomination Committee *(Continued)*

During the year ended 31 December 2015, the Nomination Committee met three times, during which it assessed the independence of the independent non-executive Directors, considered the re-election of the retiring Directors at the annual general meeting and proposed the appointment of Director(s). The attendance of each member of the Nomination Committee is set out below:

Name of members	**Number of meetings attended/ Number of meetings held**
Mr. Su Bo (Chairman) *(appointed on 26 June 2015)*	1/1
Mr. Yan Tao	3/3
Mr. Ting Leung Huel, Stephen	3/3
Mr. Cao Kuangyu	3/3
Mr. Che Kuong Hon *(appointed on 24 November 2015)*	0/0
Mr. Wu Xiang Dong *(resigned on 26 June 2015)*	2/2
Mr. E Meng *(resigned on 25 August 2015)*	2/2

(2) Remuneration Committee

The Remuneration Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The Remuneration Committee comprises two executive Directors namely Mr. Su Bo and Mr. Liu Huaming and three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Cao Kuangyu and Mr. Che Kuong Hon.

The Remuneration Committee is responsible for, among other matters, the following:

- to advise the Board on and to review of the remuneration policy and structure for all remuneration of the Directors and senior management;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- to address and deal with such other matters as may be delegated by the Board from time to time; and
- to ensure that no Director nor any of his associates is involved in deciding his own remuneration.

BOARD COMMITTEES *(Continued)*

(2) Remuneration Committee *(Continued)*

Emolument Policy

The Directors are paid fees in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to attract, motivate and retain high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

In addition to the basic salaries, a share option scheme is adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

Remuneration Paid to Members of Senior Management

Details of remuneration paid to members of senior management fell within the following bands:

Remuneration bands	**Number of individuals**
Up to HK$1,000,000	12
HK$1,000,001 to HK$2,000,000	1

Particulars relating to Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements as set out on pages 104 to 105 of this annual report.

During the year ended 31 December 2015, the Remuneration Committee met three times, during which it reviewed and made recommendation to the Board on the remuneration packages of the Directors and senior management. The attendance of each member of the Remuneration Committee is set out as below:

Name of members	**Number of meetings attended/ Number of meetings held**
Mr. Ting Leung Huel, Stephen (Chairman)	3/3
Mr. Su Bo *(appointed on 26 June 2015)*	1/1
Mr. Liu Huaming *(appointed on 26 June 2015)*	1/1
Mr. Cao Kuangyu	3/3
Mr. Che Kuong Hon *(appointed on 24 November 2015)*	0/0
Mr. Wu Xiang Dong *(resigned on 26 June 2015)*	2/2
Mr. Yan Tao *(resigned on 26 June 2015)*	2/2
Mr. E Meng *(resigned on 25 August 2015)*	2/2

BOARD COMMITTEES *(Continued)*

(3) Audit Committee

The Audit Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The terms of reference were revised on 30 December 2015. The Audit Committee comprises three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Cao Kuangyu and Mr. Che Kuong Hon with Mr. Ting Leung Huel, Stephen who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include, among other matters, the following:

(a) to review the financial statements and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal audit, compliance or external auditors before submission to the Board;

(b) to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year ended 31 December 2015, the Audit Committee held three meetings to review the interim and annual financial statements of the Group, consider the independence and re-appointment of the external auditors, review the financial reporting system, compliance procedures and internal control system of the Group, and propose the amendments to its terms of reference. The attendance records of the Audit Committee members are set out below:

Name of members	**Number of meetings attended/ Number of meetings held**
Mr. Ting Leung Huel, Stephen (Chairman)	3/3
Mr. Cao Kuangyu	3/3
Mr. Che Kuong Hon *(appointed on 24 November 2015)*	1/1
Mr. E Meng *(resigned on 25 August 2015)*	1/1

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2015 has been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited in respect of their audit and non-audit services are set out as follows:

Type of services	Fees paid/payable
Audit services:	
Audit of annual financial statements	HK$1,000,000
Non-audit services:	
Review of continuing connected transactions	HK$200,000
Report of the major and connected transactions	HK$1,400,000

The Audit Committee reviewed the independence of HLB Hodgson Impey Cheng Limited and has concluded that it is satisfied with the professional performance, and therefore recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the Company's auditors at the forthcoming annual general meeting.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibilities for preparing the financial statement of the Company for the year ended 31 December 2015 and presenting a balanced, clear and comprehensive assessment for the Group's performance, position and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of Messrs. HLB Hodgson Impey Cheng Limited, being the external auditors of the Company, reporting their responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 57 to 58.

INTERNAL CONTROL FRAMEWORK

Internal Control

The Board is responsible for the Group's internal control system and reviewing its effectiveness. Such system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Procedures have been set up to safeguard assets against unauthorised use or disposition, control over capital expenditure, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. Senior management throughout of the Group is responsible to maintain and monitor the system.

The relevant executive Directors and senior management are delegated with respective levels of authorities with regard to key policies and contractual commitments. Operational budgets are prepared by the senior management and reviewed by the responsible executive Director prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditures. Results of operations against budgets are reported regularly to the executive Directors.

INTERNAL CONTROL FRAMEWORK *(Continued)*

Internal Control *(Continued)*

Internal audits were carried out on all significant business units of the Group on an ongoing basis. The internal control report was reviewed by the Audit Committee. In addition, summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improve the Group's operations.

With respect to the gaming business in South Korea, Development Golden Beach Co. Ltd., a non-wholly owned subsidiary of the Company, has implemented effective internal control policies and procedures for the management of its casino and other related operations in compliance with the applicable laws and regulations in South Korea including regulations on anti-money laundering. These include, but not limited to, client acceptance, table game management, cash and chips management, electronic game management, gaming inventory management, management of gaming promoters, fraud prevention, risk management and anti-money laundering procedures.

The Board has conducted an annual review of the effectiveness of internal control system of the Group and considers that it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls and risk management functions. Based on this review, the Board is not aware of any significant matters of concern which may affect the shareholders and is satisfied that the Group has fully complied with the code provisions on internal controls, including compliance with legal and regulatory requirements as set out in the CG Code.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Board is fully aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. The Company has its own policy on disclosure of inside information by reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMPANY SECRETARY

Mr. Ng Kwong Chue, Paul, being the Company Secretary and the executive Director, plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed.

The Company Secretary has day-to-day knowledge of the Company's affairs. He reports to the Board through the chairman and chief executive. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters.

The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

During the year ended 31 December 2015, Mr. Ng Kwong Chue, Paul has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. Details of his training are set out in the section of 'Continuing Professional Development' on page 39 of this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with its shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and publications which are all available on the websites of the Stock Exchange and the Company. Corporate communications issued by the Company have been provided to the shareholders in both English and Chinese versions for better understanding.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong or email at investor@newsilkroad472.com for any inquiries.

In order to provide shareholders with information about the Company, to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner, the Company has a 'shareholders communication policy' which is available on the Company's website. The Board shall review the policy regularly to ensure its effectiveness and efficiency.

At general meetings, each substantially separate issue has been considered by a separate resolution, including the election of individual Director. The chairman of the Board, chairmen of the respective Board committees, senior management and the external auditors are normally available to answer questions at the shareholders' meetings.

During the year, four general meetings were held. The 2015 annual general meeting was held on 5 June 2015 and three special general meetings were held on 27 February 2015, 6 July 2015 and 22 December 2015 respectively. The attendance records of the Directors are set out below:

Directors	**Number of meetings attended/ Number of meetings held**
Executive Directors	
Mr. Su Bo *(appointed on 8 June 2015)*	2/2
Mr. Yan Tao	0/4
Mr. Ng Kwong Chue, Paul	4/4
Mr. Zhang Jian	2/4
Mr. Hang Guanyu *(appointed on 8 June 2015)*	2/2
Mr. Liu Huaming *(appointed on 8 June 2015)*	1/2
Mr. Wu Xiang Dong *(resigned on 26 June 2015)*	0/2
Mr. Shu Shi Ping *(resigned on 26 June 2015)*	0/2
Mr. Sun Jian Xin *(resigned on 26 June 2015)*	0/2
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	4/4
Mr. Cao Kuangyu	0/4
Mr. Che Kuong Hon *(appointed on 24 November 2015)*	0/1
Mr. E Meng *(resigned on 25 August 2015)*	0/3

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

Constitutional Documents

During the year ended 31 December 2015, there was no change to the Company's constitutional documents. A consolidated version of the Memorandum of Association and the Bye-laws is available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Procedure for shareholders to convene a special general meeting

Pursuant to bye-law 58 of the Bye-laws, shareholder(s) holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to request a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner.

Procedure for shareholders to put forward proposals at general meetings

Shareholders can submit a requisition to move a resolution at general meetings pursuant to the Companies Act 1981 of Bermuda. The number of shareholders necessary for a requisition shall be:

- either representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting; or

- not less than 100 shareholders.

The written requisitions must:

- state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting;

- be signed by all the requisitionists (may consist of several documents in like form each signed by one or more requisitionists); and

- be deposited at the head office of the Company in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in case of a requisitionist requiring notice of a resolution and not less than one week before the meeting in case of any other requisition.

With respect to proposing a person for election as a Director, the procedures can be accessible on the Company's website.

SHAREHOLDERS' RIGHTS *(Continued)*

Shareholders enquiries to the Board

Shareholders may send their enquiries to the Board in writing with contact details, including registered name, address, telephone number and email address, to the Company Secretary as follows:

Address:	Suite 1501, 15/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Telephone:	(852) 2591 9919
Fax:	(852) 2575 0999
Email:	investor@newsilkroad472.com

Any matter in relation to the transfer of shares, change of name or address, loss of share certificates should be addressed to the Company's Hong Kong branch share registrar and transfer agent as follows:

Tricor Progressive Limited
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Tel:	(852) 2980 1333
Fax:	(852) 2861 1465

Environmental, Social and Governance Report

CHERISHING RESOURCES FOR SUSTAINABILITY SAFE PRODUCTION AND COMPLIANCE

A. INTRODUCTION

Being a responsible corporate citizen of the society, the Group values its corporate social responsibility ("CSR") by contribution to the community. We take an all-rounded approach in our CSR efforts to ensure that the needs of different stakeholder groups are properly addressed.

This environmental, social and governance ("ESG") report is prepared for the purpose of sharing our vision and efforts in meeting our ESG targets with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

The reporting period of the ESG report is in line with this annual report unless otherwise specified. Currently, this section mainly comprises wine and Chinese baijiu operations, however, we will include newly acquired businesses in future report as and when appropriate.

B. RELATIONSHIP WITH STAKEHOLDERS

The Group's major stakeholders include: investors/shareholders, government/regulators, customers, employees, local communities, business partners, media and peers. We value our relationship with stakeholders and formulate relevant strategies accordingly. We believe that effective communication to stakeholders is important to address various ESG issues, as such we strive to strengthen communication channels as well as to establish new means via the latest technology to keep up closely and timely serve the needs of relevant stakeholders. With effective communication channels, we strive to continuously fulfill our CSR and to enhance the efficiency and effectiveness on CSR risk management. Table 1 summarises our CSR efforts with various stakeholders.

Table 1 Summary of stakeholder efforts

Stakeholder Groups	Our Shared Values	Communication Channels
Investors/Shareholders	• Create sustainable value for shareholders through all-round performance including financial and business sustainability • Demonstrate responsibility through operation compliance, corporate governance and ESG risk management • Effective communication on corporate development	• Annual/special general meetings • Annual and interim reports • Circulars/announcements/notices/publications • Factory visits • Investor relations enquiry and briefings

B. RELATIONSHIP WITH STAKEHOLDERS *(Continued)*

Table 1 Summary of stakeholder efforts *(Continued)*

Stakeholder Groups	**Our Shared Values**	**Communication Channels**
Government/Regulators	• Ascertain the compliance with laws and regulations • Support and encourage local employment • Reduce local poverty • Maintain economic sustainability and social stability through job creation, innovations, developing remote area etc.	• Maintain close relationship with local governments and relevant departments • Develop training to educate and upgrade the skill level of local staffs • Annual and interim reporting • ESG disclosures
Customers	• Pursue quality, healthy and safety products for consumer confidence and loyalty on our brand and products • Establish long-term relationship by providing quality services and enacting contractual spirit • Maintain corporate value, and develop equity and mutually beneficial partnership • Enhance product experience through education and comprehensive product information sharing	• Customer service hotlines • After sale customer service • Regular visit to partners' retail outlets
Employees	• Value employees' contribution and encourage their development and recognize they are our most valuable assets • Provide employees with a safe workplace, appropriate ancillary facilities, a clear career development path, protection to labour rights, and suitable training to enhance future development	• Establish team building activities • Employee satisfaction survey • Annual congress, Intranet, internal publications, bulletin board system (BBS), social media and seminars to keep employees in line with the Group's development • Support educations and trainings • Annual and interim appraisal
Local Communities	• Make contribution to the local communities • Through innovations and research and development engage environmentally friendly production to minimise impact to local communities • Responsible marketing and education on drinking • Understand and respond to local communities' concerns over products and ESG issues • Grow our business to support local economy development	• Organise or contribute to community activities and programmes • Donations and sponsorship for charity functions and organisations • Organise and encourage employee to participate in community programmes
Business Partners	• Ensure ethical and legal compliance within the whole value chain • With good ESG practice bring synergy in long term profitability • Maintain equity to strengthen cooperation • Demonstrate business integrity by fulfilling contractual obligations	• Contractor conference • Progress meetings • Audits, assessments and inspections • Information and experience sharing • Products briefing

B. RELATIONSHIP WITH STAKEHOLDERS *(Continued)*

Table 1 Summary of stakeholder efforts *(Continued)*

Stakeholder Groups	Our Shared Values	Communication Channels
Media	• Jointly promote responsible and healthy drinking • Publish important events timely	• Product launch • Press conference • Interviews • Internet • Press media
Peers	• Establish to a fair and benign competition and safeguard the interest of the industry for sustainable development • Strengthen cooperation in technology advancement and management enhancement • Form alliance and respond society expectation in a timely manner	• Industry forum • Industry conference • Industry knowledge sharing platform

C. ESG PERFORMANCE

We are delighted to share our vision, plans and achievements in ESG which demonstrate our responsibilities in various issues including environmental protection, employee caring, provision of quality products and services, business integrity and positive impacts to the community.

1. Environmental Protection

We are committed to environmental protection, improving greenery and minimising impacts to the nature in the course of production and operation. We have a strong sense of environmental protection and we devote our efforts to the related issues.

Our philosophy in environmental protection is to reduce pollutants, increase greenery and improve resources utilisation efficiency, particularly for energy and water efficiency. During the reporting period, the operation of all of our vineyards and wineries has complied with the *Environmental Protection Law of the People's Republic of China*. A wide range of measures have been established to lower the impacts to the environment, increase greenery and reduce carbon emissions.

Target Areas	Description of environmental protection measures
Waste handling and reduction	• A centralised recycling system is established for the handling of recyclables. Common recyclables such as card boxes, bottles and bottle caps are separately stored for recycling according to the Group's policy. • Bottles and other materials are collected, cleaned and reused or otherwise, recycled. • Packaging and wastes are reused where possible or processed at waste treatment plant for safe disposal. • Hazardous chemicals waste are handled in accordance with the relevant laws and regulations. These wastes are separately stored and handled with ledger for record. • The use of pesticides is prohibited to promote organic and ecological cultivation.
Sewage treatment	• Sewage treatment plant is constructed to ensure compliance with relevant water processing and emission laws and regulations.

C. ESG PERFORMANCE *(Continued)*

1. Environmental Protection *(Continued)*

Target Areas	Description of environmental protection measures
Efficient use of natural resources	• Treated sewage effluent that meets quality standard with an annual savings of 30,000 tons of water. • Water from recycling system is used for washing inner and outer walls of bottles. • Reduce the use of irrigation water by application of drip irrigation to enhance water efficiency. • Conversion of abandoned ponds into underground cellars make use of their constant cooler temperature and humidity nature to save energy. • Bench mark production performance by electricity consumption. • Certain portion of energy, water and raw materials cost savings at production is shared with the employees as staff bonus. • Use of energy-saving lighting in production areas.
Others	• Improve greenery in the production sites and incorporate ecologically friendly features to the plants. • Promotion of organic and ecological-friendly product certification through the use of organic fertilizer, organic pest control, and organic farming.

The measures above either reduce or contribute to the reduction of the carbon emissions, improve greenery and allow us to be more eco-efficient. We will continue our research and development efforts and implement more environmentally friendly solutions to improve efficiency in the future.

2. Employee Care

We firmly believe that employees are our important assets. While striving to fulfill our ESG obligations, we also attach great importance to ensuring complete protection of employees' benefits and welfare, a safe and healthy work environment, and comprehensive career and personal development.

During the reporting period, we complied with the *Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)*, and other relevant laws and regulations.

Employee benefits and welfare

Staff handbook, guidelines, management methodology and execution approach etc. are produced in accordance to relevant laws and regulations to ensure alignment across departments and functions. This practice is to ensure compliance in the areas of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare including prevention of child labour and arrangements in case of work-related injuries etc.

Health and safety

We are committed to providing our employees with a safe workplace that is free from occupational hazards. Our subsidiaries have achieved the safety production standardisation level two and three. Consolidated efforts were made to achieve production safety in accordance with national standards. This includes safety inspections, supervisions and audits.

Safety performance depends on our inputs and the awareness of employees. In order to raise the awareness among employees, production safety has become part of the performance review criteria. Other programmes include provision of safety training and annual medical checkup for frontline production staff. We are pleased that no significant safety incidents were recorded during the reporting period.

C. ESG PERFORMANCE *(Continued)*

2. Employee Care *(Continued)*

Training and development

Investing in our employees through training and development is the Group's long-term growth objective. We are devoted to the continuous enhancement of employees' skills and knowledge for better corporate developments.

We offer a wide range of training programmes to our employees, including training on safety, industry-specific knowledge, the latest industry laws and regulations, marketing, etc. We regularly evaluate staff competence and training needs to ensure effective understanding and application. Some training programmes are included in the scope of assessment to evaluate performance and measure outcomes.

3. Premium Quality

As a responsible corporate and partner to customers, we are devoted in the pursuit of premium quality product. We believe that this could only be achieved through comprehensive and proper management of the supply chain, quality control and production process.

Supply chain management

We manage our supply chain through evaluations and verifications. We strictly follow the Group's procurement system and comply with the relevant laws and regulations.

We evaluate and select suppliers and service providers based on a number of factors, including price and quality of goods or services. We uphold a high standard by implementing control measures and management system to assess the compliance level, product quality, food safety and ESG performance of our existing and potential suppliers.

To ensure the quality of raw materials, our quality assurance policy is in strict accordance with the Group's specification which is more significant than the nation standards in general. The quality assurance procedures include sample inspection, checking on product certification and testing on quality and safety.

Quality control

We are proud of the quality of our products and service which are above regulatory standard. On top of compliance with the *Product Quality Law of The People's Republic of China and the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers*, a management system of Quality, food safety and integrity has been established. We have also obtained the ISO9001 Quality Management System certification since 2006.

Quality management process is integrated into our day-to-day operations, with controls set for each step of production and employees being held responsible based on their duties. We have established a measurement assurance system, a standardisation system and an inspection system to govern the whole value chain, which include the purchase of raw materials, production, storage, transportation and sales. We are very concern on our product quality and therefore have established a quality responsibility system to define clear roles and responsibilities among our staff, making all our employees accountable to product quality. Our effort was recognised by the Governor of the Provinces where we operate and we were also awarded the achievement in product quality in the food and beverage sector.

With regards to food safety, we have adopted the HACCP Food Safety Management System Certification. Besides, we also comply with the *Food Safety Law of the People's Republic of China, the National Food Safety Standard General Hygienic Regulation for Food Production (GB 14881-2013), the Food Safety National Standards for General Rules for the Labeling of Prepackaged Food (GB 7718-2011)*, and other relevant laws and regulations.

C. ESG PERFORMANCE *(Continued)*

3. Premium Quality *(Continued)*

After-sales service

Both service quality and product quality are of equally important to us. A customer service hotline is set up to ensure timely collection of feedback from our customers. Our marketing department conducts detailed analysis on customers' enquiries and comments to further improve our products and services. We also arrange staff to conduct on-site visits to retail outlets for collection of feedback.

Information management and intellectual property rights

We attach great importance to protecting customers' information and privacy. An integrated information management system for customer information management, confidentiality and security is established to prevent information leakage of customers and agencies. We complied with the *Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers*. No complaints or prosecutions were recorded during the reporting period.

We respect intellectual property rights. Affairs related to patents and trademarks are managed under internal policies separately with defined roles, responsibilities and standardised procedures. A management team has been established to enforce anti-counterfeiting rights, strengthen brand management and maintain our brand image.

4. Anti-Corruption

We uphold a high standard of business integrity. We have strictly enforced an internal control system and carried out internal audit reviews on a regular basis. Our suppliers and customers are required to sign an "Integrity Agreement" to prevent improprieties in relation to bribery, extortion, fraud and money laundering.

Apart from preventive measures, we have a set of procedures and measures against corruption. Whistle blowing procedures and a telephone hotline are established for employees' reference. A telephone hotline serving the same purpose is available for external parties. Educational programmes and campaigns for employees to raise awareness in this regards were launched.

During the reporting period, no concluded cases regarding corrupt practices were noted.

5. Care for the Community

We carry out different means to give back to the community, among which, by advocating healthy drinking, donations, sponsorship, organising activities for the well-being of the community as well as supporting the development of remote regions.

We advocate responsible and healthy drinking through responsible marketing and product development. In addition to putting the warning adverse effect of excessive drinking on packaging and product labels, we also developed baijiu products that are of lower alcohol content. Campaigns on healthy drinking and responsible driving were also organised to demonstrate our care for the community in fulfilling our CSR.

In order to support the development of the community, we also make contributions in the forms of donations, sponsorship, organisation and participation in community programmes. Beneficiaries include the underprivileged, families suffered from natural disasters, retired employees and other employees in needs. Furthermore, our development helps create jobs in the surrounding communities and contributes to the development in Shangri-la Economic Development Zone.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
NEW SILKROAD CULTURALTAINMENT LIMITED
(FORMERLY KNOWN AS JLF INVESTMENT COMPANY LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Silkroad Culturaltainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 139, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417

Hong Kong, 30 March 2016

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**241,225**	255,379
Cost of sales		**(140,475)**	(147,037)
Gross profit		**100,750**	108,342
Other revenue	9	**22,258**	12,619
Selling and distribution expenses		**(79,567)**	(96,466)
Administrative expenses		**(77,941)**	(69,629)
Other operating expenses		**–**	(178,732)
Loss from operating activities	10	**(34,500)**	(223,866)
Finance costs	12	**(3,544)**	(3,947)
Loss before taxation		**(38,044)**	(227,813)
Taxation	13	**(2,846)**	1,911
Loss for the year		**(40,890)**	(225,902)
Attributable to:			
Owners of the Company		**(35,336)**	(193,044)
Non-controlling interests		**(5,554)**	(32,858)
		(40,890)	(225,902)
Loss per share attributable to owners of the Company			
Basic and diluted	15	**HK(1.81) cents**	HK(11.57) cents

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Loss for the year	**(40,890)**	(225,902)
Other comprehensive loss, net of income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(17,059)**	(10,713)
Total comprehensive loss for the year	**(57,949)**	(236,615)
Attributable to:		
Owners of the Company	**(51,816)**	(200,650)
Non-controlling interests	**(6,133)**	(35,965)
	(57,949)	(236,615)

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	**29,338**	27,678
Property, plant and equipment	17	**583,864**	294,520
Intangible assets	18	**458,732**	9,192
Available-for-sale investment	19	**1,728**	1,810
Goodwill	20	**75,221**	–
Deferred tax assets	30	**3,203**	–
		1,152,086	333,200
Current assets			
Inventories	22	**229,227**	248,056
Stock of properties	23	**281,452**	–
Trade and bills receivables	24	**34,536**	23,052
Prepayments, deposits paid and other receivables	25	**81,363**	32,659
Short-term loans receivables	26	**7,289**	–
Tax recoverable		**–**	1,270
Cash and cash equivalents	27	**305,867**	105,455
		939,734	410,492
Total assets		**2,091,820**	743,692

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	28	**22,685**	16,685
Reserves	29	**725,020**	378,725
		747,705	395,410
Non-controlling interests		**367,112**	66,039
Total equity		**1,114,817**	461,449
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	30	**112,799**	15,711
Loan from immediate holding company	31	**481,674**	–
Net defined benefits liabilities	33	**5,082**	–
Bank borrowing – due after one year	37	**60,315**	–
		659,870	15,711
Current liabilities			
Trade payables	34	**49,581**	48,548
Accruals, deposits received and other payables	35	**169,170**	152,402
Amount due to a non-controlling shareholder of a subsidiary	32	**4,101**	–
Amounts due to related parties	36	**32,011**	1,263
Loan from immediate holding company	31	**50,000**	–
Bank borrowing – due within one year	37	**6,216**	63,150
Deferred revenue	38	**5,377**	–
Tax payables		**677**	1,169
		317,133	266,532
Total liabilities		**977,003**	282,243
Total equity and liabilities		**2,091,820**	743,692
Net current assets		**622,601**	143,960
Total assets less current liabilities		**1,774,687**	477,160

Approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Su Bo
Director

Ng Kwong Chue, Paul
Director

The accompanying notes form an integral part of these consolidated financial statements.

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK'000
At 1 January 2014	16,685	409,918	77,451	34,104	–	356	57,546	596,060	102,004	698,064
Loss for the year	–	–	–	–	–	–	(193,044)	(193,044)	(32,858)	(225,902)
Other comprehensive loss	–	–	(7,606)	–	–	–	–	(7,606)	(3,107)	(10,713)
Total comprehensive loss for the year	–	–	(7,606)	–	–	–	(193,044)	(200,650)	(35,965)	(236,615)
Appropriation to the statutory reserve	–	–	–	494	–	–	(494)	–	–	–
At 31 December 2014 and 1 January 2015	**16,685**	**409,918**	**69,845**	**34,598**	**–**	**356**	**(135,992)**	**395,410**	**66,039**	**461,449**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(35,336)**	**(35,336)**	**(5,554)**	**(40,890)**
Other comprehensive loss	**–**	**–**	**(16,480)**	**–**	**–**	**–**	**–**	**(16,480)**	**(579)**	**(17,059)**
Total comprehensive loss for the year	**–**	**–**	**(16,480)**	**–**	**–**	**–**	**(35,336)**	**(51,816)**	**(6,133)**	**(57,949)**
Placing of new shares	**6,000**	**387,943**	**–**	**–**	**–**	**–**	**–**	**393,943**	**–**	**393,943**
Acquisition of a subsidiary (note 42)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**172,957**	**172,957**
Effect of business combination under common control (note 43)	**–**	**–**	**–**	**–**	**10,168**	**–**	**–**	**10,168**	**134,249**	**144,417**
Appropriation to the statutory reserve	**–**	**–**	**–**	**740**	**–**	**–**	**(740)**	**–**	**–**	**–**
At 31 December 2015	**22,685**	**797,861***	**53,365***	**35,338***	**10,168***	**356***	**(172,068)***	**747,705**	**367,112**	**1,114,817**

* These reserve accounts comprise the consolidated reserve of approximately HK$725,020,000 (2014: HK$378,725,000) in the consolidated statement of financial position.

SHARE PREMIUM

The application of share premium account is governed by Section 40 of the Companies Act 1981 (as amended) of Bermuda.

TRANSLATION RESERVE

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in note 3.

STATUTORY RESERVE

Statutory reserve represents the appropriation of 10% of profit after taxation, calculated in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the People's Republic of China ("PRC"). When the balance of such statutory reserve reaches 50% of the entity's registered capital, any further appropriation is optional.

MERGER RESERVE

Merger reserve represents the difference between the consideration paid by the Company for the subscription of 2,707,848 shares of Macrolink Glory Hill Co., Ltd. ("Glory Hill") and the carrying amounts of its net assets. As the Company and Glory Hill are under common control of Macro-Link International Land Limited ("MIL") before and after the subscription, the subscription has been accounted for using merger accounting as detailed in note 3.

OTHER RESERVE

Other reserve represents the difference between the consideration paid to obtain additional non-controlling interests in Yantai Shangri-la Masang Château Company Limited and its carrying amount on the date of the acquisition.

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before taxation		**(38,044)**	(227,813)
Adjustments for:			
Bank Interest income	9	**(1,061)**	(424)
Dividend income from unlisted securities	9	**(298)**	(112)
Impairment loss of goodwill	10	**–**	144,449
Impairment loss of trademark	10	**–**	26,355
Write-down of obsolete inventories	10	**–**	7,928
Depreciation of property, plant and equipment	17	**20,577**	22,437
Amortisation of intangible assets and land use rights	16,18	**1,520**	1,258
Loss on disposal of property, plant and equipment	10	**4,134**	1,678
Interest expenses	12	**3,544**	3,947
Operating cash flows before movements in working capital		**(9,628)**	(20,297)
(Increase) decrease in trade and bills receivables, prepayments, deposits paid and other receivables		**(6,219)**	59,019
Decrease (increase) in inventories		**30,661**	(14,640)
Increase in amounts due to related parties		**15,847**	–
Decrease in trade payables, accruals, deposits received and other payables		**(4,105)**	(18,997)
Increase in stock of properties		**(85,715)**	–
Cash (used in) generated from operations		**(59,159)**	5,085
Taxation paid		**(639)**	(11,085)
Interest paid		**(3,544)**	(3,947)
Net cash used in operating activities		**(63,342)**	(9,947)
Cash flows from investing activities			
Bank interest received		**1,061**	424
Dividend received from unlisted securities		**298**	112
Purchase of property, plant and equipment		**(22,936)**	(24,122)
Net cash outflow arising from acquisition of a subsidiary	42	**(254,260)**	–
Net cash inflow arising from business combination under common control		**20,553**	–
Net cash used in investing activities		**(255,284)**	(23,586)
Cash flows from financing activities			
Proceeds from bank borrowing		**60,315**	–
Repayment of bank borrowing		**(63,150)**	–
Net proceeds from placing of new shares		**393,943**	–
Advance from immediate holding companies		**133,592**	–
Net cash generated from financing activities		**524,700**	–
Net increase (decrease) in cash and cash equivalents		**206,074**	(33,533)
Cash and cash equivalents at the beginning of the year		**105,455**	141,623
Effect of exchange rate changes on the balance of cash held in foreign currency		**(5,662)**	(2,635)
Cash and cash equivalents at the end of the year		**305,867**	105,455
Analysis of the balances of cash and cash equivalents			
Banks balances and cash		**305,867**	105,455

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the"Stock Exchange"). Its ultimate holding company is Cheung Shek Investment Company Limited, a company incorporated in the PRC.

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

A resolution was passed at the special general meeting of the Company held on 6 July 2015 that the English name of the Company was changed from "JLF Investment Company Limited" to "New Silkroad Culturaltainment Limited". A new Chinese name of "新絲路文旅有限公司" has been adopted as its secondary name with effect from 10 July 2015 that to replace the Chinese name of "金六福投資有限公司" for identification purpose.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are engaged in (i) production and distribution of wine and Chinese baijiu in the PRC; (ii) development and operation of real estate and cultural tourism in South Korea; and (iii) operation of casino business in South Korea.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(i) Revised HKFRSs adopted by the Group

In the current year, the Group has applied the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2015:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The adoption of these amendments in the current year has no material impact on the Group's financial performance and positions for the current and prior years.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2015

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

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
[4] Effective for annual periods beginning on or after 1 January 2019
[5] The mandatory effective date will be determined

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2015 *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2015 *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2015 *(Continued)*

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2015 *(Continued)*

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2015 *(Continued)*

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA as well as the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Hong Kong Companies Ordinance ("CO"). The provisions of the new CO (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

During the year, the Company completed the subscription of Glory Hill. As the Company and Glory Hill are under the common control of MIL before and after the subscription, the subscription has been accounted for in the consolidated financial statements of the Group as a business combination under common control using the principles of merger accounting under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. The consolidated financial statements included the financial position, results and cash flows of Glory Hill as if the subscription had occurred since the date on which MIL completed the acquisition of the Company. There was no material effect on the consolidated statement of profit or loss of the Group arising from the business combination under common control for the year ended 31 December 2015. The assets and liabilities of Glory Hill were included in the consolidated statement of financial position as at 31 December 2015.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventory* or value in use in HKAS 36 *Impairment of Assets*.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by- transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Sales of goods

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service Income

Service income is recognised when the services are provided.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Gaming revenue

Gaming revenue represents the aggregate of gaming wins and losses and is recognised in the profit or loss when the stakes are received by the Group and the amounts are paid out to gaming patrons.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

The cost of buildings is depreciated using straight-line method over their estimated useful lives of fifty years or, where shorter, the period of the relevant leases.

Construction in progress includes properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. No depreciation is provided for construction in progress. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method, at the following rates per annum:

Facilities appliances	20%
Hotel properties	3.33%
Land	over the period of the relevant lease
Leasehold improvements	20% or over the period of the relevant lease
Plant and building	over the period of the relevant lease
Machinery	10% – 25%
Office equipment	10% – 50%
Furniture and fixtures	10% – 25%
Motor vehicles	10% – 33⅓%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at financial assets at FVTPL.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

AFS financial assets *(Continued)*

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and bills receivables, other receivables, short-term loans receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

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

For AFS equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables, amount due to a non-controlling shareholder of a subsidiary, amounts due to related parties, loan from immediate holding company and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average basis comprises materials, direct labour and an appropriate portion of production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Stock of properties

Stock of properties comprise land acquisition costs, development expenditures and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Stock of properties included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, office premises and processing factories are situated. Amortisation of land use rights are calculated on a straight-line basis over the period of the land use rights of 30 to 50 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any surplus result from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(ii) Share-based payment arrangements

Share-based payment transactions of the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss.

Intangible assets

Farmland development

Farmland development represents deferred expenditures including farmland expenditures and cost for preparation works. Farmland development has been capitalised as assets where the costs are identifiable and the ability to use the asset will generate probable future economic benefits.

Farmland development are amortised over the period in which the related benefits are expected to be realised. Farmland development is reviewed annually to determine the amount, if any, that is no longer recoverable and any such amount is written off to the consolidated statement of profit or loss in the year of determination.

Trademarks

On initial recognition, trademarks acquired separately and from business combinations are recognised at cost and at fair value at the acquisition date respectively. The fair value of intangible assets acquired in business combination is determined based on the discount cash flow forecast of the projection of profit streams from trademarks held by subsidiaries at the date of acquisition. After initial recognition, trademarks are recorded at cost less accumulated amortisation (where the estimated useful life are finite) and impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Trademarks *(Continued)*

Trademarks with definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives.

Trademarks with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that they may be impaired, by comparing their carrying amounts with their recoverable amounts. An impairment loss is recognised immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Technical know-how

Technical know-how is recognised only if it is anticipated that the technical know-how incurred on a clear-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life of 5 years.

Casino license

Casino license has no foreseeable limit to the period over which the Group can use to generate net cash flows. It will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment of tangible and intangible assets other than goodwill

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economics benefits is probable. When inflow is virtually certain, an asset is recognised.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The up-front prepayments made for the land use rights are expensed in the consolidated statement of profit or loss on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated statement of profit or loss.

Operating segment

Operating segment is reported in a manner consistent with the internal management reporting provided to the chief operating decision-makers. Segment assets consist primarily of fixed assets, financial assets and other assets. Segment liabilities comprise financial liabilities and other liabilities. The Group evaluates performance on the basis of profit or loss from operations after tax expenses and non-controlling interest.

Related parties

A related party is a person or entity that is related to the Group that is preparing its financial statements as follows:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. FINANCIAL INSTRUMENTS

4.1 Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Available-for-sale investment	**1,728**	1,810
Loan and receivables (including cash and cash equivalents)	**354,345**	139,048
Financial liabilities		
Amortised cost	**774,467**	163,285

4. FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk, which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Board meets periodically to analyse and formulate strategies to manage the Group's exposure to these financial risks. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

There has been no changes to the types of the Group's exposures in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(a) Foreign currency risk management

The Group mainly operates in Hong Kong, the PRC and South Korea and is exposed to foreign currency risk arising from fluctuation in Renminbi ("RMB") and South Korean Won ("KRW"). Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

There is no material foreign exchange risk noted for the Group as:

– the transactions of the Company are mainly denominated in Hong Kong dollars, which is the functional currency of the Company, and

– the operations and customers of the Group's subsidiaries are located in the PRC and South Korea with most of the operating assets and transactions denominated and settled in RMB and KRW, which are the functional currencies of the Group's subsidiaries.

(b) Cash flow and fair value interest rate risk management

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry at prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to its variable-rate bank borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arises.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates of variable rate bank balances and borrowings. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability and bank balances outstanding at the end of each reporting period was outstanding for the whole year.

If interest rates had been increased or decreased by 50 basis point with all other variables held constant, the Group's loss for the year ended 31 December 2015 would increase/decrease by approximately HK$333,000 (2014: loss would increase/decrease by HK$316,000).

4. FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies *(Continued)*

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

Since the Group trades only with customers with an appropriate credit history, there is no requirement for collateral. The management monitored the financial background and creditability of those debtors on an ongoing basis.

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Concentration of credit risk

Trade and bills receivables of approximately HK$34,536,000 (2014: HK$23,052,000) included due from two related parties of HK$20,967,000 (2014: HK$17,969,000), which represented approximately 60.71% (2014: 77.95%) of total trade and bills receivables at the end of the reporting period.

4. FINANCIAL INSTRUMENTS *(Continued)*

4.2 Financial risk management objectives and policies *(Continued)*

Liquidity risk management

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. The Group consistently measures and maintains a prudent financial policy and ensures that it maintains sufficient cash to meet its liquidity requirements.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on undiscounted contractual cash flows (including interest payment computed using contractual rates) and the earliest date the Group can be required to pay:

Liquidity risk tables

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total un-discounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2015						
Non-derivative financial liabilities						
Trade payables	**–**	**49,581**	**–**	**–**	**49,581**	**49,581**
Accruals and other payables	**–**	**90,569**	**–**	**–**	**90,569**	**90,569**
Amounts due to related parties	**–**	**32,011**	**–**	**–**	**32,011**	**32,011**
Loan from immediate holding companies	**8.00%**	**54,000**	**707,735**	**–**	**761,735**	**531,674**
Amount due to a non-controlling shareholder of a subsidiary	**4.90%**	**4,302**	**–**	**–**	**4,302**	**4,101**
Bank borrowings	**5.33%**	**6,548**	**66,916**	**–**	**73,464**	**66,531**
		237,011	**774,651**	**–**	**1,011,662**	**774,467**
At 31 December 2014						
Non-derivative financial liabilities						
Trade payables	–	48,548	–	–	48,548	48,548
Accruals and other payables	–	50,324	–	–	50,324	50,324
Amount due to a related party	–	1,263	–	–	1,263	1,263
Bank borrowings	6.22%	66,098	–	–	66,098	63,150
		166,233	–	–	166,233	163,285

4. FINANCIAL INSTRUMENTS *(Continued)*

4.3 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured using valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Fair values measured using valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values and no analysis is disclosed as the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

During the years ended 31 December 2015 and 2014, there were no transfers between the levels of fair value hierarchy.

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 2014.

In order to maintain with industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) and total capital is calculated as"equity", as shown in the consolidated statement of financial position.

Gearing Ratio

The gearing ratios as at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Total borrowings	**602,306**	63,150
Total equity	**1,114,817**	461,449
Gearing ratio	**54.03%**	13.69%

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 3. The recoverable amounts of CGUs are determined based on value-in-use calculation. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at 31 December 2015 was approximately HK$75,221,000 (2014: HK$ Nil). Details of the impairment test of goodwill are set out in note 20.

(b) Impairment of intangible assets

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using and appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss.

(c) Impairment of available-for-sale investment

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale investment is other than temporarily impaired. In making the judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Company will hold on this investment.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of trade receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivable balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of profit or loss. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(e) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(f) Useful lives of intangible assets

Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(g) Impairment of non-current assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the assets residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(h) Write-down of inventories

If the costs of inventories fall below their net realisable values, write-down of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Group bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion and other distribution costs were to be higher than estimated, the write-down of inventories could be higher than estimated.

(i) Current taxation and deferred taxation

The Group is subject to Hong Kong Profits Tax, PRC Corporate Income Tax and South Korea Corporate Income Tax. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed.

(j) Stock of properties

Stock of properties are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost to completion (if any), which are estimated based on the best available information.

7. REVENUE

	2015 **HK$'000**	2014 HK$'000
Production and distribution of wine	**164,022**	161,607
Production and distribution of Chinese baijiu	**75,036**	93,772
Casino business	**2,167**	–
	241,225	255,379

8. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting framework, the Group has identified operating segments based on its products and services. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has four reportable segments, namely (i) production and distribution of wine in the PRC; (ii) production and distribution of Chinese baijiu in the PRC; (iii) development and operation of real estate and cultural tourism in South Korea; and (iv) operation of casino business in South Korea. The segmentations are based on the information of the Group's operations that management uses to make decisions.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the current and prior years:

	Wine		Chinese baijiu		Cultural tourism		Casino business		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment revenue										
Revenue from external customers	**164,022**	161,607	**75,036**	93,772	**–**	–	**2,167**	–	**241,225**	255,379
Segment profit (loss)	**8,228**	(109,855)	**(10,627)**	(100,787)	**(6,643)**	–	**1,739**	–	**(7,303)**	(210,642)
Unallocated corporate income									**151**	847
Unallocated corporate expenses									**(27,348)**	(14,071)
Finance costs									**(3,544)**	(3,947)
Loss before taxation									**(38,044)**	(227,813)
Taxation									**(2,846)**	1,911
Loss for the year									**(40,890)**	(225,902)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represented the profit earned (loss incurred) by each segment without allocation of central administration costs including directors' emoluments, finance costs and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments for the current and prior years:

	Wine		Chinese baijiu		Cultural tourism		Casino business		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**474,886**	497,004	**213,096**	241,111	**804,398**	–	**577,160**	–	**2,069,540**	738,115
Unallocated									**22,280**	5,577
									2,091,820	743,692
Segment liabilities	**135,853**	143,287	**46,994**	56,260	**516,547**	–	**38,213**	–	**737,607**	199,547
Unallocated									**239,396**	82,696
									977,003	282,243

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments except for certain assets which are managed on a group basis. Goodwill and all liabilities are allocated to reportable segments except for bank borrowings, deferred tax liabilities and other financial liabilities which are managed on a group basis.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets.

	Wine		Chinese baijiu		Cultural tourism		Casino business		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Additions to non-current assets	**15,965**	18,917	**6,660**	5,144	**295**	–	**–**	–	**22,920**	24,061
Depreciation of property, plant and equipment	**12,827**	15,398	**6,921**	7,029	**775**	–	**35**	–	**20,558**	22,427
Amortisation of land use rights	**230**	234	**575**	587	**–**	–	**–**	–	**805**	821
Amortisation of intangible assets	**715**	437	**–**	–	**–**	–	**–**	–	**715**	437
Write-down of obsolete inventories	**–**	–	**–**	7,928	**–**	–	**–**	–	**–**	7,928
Impairment loss of goodwill	**–**	96,918	**–**	47,531	**–**	–	**–**	–	**–**	144,449
Impairment loss of trademark	**–**	–	**–**	26,355	**–**	–	**–**	–	**–**	26,355

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

No single customer contributed more than 10% of the Group's revenue for the year ended 31 December 2015 (2014: Revenue from one major customer of approximately HK$27,684,000 was derived from sales under the wine segment).

Geographical information

The Group's operations are located in the PRC and South Korea.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**239,058**	255,379	**315,485**	333,200
South Korea	**2,167**	–	**836,601**	–
	241,225	255,379	**1,152,086**	333,200

9. OTHER REVENUE

	2015	2014
	HK$'000	HK$'000
Government grants (note 47)	**19,254**	10,461
Bank interest income	**1,061**	424
Dividend income	**298**	112
Service income (note 46)	**–**	744
Sales of wasted materials	**1,028**	470
Others	**617**	408
	22,258	12,619

10. LOSS FROM OPERATING ACTIVITIES

	2015 HK$'000	2014 HK$'000
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**42,456**	44,838
– Retirement benefits scheme contributions	**6,588**	10,428
Total staff costs	**49,044**	55,266
Auditors' remuneration	**2,600**	1,108
Amortisation of intangible assets	**715**	437
Amortisation of land use rights	**805**	821
Cost of inventories recognised as expenses	**119,788**	119,943
Loss on disposal of property, plant and equipment	**4,134**	1,678
Write-down of obsolete inventories*	**–**	7,928
Impairment loss of goodwill *	**–**	144,449
Impairment loss of trademark*	**–**	26,355
Depreciation of property, plant and equipment	**20,577**	22,437
Research and development costs	**895**	60
Minimum lease payments under operating leases:		
– Land and building	**2,397**	1,771

* These items are included in "Other operating expenses" in the consolidated statement of profit or loss.

For the year ended 31 December 2015

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2015, the emoluments paid or payable to each of the thirteen (2014: nine) directors and the chief executive were as follows:

For the years ended 31 December 2015 and 2014:

	Fees		Salaries, allowance and benefits in kind		Performance related incentive payments		Retirement benefits scheme contributions		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Su Bo[1]	–	–	90	–	–	–	–	–	90	–
Yan Tao[2]	–	–	331	209	–	–	–	–	331	209
Ng Kwong Chue, Paul	–	–	1,717	1,568	–	–	18	17	1,735	1,585
Zhang Jian	–	–	115	100	–	–	–	–	115	100
Hang Guangyu[3]	–	–	90	–	–	–	–	–	90	–
Liu Huaming[4]	–	–	90	–	–	–	–	–	90	–
Ting Leung Huel, Stephen	360	360	–	–	–	–	–	–	360	360
Cao Kuangyu	170	150	–	–	–	–	–	–	170	150
Che Kuong Hon[5]	15	–	–	–	–	–	–	–	15	–
Wu Xiang Dong[6]	–	–	525	1,900	–	–	6	17	531	1,917
Shu Shi Ping[7]	–	–	127	428	–	–	–	–	127	428
Sun Jian Xin[8]	–	–	25	100	–	–	–	–	25	100
E Meng[9]	25	150	–	–	–	–	–	–	25	150
	570	660	3,110	4,305	–	–	24	34	3,704	4,999

Notes:

1. Mr. Su Bo was appointed as an executive director with effect from 8 June 2015 and has become the chairman of the Board with effect from 26 June 2015.

2. Mr. Yan Tao is the vice-chairman of the Company who was appointed as a chief executive with effect from 26 June 2015.

3. Mr. Hang Guangyu was appointed as an executive director with effect from 8 June 2015.

4. Mr. Liu Huaming was appointed as an executive director with effect from 8 June 2015.

5. Mr. Che Koung Hon was appointed as an independent non-executive director with effect from 24 November 2015.

6. Mr. Wu Xiang Dong resigned as an executive director with effect from 26 June 2015.

7. Mr. Shu Shi Ping resigned as an executive director and ceased to be the chief executive with effect from 26 June 2015.

8. Mr. Sun Jian Xin resigned as an executive director with effect from 26 June 2015.

9. Mr. E Meng resigned as an independent non-executive director with effect from 25 August 2015.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Mr. Yan Tao is a chief executive and executive director of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2015 (2014: Nil).

None of the directors and the chief executive, or any of the non-director and the non-chief executive, highest paid employees was paid by the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2014: None).

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors of the Company whose emoluments are set out in note (a) above. For the year ended 31 December 2015, the emolument of the remaining one (2014: one) individual is as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**312**	312
Retirement benefits scheme contribution	**14**	14
Performance related incentive payments	**–**	–
	326	326

The emoluments of the one individual with the highest emoluments are within the following band:

	2015 Number of individual	2014 Number of individuals
Up to HK$1,000,000	**1**	1
	1	1

(b) Emoluments of senior management

The emoluments of senior management fell within the following bands:

	2015 Number of individuals	2014 Number of individuals
Up to HK$1,000,000	**12**	7
HK$1,000,001 to HK$2,000,000	**1**	2
	13	9

12. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expenses on bank borrowings	**3,544**	3,947
Interest expenses on loan from immediate holding company	**19,198**	–
	22,742	3,947
Less: amounts capitalised in the cost of qualifying assets	**(19,198)**	–
	3,544	3,947

Borrowing costs capitalised to properties under development were based on actual borrowing costs incurred for specific borrowings included loan from immediate holding company.

13. TAXATION

	2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	11
PRC Corporate Income Tax		
– current year	**2,846**	3,345
– under-provision in prior year	**–**	1,322
South Korea Corporate Income Tax	**–**	–
Deferred tax	**–**	(6,589)
	2,846	(1,911)

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for the year ended 31 December 2015.

As at 31 December 2015, the Group had estimated unused tax losses of approximately HK$102,310,000 (2014: HK$87,478,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

PRC Corporate Income Tax

During the year ended 31 December 2011, Shangri-la Winery Company Limited has successfully applied a tax reduction with the tax rate of 15% from Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2011 and was expired on 31 December 2013. During the year ended 31 December 2014, the tax reduction was renewed by Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2014 and the tax rate was 20%.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2014: 25%).

13. TAXATION *(Continued)*

South Korea Corporate Income Tax

Development Golden Beach Co., Ltd. ("Golden Beach") and Glory Hill were incorporated in South Korea and are subject to the South Korea Corporate Income Tax. It is calculated on a progressive rate of the assessable income (tax rate are 11% up to KRW200,000,000, 22% between KRW200,000,000 and KRW20,000,000,000 and 24.2% over KRW20,000,000,000) in accordance with the relevant corporate tax law in South Korea.

Reconciliation between tax expenses and loss before taxation at applicable tax rates

A reconciliation of the tax expenses applicable to loss before taxation at the statutory tax rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2015		2014	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(38,044)**		(227,813)	
Tax at the Hong Kong Tax rate of 16.5% (2014: 16.5%)	**(6,277)**	**16.5**	(37,589)	16.5
Effect of different tax rates of subsidiaries operating in other countries	**(208)**	**0.5**	(10,008)	4.4
Tax effect of tax losses not recognised	**6,248**	**(16.4)**	10,529	(4.6)
Tax effect of income not taxable for tax purpose	**(7,231)**	**19.0**	(6,091)	2.7
Tax effect of expenses not deductible for tax purpose	**10,518**	**(27.6)**	33,522	(14.7)
Effect of tax exemptions granted to the overseas subsidiaries	**(204)**	**0.5**	(172)	0.1
Tax losses utilised from previous period	**–**	**–**	(13)	–
Tax effect of temporary difference not recognised	**–**	**–**	6,589	(2.9)
Under provision in prior year	**–**	**–**	1,322	(0.6)
Tax charge (credit) for the year	**2,846**	**(7.5)**	(1,911)	0.9

14. DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2015 (2014: Nil).

15. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2015 **HK$'000**	2014 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(35,336)**	(193,044)

	Number of shares	
	2015	2014
Weighted average number of shares for the purpose of basic and diluted loss per ordinary share	**1,955,417,392**	1,668,532,146

Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares in both years.

16. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and its carrying amounts are analysed as follows:

	2015 HK$'000	2014 HK$'000
Outside Hong Kong, held on:		
Lease period between 30 to 50 years	**29,338**	27,678
Cost		
At 1 January	**33,880**	34,575
Exchange alignment	**(1,520)**	(695)
Additions	**3,682**	–
At 31 December	**36,042**	33,880
Accumulated amortisation		
At 1 January	**6,202**	5,496
Exchange alignment	**(303)**	(115)
Charge for the year	**805**	821
At 31 December	**6,704**	6,202
Carrying amounts		
At 31 December	**29,338**	27,678

Land use rights comprise cost of acquiring rights to use certain land which are all located in the PRC over fixed periods. Cost of land use rights is amortised on a straight-line basis over the unexpired period of rights.

Assets pledged as security

As at 31 December 2015, the Group's land use rights with carrying amount of approximately HK$392,000 (2014: HK$422,000) were pledged as security for the Group's bank borrowing.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Land HK$'000	Hotel properties HK$'000	Leasehold improvements HK$'000	Plant and building HK$'000	Machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Facilities appliances HK$'000	Total HK$'000
Cost											
At 1 January 2014	119,838	–	–	–	134,606	130,975	1,038	3,155	11,307	–	400,919
Exchange alignment	(2,407)	–	–	–	(2,704)	(2,632)	–	(62)	(228)	–	(8,033)
Transfer to plant and building and machinery	(1,493)	–	–	–	–	1,493	–	–	–	–	–
Additions	19,764	–	–	–	84	3,063	61	942	208	–	24,122
Elimination upon disposals	–	–	–	–	(284)	(5,054)	–	(38)	(744)	–	(6,120)
At 31 December 2014 and 1 January 2015	135,702	–	–	–	131,702	127,845	1,099	3,997	10,543	–	410,888
Exchange alignment	(5,365)	(9,399)	(4,874)	(22)	(10,334)	(6,070)	(11)	(192)	(704)	126	(36,845)
Transfer to plant and building and machinery	(39,805)	–	–	–	37,102	1,719	–	929	55	–	–
Acquisition of a subsidiary *(note 42)*	–	–	–	–	–	–	–	1,405	3,842	7,646	12,893
Business combination under common control	–	202,895	105,205	139	–	–	155	199	668	–	309,261
Additions	17,334	–	–	193	343	4,111	166	164	625	–	22,936
Elimination upon disposals	(1,408)	–	–	–	(3,207)	(1,671)	(761)	(242)	(1,553)	–	(8,842)
At 31 December 2015	106,458	193,496	100,331	310	155,606	125,934	648	6,260	13,476	7,772	710,291
Accumulated depreciation											
At 1 January 2014	–	–	–	–	34,035	58,683	1,001	1,312	5,431	–	100,462
Exchange alignment	–	–	–	–	(712)	(1,235)	–	(29)	(113)	–	(2,089)
Charge for the year	–	–	–	–	5,887	14,552	10	632	1,356	–	22,437
Elimination upon disposals	–	–	–	–	(159)	(3,601)	–	(37)	(645)	–	(4,442)
At 31 December 2014 and 1 January 2015	–	–	–	–	39,051	68,399	1,011	1,878	6,029	–	116,368
Exchange alignment	–	–	(18)	(3)	(1,892)	(3,568)	(2)	(100)	(226)	(1)	(5,810)
Charge for the year	–	–	582	107	6,109	11,957	45	653	1,105	19	20,577
Elimination upon disposals	–	–	–	–	(1,554)	(1,324)	(721)	(141)	(968)	–	(4,708)
At 31 December 2015	–	–	564	104	41,714	75,464	333	2,290	5,940	18	126,427
Carrying amounts											
At 31 December 2015	**106,458**	**193,496**	**99,767**	**206**	**113,892**	**50,470**	**315**	**3,970**	**7,536**	**7,754**	**583,864**
At 31 December 2014	135,702	–	–	–	92,651	59,446	88	2,119	4,514	–	294,520

Assets pledged as securities

As at 31 December 2015, the Group's building and plant and machinery with carrying amount of approximately HK$24,510,000 and HK$Nil respectively (2014: building: HK$26,973,000, and plant and machinery: HK$11,448,000) was pledged as security for the Group's bank borrowing.

The buildings located in the PRC with a lease term of 30 to 50 years.

18. INTANGIBLE ASSETS

	Casino license HK$'000	Farmland development HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Total HK$'000
Cost					
At 1 January 2014	–	16,381	1,962	27,535	45,878
Exchange alignment	–	(308)	(39)	(554)	(901)
At 31 December 2014 and 1 January 2015	–	16,073	1,923	26,981	44,977
Acquisition of a subsidiary *(note 42)*	443,099	–	–	–	443,099
Exchange alignment	7,548	(674)	(86)	(1,213)	5,575
At 31 December 2015	450,647	15,399	1,837	25,768	493,651
Accumulated amortisation and impairment					
At 1 January 2014	–	6,585	1,962	749	9,296
Exchange alignment	–	(112)	(39)	(152)	(303)
Charge for the year	–	408	–	29	437
Impairment for the year	–	–	–	26,355	26,355
At 31 December 2014 and 1 January 2015	–	6,881	1,923	26,981	35,785
Exchange alignment	–	(282)	(86)	(1,213)	(1,581)
Charge for the year	–	715	–	–	715
At 31 December 2015	–	7,314	1,837	25,768	34,919
Carrying amounts					
At 31 December 2015	**450,647**	**8,085**	**–**	**–**	**458,732**
At 31 December 2014	–	9,192	–	–	9,192

Casino license

The casino license was acquired by the Company through the acquisition of 51.5% equity interests of Golden Beach. The casino license is carried at a revalued amount of approximately HK$443,099,000, being the fair value of the casino license determined by reference to the purchase price allocation valuation conducted by an independent valuer at the completion date of acquisition of Golden Beach.

The directors of the Company considered that the legal rights of the license is capable of being renewed indefinitely at insignificant cost and it is expected to generate positive cash flows indefinitely. The license will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the directors of the Company. The intangible assets will be tested for impairment and whenever there is an indication that may be impaired.

18. INTANGIBLE ASSETS *(Continued)*

Farmland development, technical know-how and trademarks

Farmland development, technical know-how and trademarks acquired separately with definite useful lives are measured initially at cost and amortised on a straight-line basis over their estimated useful lives as follows:

Farmland development	18 years
Technical know-how	5 years
Trademarks	10 years (except for the trademark acquired in the business combination)

Amortisation expenses of approximately HK$715,000 (2014: HK$437,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of approximately HK$8,085,000 (2014: HK$9,192,000) representing the carrying amount of farmland expenditure and cost for preparation works. The net carrying amount will be amortised over the remaining useful lives for the range of 7 to 15 years (2014: 8 to 16 years).

The trademark acquired in the business combination is classified as an intangible asset with indefinite life. The management of the Group considered that the legal rights of the trademark is capable of being renewed indefinitely at insignificant cost and it is expected to generate positive cash flows indefinitely. The trademark will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, they will be tested for impairment and whenever there is an indication that it may be impaired.

Impairment test of intangible assets

Casino license

Casino license with indefinite useful life of approximately HK$450,647,000 has been allocated to the Group's CGU of casino business. The recoverable amount of the casino license has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 13.8% per annum. The growth rate used is based on the estimated growth of casino business taking into the account of industry growth rate, past experience and the medium or long-term growth target of casino business. Another key assumption for the value-in-use calculation is the budged gross margin, which is determined based on the CGU's past performance and management's expectations for the market development.

During the year ended 31 December 2015, management of the Group determines that there is no impairment of casino license with indefinite useful life.

Trademark

Trademark with indefinite useful life has been allocated to the Group's CGU of Chinese baijiu business. For the year ended 31 December 2014, the Chinese baijiu business was seriously suffered from the ongoing government crackdown on extravagance. The demand for high-end Chinese baijiu has experienced a significant drop especially those consumed at official banquets. The management of the Company believed that the expected revenue generated from Chinese baijiu business will be affected with reference to the declined revenue of the Chinese baijiu business and the continuous adjustment on the high-end baijiu sector. An impairment loss of approximately HK$26,355,000 was recognised for the trademark in relation to Chinese baijiu business for the year ended 31 December 2014.

19. AVAILABLE-FOR-SALE INVESTMENT

	2015 HK$'000	2014 HK$'000
Unlisted securities, at cost	**1,728**	1,810

The above unlisted securities represent unlisted equity securities issued by a private entity incorporated in the PRC which is engaged in financial services business. The investment is stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

20. GOODWILL

	HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 1 January 2015	177,959
Acquisition of a subsidiary *(note 42)*	75,221
At 31 December 2015	253,180
Accumulated impairment losses	
At 1 January 2014	33,510
Impairment loss recognised for the year	144,449
At 31 December 2014, 1 January 2015 and 31 December 2015	177,959
Carrying amounts	
At 31 December 2015	**75,221**
At 31 December 2014	–

Goodwill is allocated to the Group's CGUs identified according to business as follows:

	2015 HK$'000	2014 HK$'000
Wine business	**–**	–
Chinese baijiu business	**–**	–
Casino business	**75,221**	–
	75,221	–

20. GOODWILL *(Continued)*

Impairment test of goodwill

Casino business

For the year end 31 December 2015, the recoverable amounts of the above CGUs of casino business have been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 13.8% per annum. The growth rates used are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of casino business. Another key assumption for the value-in-use calculation is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectation for the market development. The management of the Group determines that there is no impairment of CGUs of casino business.

Wine and Chinese baijiu businesses

For the year ended 31 December 2014, the management of the Company had reviewed the operation and development of the Group's wine and Chinese baijiu businesses in the PRC. Following the ongoing PRC government's policy for cracking down on extravagant spending in government departments and stated-owned institutions and enterprises, the management of the Company believed that the Group's expected revenue generated from wine and Chinese baijiu businesses would be affected and the overall market situation of the industry remained challenging. For the year ended 31 December 2014, the impairment losses of approximately HK$96,918,000 and HK$47,531,000 were recognised for the goodwill relating to the wine and Chinese baijiu businesses respectively. The assessment was made based on management's cash flow projections derived from the latest expected revenue growth and profitability of the wine and Chinese baijiu businesses and the PRC economy.

The recoverable amounts of the above CGUs of wine and Chinese baijiu businesses have been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 16.9% per annum and 16.7% per annum for wine and Chinese baijiu businesses respectively and with annual growth rate of 5.0%. The growth rates used were based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU. Another key assumption for the value-in-use calculation was the budgeted gross margin, which was determined based on the CGU's past performance and management's expectation for the market development.

For the year ended 31 December 2015

21. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2015 are set out below:

Name of subsidiary	Place of incorporation/ registration and operations	Registered paid up capital	Proportion of equity interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2015 %	2014 %	2015 %	2014 %	
Shangri-la Winery Company Limited (Note i) ("Shangri-la Winery")	The PRC	RMB56,560,000	**95.0**	95.0	**–**	–	Production and distribution of wine and investment holding
Shangri-la (Qinhuangdao) Winery Company Limited (Note i) ("Shangri-la (Qinhuangdao)")	The PRC	RMB40,000,000	**25.0**	25.0	**71.3**	71.3	Production of winery products
Diqing Shangri-la Economics Development Zone Tinlai Winery Company Limited	The PRC	RMB8,200,000	**–**	–	**95.0**	95.0	Distribution of winery products
Yunnan Diqing Shangri-la YuQuan Investment Company Limited ("YuQuan Investment")	The PRC	RMB10,000,000	**–**	–	**66.5**	66.5	Investment holding
Qinhuangdao Shangri-la Grape Plantation Company Limited	The PRC	RMB2,000,000	**–**	–	**96.3**	96.3	Procurement and distribution of grape
Yantai Shangri-la Masang Château Company Limited	The PRC	RMB50,000,000	**–**	–	**100.0**	100.0	Production of winery products
Diqing Shangri-la Economics Development Zone Zimi Winery Sales Company Limited	The PRC	RMB2,000,000	**–**	–	**95.0**	95.0	Distribution of winery products

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Registered paid up capital	Proportion of equity interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2015 %	2014 %	**2015 %**	2014 %	
Heilongjiang Province YuQuan Winery Company Limited	The PRC	RMB4,060,000	**–**	–	**66.5**	66.5	Production of Chinese baijiu products
Harbin City Xinlong Winery Company Limited	The PRC	RMB500,000	**–**	–	**66.5**	66.5	Distribution of Chinese baijiu products
Harbin City Longcheng Winery Company Limited	The PRC	RMB500,000	**–**	–	**66.5**	66.5	Distribution of Chinese baijiu products
Golden Beach	South Korea	KRW2,000,000,000	**51.5**	–	**–**	–	Operation of casino business in South Korea
Glory Hill	South Korea	KRW44,792,729,280	**55.0**	–	**–**	–	Development and operation of real estate and cultural tourism in South Korea

Notes:

i Shangri-la Winery and Shangri-la (Qinhuangdao) were formed as Chinese foreign equity joint venture companies in the PRC under joint venture agreements dated 17 May 2005 and 3 June 2005 respectively.

ii None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particular of excessive length.

Details of non-wholly owned subsidiaries that has material non-controlling interests

Name of entity	Place of incorporation/ establishment/ principal place of business	Voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non- controlling interests	
		2015 HK'000	2014 HK'000	**2015 HK'000**	2014 HK'000	**2015 HK'000**	2014 HK'000
YuQuan Investment	The PRC	**33.5%**	33.5%	**(3,602)**	(32,575)	**46,936**	51,063
Golden Beach	South Korea	**48.5%**	–	**843**	–	**174,258**	–
Glory Hill	South Korea	**45.0%**	–	**(2,989)**	–	**129,532**	–
Individually immaterial subsidiaries with non-controlling interests				**194**	(283)	**16,386**	14,976
				(5,554)	(32,858)	**367,112**	66,039

Summarised consolidated financial information in respect of each of the Group's entities that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

YuQuan Investment

	2015 HK$'000	2014 HK$'000
Current assets	**76,254**	95,037
Non-current assets	**136,843**	146,076
Current liabilities	**(130,919)**	(144,159)
Non-current liabilities	**(12,452)**	(13,037)
Equity attributable to owners of the company	**22,790**	32,854
Non-controlling interests	**46,936**	51,063
Revenue	**80,760**	94,017
Expenses	**(91,511)**	(191,257)
Loss for the year	**(10,751)**	(97,240)
Loss attributable to owners of the company	**(7,149)**	(64,665)
Loss attributable to non-controlling interests	**(3,602)**	(32,575)
Loss for the year	**(10,751)**	(97,240)
Other comprehensive loss attributable to owners of the Company	**(1,043)**	(5,506)
Other comprehensive loss attributable to non-controlling interests	**(525)**	(2,774)
Other comprehensive loss for the year	**(1,568)**	(8,280)
Total comprehensive loss attributable to owners of the company	**(8,192)**	(70,171)
Total comprehensive loss attributable to non-controlling interests	**(4,127)**	(35,349)
Total comprehensive loss for the year	**(12,319)**	(105,520)
Dividend paid to non-controlling interests	**–**	–
Net cash generated from (used in) operating activities	**641**	(28,964)
Net cash generated from (used in) financing activities	**–**	–
Net cash used in investing activities	**(6,361)**	(4,919)
Net decrease in cash and cash equivalents	**(5,720)**	(33,883)

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

Golden Beach

	2015 HK'000	2014 HK'000
Current assets	35,017	–
Non-current assets	460,317	–
Current liabilities	(33,131)	–
Non-current liabilities	(102,908)	–
Equity attributable to owners of the Company	185,037	–
Non-controlling interests	174,258	–
Revenue	2,370	–
Expenses	(632)	–
Profit for the period	1,738	–
Profit attributable to owners of the Company	895	–
Profit attributable to non-controlling interests	843	–
Profit for the period	1,738	–
Other comprehensive income attributable to owners of the Company	487	–
Other comprehensive income attributable to non-controlling interests	458	–
Other comprehensive income for the period	945	–
Total comprehensive income attributable to owners of the Company	1,382	–
Total comprehensive income attributable to non-controlling interests	1,301	–
Total comprehensive income for the period	2,683	–
Dividend paid to non-controlling interests	–	–
Net cash generated from operating activities	1,558	–
Net cash generated from (used in) financing activities	–	–
Net cash generated from (used in) investing activities	–	–
Net increase in cash and cash equivalents	1,558	–

For the year ended 31 December 2015

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glory Hill

	2015 HK'000	2014 HK'000
Current assets	509,942	–
Non-current assets	294,458	–
Current liabilities	(34,875)	–
Non-current liabilities	(481,674)	–
Equity attributable to owners of the Company	158,318	–
Non-controlling interests	129,532	–
Revenue	51	–
Expenses	(6,693)	–
Loss for the period	(6,642)	–
Loss attributable to owners of the Company	(3,653)	–
Loss attributable to non-controlling interests	(2,989)	–
Loss for the period	(6,642)	–
Other comprehensive loss attributable to owners of the Company	(2,112)	–
Other comprehensive loss attributable to non-controlling interests	(1,728)	–
Other comprehensive loss for the period	(3,840)	–
Total comprehensive loss attributable to owners of the Company	(5,765)	–
Total comprehensive loss attributable to non-controlling interests	(4,717)	–
Total comprehensive loss for the period	(10,482)	–
Dividend paid to non-controlling interests	–	–
Net cash used in operating activities	(81,044)	–
Net cash generated from financing activities	254,087	–
Net cash generated from (used in) investing activities	–	–
Net increase in cash and cash equivalents	173,043	–

22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**163,611**	161,873
Work in progress	**32,503**	38,013
Finished goods	**90,654**	108,416
	286,768	308,302
Less: Write-down of obsolete inventories	**(57,541)**	(60,246)
	229,227	248,056

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2015 and have considered no write-down of obsolete inventories to be made (2014: HK$7,928,000).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$119,788,000 (2014: HK$119,943,000).

Included in raw materials of approximately HK$111,075,000 (2014: HK$103,031,000) were unprocessed wines.

23. STOCK OF PROPERTIES

	2015 HK$'000	2014 HK$'000
Properties under development	**281,452**	–

24. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2014: 30 to 90 days) to its trade customers.

	2015 HK$'000	2014 HK$'000
Trade and bills receivables	**38,337**	23,133
Less: Allowance for doubtful debts	**(3,801)**	(81)
	34,536	23,052

24. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	12,724	6,027
More than 30 days and within 60 days	1,685	–
More than 60 days and within 90 days	666	1,082
More than 90 days and within 180 days	10,641	15,943
More than 180 days and within 360 days	8,820	–
At 31 December	34,536	23,052
Represented by:		
Receivables from related parties	20,967	17,969
Receivables from third parties	13,569	5,083
	34,536	23,052

All trade and bills receivables were denominated in RMB and KRW.

The movements in allowance for doubtful debts were as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	81	257
Exchange alignment	(5)	(5)
Acquisition of a subsidiary (note 42)	3,725	–
Written off during the year as uncollectible	–	(171)
At 31 December	3,801	81

The Group does not hold any collateral over these balances.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	15,075	7,109
One to six months past due	10,641	15,943
Six months to one year past due	8,820	–
	34,536	23,052

24. TRADE AND BILLS RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

At 31 December 2015, receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**62,276**	20,444
Deposit paid	**12,435**	1,675
Other receivables	**16,461**	20,826
	91,172	42,945
Less: Allowance for doubtful debts	**(9,809)**	(10,286)
	81,363	32,659
Represented by:		
Amounts due from related parties	**37,821**	666
Amounts due from third parties	**43,542**	31,993
	81,363	32,659

Included in the Group's "Prepayments" under current assets as at 31 December 2015 were as follows:

(i) procurement of raw materials, amounted to approximately HK$4,762,000 (2014: HK$5,852,000), which were paid to the third parties of the Group.

(ii) prepayment made to a non-controlling shareholder of a subsidiary amounted to approximately HK$37,821,000 (2014: HK$Nil) for the purpose of acquisition of lands in Jeju, South Korea.

25. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES *(Continued)*

The movements in allowance for doubtful debts were as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**10,286**	13,719
Exchange alignment	**(477)**	(276)
Written off during the year as uncollectible	**–**	(3,157)
At 31 December	**9,809**	10,286

Included in the allowance for doubtful debts above with an aggregate balance of approximately HK$9,809,000 (2014: HK$10,286,000) were individual impaired other receivables. The individually impaired other receivables related to other debtors that were past due over one year or in default of payments and management assessed that these receivables are generally not recoverable. The Group does not hold any collateral over these balances.

The carrying amounts of the remaining other receivables that were neither past due nor impaired relate to other debtors for whom there were no recent history of default.

26. SHORT-TERM LOANS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Loans receivables		
Unsecured (Note)	**7,289**	–

Note: The loans were interest free and recoverable on demand.

27. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Bank balances and cash	**305,867**	105,455

At the end of reporting period, the cash and bank balances of the Group denominated in RMB and KRW amounted to approximately HK$100,938,000 and HK$180,290,000 respectively (2014: HK$99,782,000 and HK$Nil). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The Group does not hold any collateral over these balances.

28. SHARE CAPITAL

	Number of shares		Par value	
	2015	2014	**2015**	2014
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary share of HK$0.01 each	**16,000,000**	16,000,000	**160,000**	160,000
Issued and fully paid:				
At the beginning of the year	**1,668,532**	1,668,532	**16,685**	16,685
Placing of new shares (Note)	**600,000**	–	**6,000**	–
At the end of the year	**2,268,532**	1,668,532	**22,685**	16,685

Note: On 10 July 2015, the Company placed 600,000,000 new shares at the placing price of HK$0.66 per share. A share premium of approximately HK$387,943,000 had credited to share premium account. The net proceeds of approximately HK$393,943,000 was used for investment and as general working capital. Details of the placing were set out in the Company's announcements dated 4 May 2015 and 10 July 2015.

29. RESERVES

Movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 63.

30. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

Deferred tax assets

	Allowance for doubtful accounts HK$'000	**Defined benefit obligation** HK$'000	**Total** HK$'000
At 1 January 2014	–	–	–
Exchange alignment	–	–	–
Credit to profit or loss	–	–	–
At 31 December 2014 and 1 January 2015	–	–	–
Acquisition of a subsidiary (note 42)	2,357	790	3,147
Exchange alignment	41	15	56
At 31 December 2015	**2,398**	**805**	**3,203**

30. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities

	Intangible assets HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2014	(6,689)	(16,047)	(22,736)
Exchange alignment	100	336	436
Credit to profit or loss	6,589	–	6,589
At 31 December 2014 and 1 January 2015	–	(15,711)	(15,711)
Acquisition of a subsidiary (note 42)	(97,700)	–	(97,700)
Exchange alignment	(1,671)	2,283	612
At 31 December 2015	**(99,371)**	**(13,428)**	**(112,799)**

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax liabilities and assets have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 **HK$'000**	2014 HK$'000
Deferred tax assets	**3,203**	–
Deferred tax liabilities	**(112,799)**	(15,711)
	(109,596)	(15,711)

The deferred tax liabilities of the Group recognised in the consolidated statement of financial position was attributable from revaluation of land and buildings and intangible assets upon acquisition of subsidiaries in 2005 and 2008 respectively. During the year, the deferred tax liabilities of approximately HK$97,700,000 was recognised upon the acquisition of Golden Beach which was attributable from fair value adjustment of the casino license.

Under the Corporate Income Tax Law of the PRC which was passed by the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For the year ended 31 December 2015

31. LOAN FROM IMMEDIATE HOLDING COMPANY

	2015 HK$'000	2014 HK$'000
Unsecured loans:		
MIL *(Note (i))*	**481,674**	–
Macro-Link International Investment Co, Ltd. *(Note (ii))*	**50,000**	–

Notes:

(i) The amount is unsecured and repayable on 5 years with interest rate of 8% per annum.

(ii) The amount is unsecured and repayable within 1 year with interest rate of 8% per annum.

32. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary is unsecured and repayable within 1 year with interest rate of 4.9% per annum.

33. NET DEFINED BENEFITS LIABILITIES

The Group operates a retirement benefits plan for its South Korea employees. Under the plan, the employees will be paid their average salary amount of their final six months under employment multiplied by the number of years vested.

As at the date of acquisition of subsidiaries and 31 December 2015, the actuarial valuation of plan assets and the present value of the retirement benefits liabilities were performed by a reputable actuary, Actuarial Insurance Company Sejong Corporation. The present value of the retirement benefits liabilities, the related current service cost and past service cost were measured using the project unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015
Discount rate	**2.54%**
Expected rate of salary increase	**2.00%**
Expected return on plan assets	**2.54%**

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2015 HK$'000
Present value of funded defined benefit obligation	**9,497**
Fair value of plan assets	**(4,415)**
Net Liability arising from defined benefit obligation	**5,082**

33. NET DEFINED BENEFITS LIABILITIES *(Continued)*

Movement in the present value of the defined benefit obligation were as follows:

	HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Acquisition of a subsidiary (note 42)	9,343
Exchange alignment	154
At 31 December 2015	9,497

Movement in the fair value of the plan assets were as follows:

	HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Acquisition of a subsidiary (note 42)	(4,344)
Exchange alignment	(71)
At 31 December 2015	(4,415)

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk, longevity risk and salary risk.

There was no movement of the present value of the defined benefit obligation and the fair value of the plan assets between the date of acquisition and the end of the reporting period.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected rate of salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the relevant periods, while holding all other assumptions constant.

– for the year ended 31 December 2015, if the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by approximately HK$749,000 (increase by approximately HK$887,000).

– for the year ended 31 December 2015, if the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by approximately HK$884,000 (decrease by approximately HK$760,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the benefit obligation at 31 December 2015 is 8.3 years.

For the year ended 31 December 2015, Golden Beach expects to make a contribution of approximately HK$1,274,000 to the defined benefit plan during the next and remaining financial year.

34. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2015 HK$'000	2014 HK$'000
Within 90 days	**26,437**	38,798
More than 90 days and within 180 days	**6,713**	2,015
More than 180 days and within 360 days	**16,431**	7,735
	49,581	48,548

Trade payables are non interest-bearing and have an average term of four months.

35. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Accruals	**38,685**	14,892
Deposits received	**78,601**	102,078
Other payables	**51,884**	35,432
	169,170	152,402

The carrying amounts of accruals, deposits received and other payables at the end of each reporting period approximate to their fair values due to their short-term maturity.

36. AMOUNTS DUE TO RELATED PARTIES

The amounts are unsecured, interest free and repayable on demand.

37. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank borrowings comprised of:		
Bank loan – secured	**60,315**	63,150
Bank overdraft – unsecured	**6,216**	–
	66,531	63,150
The borrowings are repayable as follows:		
Within one year or on demand	**6,216**	63,150
More than one year, but not exceeding two years	**60,315**	–
Total bank borrowings	**66,531**	63,150

Bank loan is secured by the followings:

(i) the Group's buildings, plant and machinery and land use rights with carrying amounts of approximately HK$24,510,000), HK$Nil and HK$392,000 respectively (2014: building: HK$26,973,000, plant and machinery: HK$11,448,000 and land use rights: HK$422,000); and

(ii) personal guarantee from the director of the Group, Mr. Shu Shi Ping.

The Group's bank borrowings are denominated in RMB and KRW.

The above bank loan is carried at variable (2014: variable) interest rate with maturity period exceeding one year (2014: within one year). The effective interest rate on bank borrowing is 5.70% (2014: 6.22%) per annum.

38. DEFERRED REVENUE

The Group received subsidies from government in respect of certain construction projects. Such subsidies are deferred and will be recognised in the consolidated statement of profit or loss over the estimated useful lives of the related fixed assets.

39. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to secure the bank loan granted to the Group:

	2015 HK$'000	2014 HK$'000
Land use rights (note 16)	**392**	422
Buildings (note 17)	**24,510**	26,973
Plant and machinery (note 17)	**–**	11,448
	24,902	38,843

40. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**3,532**	4,239
In the second to fifth year inclusive	**10,130**	8,051
Over five years	**61,515**	63,478
	75,177	75,768

Operating lease payments represent rentals payable by the Group for its certain of its office properties, warehouse and farmland. The average lease term of office properties and warehouse is 1 to 2 years, and that of farmland is 20 to 50 years. Rentals are fixed and no arrangement has been entered into for contingent rental payments.

41. CAPITAL COMMITMENTS

	2015 **HK$'000**	2014 HK$'000
Authorised and contracted for:		
In connection with the construction of winery warehouses and factories	**33,971**	45,352
In connection with acquisition of plant and equipment	**3,355**	4,254
	37,326	49,606

42. BUSINESS COMBINATION

On 29 July 2015, the Company entered into a sale and purchase agreement with Blackstone Resort Co. ("Blackstone") to acquire 51.5% of the entire issued share capital of Golden Beach, which principally engaged in casino business. The consideration of approximately HK$258,876,000 was fully settled by the Company in cash on 28 December 2015. The acquisition was completed on 28 December 2015.

Acquisition-related costs amounting to approximately HK$6,723,000 have been excluded from the consideration and have been recognised as an expense in the period, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Consideration transferred

	HK$'000
Cash	258,876

Fair value of assets and liabilities recognised at the date of completion are as follows:

Net assets recognised:	HK$'000
Property, plant and equipment	12,893
Intangible assets	443,099
Deferred tax assets	3,147
Inventories	698
Trade receivables	1,728
Prepayment, deposits and other receivables	11,825
Short-term loans receivables	7,171
Tax recoverable	1,424
Cash and cash equivalents	4,616
Accruals, deposits and other payables	(17,125)
Bank borrowing – due within one year	(6,131)
Amount due to a non-controlling shareholder of a subsidiary	(4,034)
Net defined benefits liabilities	(4,999)
Deferred tax liabilities	(97,700)
	356,612
Goodwill arising on acquisition:	
Consideration transferred	258,876
Plus: non-controlling interest (48.50% in Golden Beach)	172,957
Less: fair value of net assets acquired	(356,612)
Goodwill arising on acquisition (note 20)	75,221
Net cash outflow arising on acquisition:	
Cash consideration paid	258,876
Cash and cash equivalents acquired of	(4,616)
	254,260

42. BUSINESS COMBINATION *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the year is approximately a profit of HK$1,738,000 attributable to the business generated by Golden Beach. Revenue for the period includes approximately HK$2,167,000 in respect of Golden Beach.

Had these business combinations been effected on 1 January 2015, the revenue of the Group would have been approximately HK$323,500,000, and the loss for the year would have been approximately HK$62,196,000. The Directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

43. BUSINESS COMBINATION UNDER COMMON CONTROL

On 4 May 2015, MIL and the Company jointly announced that MIL and JLF Investment Company Limited, a company incorporated in the British Virgin Islands ("JLF BVI") entered into a sale and purchase agreement (the "Agreement") pursuant to which JLF BVI agreed to sell and MIL agreed to acquire 841,120,169 shares of the Company, for a total consideration of HK$555,139,312 (equivalent to HK$0.66 per sale share). Following completion of the Agreement on 19 May 2015 and the general offer on 26 June 2015, MIL and the parties acting in concert with it became interested in 1,057,108,505 shares of the Company, representing approximately 63.36% of the total voting rights in the general meeting of the Company.

On 10 July 2015, the Company completed a placing of 600,000,000 new shares of the Company to six independent placees. Following completion of the placing, MIL and the parties acting in concert with it interested in 46.60% of the shares of the Company.

On 29 July 2015, the Company, Glory Hill and Blackstone entered into a subscription agreement (the "Subscription Agreement") in relation to the subscription of 2,707,848 shares and 300,872 shares of Glory Hill by each of the Company and Blackstone respectively (the "Subscription"). The consideration of approximately HK$153,916,000 was fully settled by the Company in cash on 28 December 2015. Glory Hill is owned as to 90% by MIL which is the substantial shareholder of the Company. MIL and the parties acting concert interested in 46.60% of the shares of the Company as at the date of the Subscription Agreement. The Subscription was completed on 28 December 2015.

As the Company and Glory Hill are under common control of MIL before and after the Subscription, the Subscription has been accounted for in the consolidated financial statements of the Group as a business combination under common control using the principles of merger accounting under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. The consolidated financial statements included the financial position, results and cash flows of Glory Hill as if the Subscription had occurred since the date on which MIL completed the acquisition of the Company.

43. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

Summary of effects as a result of the common control combination
For the year ended 31 December 2015

	The Group (excluding Glory Hill) 2015 HK$'000	Glory Hill 2015 HK$'000	Merger adjustments 2015 HK$'000	The Group (including Glory Hill) 2015 HK$'000
Revenue	241,225	–		241,225
Cost of sales	(140,475)	–		(140,475)
Gross profit	100,750	–		100,750
Other revenue	22,207	51		22,258
Selling and distribution expenses	(79,567)	–		(79,567)
Administrative expenses	(71,248)	(6,693)		(77,941)
Loss from operating activities	(27,858)	(6,642)		(34,500)
Finance costs	(3,544)	–		(3,544)
Loss before taxation	(31,402)	(6,642)		(38,044)
Taxation	(2,846)	–		(2,846)
Loss for the year	(34,248)	(6,642)		(40,890)

43. BUSINESS COMBINATION UNDER COMMON CONTROL *(Continued)*

Summary of effects as a result of the common control combination
As at 31 December 2015

	The Group (excluding Glory Hill) 2015 HK$'000	Glory Hill 2015 HK$'000	Merger adjustments 2015 HK$'000	The Group (including Glory Hill) 2015 HK$'000
ASSETS				
Non-current assets				
Land use rights	29,338	–		29,338
Property, plant and equipment	289,406	294,458		583,864
Intangible assets	458,732	–		458,732
Available-for-sale investment	1,728	–		1,728
Investment in a subsidiary	153,916	–	(153,916)	–
Goodwill	75,221	–		75,221
Deferred tax assets	3,203	–		3,203
	1,011,544	294,458		1,152,086
Current assets				
Inventories	229,227	–		229,227
Stock of properties	–	281,452		281,452
Trade and bill receivables	34,479	57		34,536
Prepayments, deposits paid and other receivables	29,948	51,415		81,363
Short-term loans receivables	7,289	–		7,289
Cash and cash equivalents	128,849	177,018		305,867
	429,792	509,942		939,734
Total assets	1,441,336	804,400		2,091,820
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital	22,685	310,930	(310,930)	22,685
Reserves	725,334	(23,079)	22,765	725,020
	748,019	287,851		747,705
Non-controlling interests	232,863	–	134,249	367,112
Total equity	980,882	287,851		1,114,817

43. BUSINESS COMBINATION UNDER COMMON CONTROL *(Continued)*

Summary of effects as a result of the common control combination
As at 31 December 2015

	The Group (excluding Glory Hill) 2015 HK$'000	Glory Hill 2015 HK$'000	Merger adjustments 2015 HK$'000	The Group (including Glory Hill) 2015 HK$'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	112,799	–		112,799
Loan from immediate holding company	–	481,674		481,674
Net defined benefits liabilities	5,082	–		5,082
Bank borrowing – due after one year	60,315	–		60,315
	178,196	481,674		659,870
Current liabilities				
Trade payables	49,581	–		49,581
Accruals, deposits received and other payables	166,306	2,864		169,170
Amount due to a non-controlling shareholder of a subsidiary	4,101	–		4,101
Amounts due to related parties	–	32,011		32,011
Loan from immediate holding company	50,000	–		50,000
Bank borrowing – due within one year	6,216	–		6,216
Deferred revenue	5,377	–		5,377
Tax payables	677	–		677
	282,258	34,875		317,133
Total liabilities	460,454	516,549		977,003
Total equity and liabilities	1,441,336	804,400		2,091,820
Net current assets	147,534	475,067		622,601
Total assets less current liabilities	1,159,078	769,525		1,774,687

44. RETIREMENT BENEFIT PLANS

(i) Plan for Hong Kong employees

The Group participates in a mandatory provident fund scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

(ii) Plan for PRC employees

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

(iii) Plan for South Korea employees

The Group operates a defined benefit retirement scheme to its subsidiaries in South Korea. The defined benefit retirement scheme is funded by monthly contributions from the Group at average salary of the final six months multiplied by the number of years vested. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on an annual basis. The pension obligation is measured by discounting the expected future cash flows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (note 33).

45. SHARE OPTION SCHEMES

On 23 August 2012, the Company adopted a new share option scheme (the"2012 Scheme") for the primary purpose of providing incentives to its directors and eligible employees. Unless otherwise terminated, the 2012 Scheme would remain valid and effective until 22 August 2022.

Under the terms of the 2012 Scheme, the Board is entitled to grant options to selected eligible participants (including employees of the Group, business or joint venture partners, consultants, advisers, customers and suppliers etc.) as incentives or rewards for their contribution or potential contribution to the Group or any invested entity.

The total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme and any other schemes must not in aggregate exceed 10% of the total issued share capital of the Company as at the date of adoption of the 2012 Scheme i.e. 166,853,214 shares, representing 7.4% of the issued share capital of the Company as at 31 December 2015. The total number of shares in respect of which options may be granted to each eligible participant (including exercised and outstanding options) in any twelve-month period shall not exceed 1% of the number of shares in issue unless shareholders' approval is obtained in general meeting.

Options granted must be taken up within 30 days from the date of grant with payment of HK$1 per grant. Options may be exercised at any time from the date of grant up to the 10th anniversary of the date of grant. In each grant of options, the Board may at their discretion determine the specific exercise period. The exercise price is determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

No option has been granted under the 2012 Scheme since its adoption.

For the year ended 31 December 2015

46. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant related party transactions, which in the opinion of the directors of the Company, were conducted under commercial terms and in the normal course of the Group's business.

	2015 HK$'000	2014 HK$'000
Sales of goods		
Yunnan Jinliufu Trading Limited ("Yunnan JLF Trading")	**17,538**	27,684
VATS Chain Liquor Store Management Company Limited ("VATS Chain Store")	**8,496**	13,220
Rendering of services		
VATS Fine Wines & Spirits (H.K.) Company Limited	**–**	744

The above companies are related parties of the Group as Mr. Wu Xiang Dong, who was the executive director of the Company in the last 12 months, is a substantial shareholder of all companies.

Sales and purchases transactions were carried out at cost plus mark-up basis.

The related party transactions in 2015 fall under the definition of continuing connected transaction of the Listing Rules and the Company has complied with the relevant disclosure requirements.

Note:

Included in the sales of goods to Yunnan JLF Trading and VATS Chain Store during the year ended 31 December 2015, approximately HK$17,538,000 and HK$8,496,000 respectively were carried out under the Jinliufu Agreement and Shangri-la Agreement (as defined in "Directors' Report") both dated 4 December 2014 and which entered into with each of Yunnan JLF Trading and VATS Chain Store respectively. Details of the transactions were set out under the paragraphs of "Connected and Related Party Transactions" in the Directors' Report.

(b) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the directors of the Company and certain of the highest paid employees, as disclosed in note 11, is as follows:

	2015 HK$'000	2014 HK$'000
Short-term benefit	**3,680**	4,965
Post-employment benefits	**24**	34
	3,704	4,999

(c) Balances with related parties

Details of the balances with related parties at the end of reporting period are set out in notes 31, 32 and 36.

47. GOVERNMENT GRANTS

During the year, the Group received government grants of approximately HK$19,254,000 (2014: HK$10,461,000) for the contribution towards the business in Yunnan, Qinhuangdao, Yantai and Yuquan, the PRC. The amount has been included in other revenue for the year.

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**46**	88
Interests in subsidiaries	**790,224**	383,083
	790,270	383,171
Current assets		
Prepayments, deposits paid and other receivables	**632**	812
Cash and cash equivalents	**21,430**	4,500
	22,062	5,312
Total assets	**812,332**	388,483
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**22,685**	16,685
Reserves	**729,583**	368,715
Total equity	**752,268**	385,400
LIABILITIES		
Current liabilities		
Accruals and other payables	**10,064**	3,083
Loan from immediate holding company	**50,000**	–
Total liabilities	**60,064**	3,083
Total equity and liabilities	**812,332**	388,483
Net current (liabilities)/assets	**(38,002)**	2,229
Total assets less current liabilities	**752,268**	385,400

Approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on its behalf by:

Su Bo
Director

Ng Kwong Chue, Paul
Director

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	409,918	(27,996)	381,922
Loss for the year	–	(13,207)	(13,207)
At 31 December 2014 and 1 January 2015	409,918	(41,203)	368,715
Placing of new shares	387,943	–	387,943
Loss for the year	–	(27,075)	(27,075)
At 31 December 2015	**797,861**	**(68,278)**	**729,583**

The Company did not have any distributable reserves for both years.

49. EVENT AFTER THE REPORTING PERIOD

Acquisition of 7.5% equity interests in Golden Beach

On 1 February 2016, the Company entered into a sale and purchase agreement with Mr. Jung Hee Tae ("Mr. Jung", who is a director of Golden Beach) pursuant to which Mr. Jung has conditionally agreed to sell and transfer, and the Company has conditionally agreed to acquire 30,000 shares of Golden Beach, representing 7.5% of its entire issued share capital for a consideration of KRW5,700,000,000 (equivalent to approximately HK$37,000,000). Details of the acquisition are set out in the announcement of the Company dated 1 February 2016.

50. COMPARATIVE FIGURES

Certain comparative figures of prior years have been re-presented to conform with the current year's presentation.

51. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 30 March 2016.

RESULTS

	For the year ended 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Revenue	400,272	366,208	336,563	255,379	**241,225**
Profit (loss) from operating activities	84,123	45,974	(68,187)	(223,866)	**(34,500)**
Finance costs	(4,833)	(4,277)	(3,918)	(3,947)	**(3,544)**
Profit (loss) before taxation	79,290	41,697	(72,105)	(227,813)	**(38,044)**
Taxation	(21,449)	(18,346)	(7,660)	1,911	**(2,846)**
Profit (loss) for the year	57,841	23,351	(79,765)	(225,902)	**(40,890)**
Attributable to:					
Owners of the Company	45,585	9,832	(81,975)	(193,044)	**(35,336)**
Non-controlling interests	12,256	13,519	2,210	(32,858)	**(5,554)**
Profit (loss) for the year	57,841	23,351	(79,765)	(225,902)	**(40,890)**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Total assets	978,475	1,045,368	1,017,389	743,692	**2,091,820**
Total liabilities	(253,289)	(282,731)	(319,325)	(282,243)	**(977,003)**
Non-controlling interests	(83,116)	(98,082)	(102,004)	(66,039)	**(367,112)**
Shareholders' funds	642,070	664,555	596,060	395,410	**747,705**