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

(Incorporated in Bermuda with limited liability)
(Stock Code： 472)

For the financial year from 1 January 2016 to 31 December 2016

2016

annual report

CULTURALTAINMENT

DIVERSITY WITH REVOLUTIONARY CULTURALTAINMENT FOCUS

CONTENTS

BOARD OF DIRECTORS

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

Independent Non-executive Directors:
Mr. Ting Leung Huel, Stephen
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

AUTHORISED REPRESENTATIVES
Mr. Su Bo
Mr. Ng Kwong Chue, Paul

COMPANY SECRETARY
Mr. Ng Kwong Chue, Paul

NOMINATION COMMITTEE
Mr. Su Bo (Chairman)
Mr. Yan Tao
Mr. Ting Leung Huel, Stephen
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

REMUNERATION COMMITTEE
Mr. Ting Leung Huel, Stephen (Chairman)
Mr. Su Bo
Mr. Liu Huaming
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

AUDIT COMMITTEE
Mr. Ting Leung Huel, Stephen (Chairman)
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

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
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China CITIC Bank International Limited
Agricultural Development Bank of China

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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MUFG Fund Services (Bermuda) Limited
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Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT
Tricor Progressive Limited
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Hong Kong

STOCK CODE
00472

CHAIRMAN'S STATEMENT

ON THE LAUNCH PAD FOR A REGION-WIDE CULTURALTAINMENT FOOTHOLD

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 2016.

ECONOMIC OUTLOOK

The world economy sustained an average growth of about 3% throughout 2016. Activity rebounded strongly in the United States after a weak first half, and the economy was approaching full employment. Stronger-than-expected growth was seen in some European economies, such as Spain and the United Kingdom, where domestic demand held up better than expected in the aftermath of the Brexit vote. Historical growth revisions indicate that Japan's growth rate in 2016 and in preceding years was stronger than previously estimated. In China, the growth rate was stronger than expected, supported by a continued policy stimulus. A recently released forecast by The International Monetary Fund puts global growth in 2017 at 3.4%, primarily driven by accelerating economic activities in both advanced and emerging economies.

STRATEGIC ACCOMPLISHMENTS FOR THE YEAR

I am pleased to report that with the strong support from our shareholders and the team, we made three strategic accomplishments during the year that prepared ourselves adequately for the launch of our region-wide culturaltainment foothold and for the completion of our cultural tourism value chain:

1. Inking of partnerships with Melco and UTour

We signed in May 2016 an alliance arrangement with Melco International Development Limited ("Melco International", HKEx Code: 200) for the provision of associated consultancy services for our casino in Jeju, South Korea. The Melco International-New Silkroad alliance was further strengthened with our issuance to Melco International of 22,604,764 shares, representing approximately 0.99% of the then enlarged issued share capital of the Company. This represented a win-win strategy as, through this arrangement, we had brought in a strategic partner with vast experience in the development and operation of a large scale casino and at the same time further diversified our shareholder base. By taking a minority stake in the Company, Melco International will benefit from our future Jeju operation as well as our regional expansion strategy. We believe this will be a precursor to a more exciting and lucrative collaboration with the renowned casino operator, taking our business development to the next level.

STRATEGIC ACCOMPLISHMENTS FOR THE YEAR *(Continued)*

1. Inking of partnerships with Melco and UTour *(Continued)*

In September 2016, our substantial shareholder Macrolink Culturaltainment Development Co., Ltd. ("Macrolink", SZSE Code: 000620) entered into an array of cooperation agreements with UTour Group Co., Ltd. ("UTour", SZSE Code: 002707), a travel services operator in China. This cooperation will see UTour provide support to the projects co-invested in by the Company and/ or Macrolink, including tourism marketing and promotion, customer channels development, product development, investments and operations. The strategic cooperation will give us access to a vast pool of potential customers from China, laying a solid foundation to the future development of our gaming and cultural tourism projects.

2. Rebranding completed, MegaLuck to reach out to global guests

After completing a series of deals that secured our control of 72% of the casino inside the Jeju KAL Hotel in South Korea, we completed rebranding of this casino as MegaLuck Casino in September 2016 to reflect our leadership of the new MegaLuck subsidiary.

Located on Jeju Island, MegaLuck offers 25 Baccarat tables, 2 Blackjack tables, 1 Cussec, 1 Roulette table and 24 slot machines in a 1,500 sq.m floor layout. The new name "MegaLuck" highlights our aspiration to offer a fascinating environment and world-class gaming and entertainment facilities and a joyful gaming experience to all guests from around the world.

The rebranding underlines our commitment to usher in a brighter future for this casino, grasping the opportunities brought about by the rapid development of gaming and tourism in Jeju and taking a step forward in developing one of the largest integrated resort complexes in South Korea.

We are on schedule to launch marketing offices for MegaLuck in Seoul and Macau in 2017. Each office will be responsible for promoting our MegaLuck branding and new entertainment experiences through advertisements and marketing campaigns enhance our competitiveness and strengthen our industry presence, thereby increasing our market share in the growing Korean and Macau tourism industry. These offices will also serve as the reception points for VIP customers in Seoul and Macau by arranging tailor made travel and accommodation services for better client retention.

We intend to groom MegaLuck into a world-class gaming and entertainment conglomerate with the highest standards in operational and internal controls. We believe that MegaLuck will enable us to grow and enhance our core value while we expand our business into cultural tourism areas, thereby broadening our income sources and enhancing business growth.

3. Glorious Hill to acquire more land to support next stage of development

Having been proactively purchasing land since its inception, subsequent to our acquisition of Glorious Hill in 2015, we further acquired six parcels of land located at Hallim Eup, Kumak-ri, Jejusi, Jejudo, Korea, with an aggregate land area of approximately 16,999 sq.m. These new land acquisitions increased our total land bank reserve in the Hallim area to around 1.25 million sq.m. which will be used for future development of the Glorious Hill Project, an integrated tourist resort complex that includes hotel, commercial and residential real estate, entertainment complex, healthcare, theme park, golf courses, etc.

We envisage the future revenue of Glorious Hill to primarily comprise property sales, rental income, management fee and profit sharing of certain operations generated from the Glorious Hill Project, which would in turn further diversify our income stream. We are on schedule for the upcoming submission of our finalised development plan to the relevant authorities for approval and target to complete construction by 2020. We shall remain cautious on future land acquisitions, though, in view of the country's volatile political and economic environments.

OUR ASSESSMENT OF THE OPERATING ENVIRONMENT

The country echoed movements similar to what other Asian nations experienced in 2016 - including a greater influx of VIP Chinese gamblers who prefer to stay away from Macau due to the continued austerity from Beijing on the city's gaming industry. By year-end most of the operators in South Korea experience recovery from the disastrous decline in 2015 and early 2016, on account of the MERS outbreak.

Throughout the year, initiatives for developing integrated resorts in different parts of the country continued. According to the Korea Tourism Organisation, the strong growth in tourist visits from East Asia and Asia Pacific during the year had more than offset the declines in 2015.

As for Macau, after a dismal 2016, the city is on track to return to mid-to-high single-digit growth in gaming revenues for 2017, underpinned by the recovery in both VIP player and premium mass segments, the stabilisation in China's economic growth, and the opening of new gaming casino resorts. The asset price inflation in China since the third quarter last year helped boost demand. With more big players from a wider range of origins returning to the city, we believe they will welcome initiatives of being introduced to gaming destinations that will offer equally exciting yet different experiences.

In response to the escalating national security pressure from North Korea, South Korea sped up deployment of the THAAD (Terminal High Altitude Area Defense) system on the country's soil in recent months. Having risked a rapid reversal of Sino-South Korea relationship, South Korea is caught in a dilemma of serving its national security needs at the expense of economic interests. This will potentially introduce uncertainties to the Group's operation in South Korea.

COMPLETION OF THE SHARE OPEN OFFER

In January 2017, we completed the a two-for-five open offer of new shares and raised approximately HK$1,446 million in net proceeds. This exercise helped us to strengthen our shareholder structure, capital base and balance sheet, and enriched our ammunition to acquire more land resources and to prospect more lucrative acquisition opportunities.

WINE AND CHINESE BAIJIU OPERATION

Our wine operation had confronted with significant challenges during the year, in the wake of declining demand for local wine products. Shangri-la Winery experienced a difficult year and recorded a drop in revenue of around 23.9% to HK$125 million (2015: HK$164 million) yet the division was still able to sustain its profitability at HK$6 million. On the contrary, Chinese baijiu started to benefit from production mix adjustments and showed a slight increase in revenue of around 1.0% to HK$76 million (2015: HK$75 million). Yuquan posted a narrowed operating loss of HK$0.4 million for the year as compared to the operating loss of HK$11 million for the year ended 31 December 2015.

The quality of Shangri-la products once again received market recognition, which was encouraging. Shangri-la Winery joined the 7th Asian Wine Competition in March 2016 and our 'AAA' cabernet sauvignon (2014) and 'A8' cabernet sauvignon (2014) were awarded gold medal and silver prize respectively. Shangri-la (Qinhuangdao) Winery also joined the 'Silk Route Conference and Competition' in 2016, our Shangri-la cabernet sauvignon (12 years old) and Shangri-la cabernet sauvignon (wine A) were both awarded gold medals.

In addition, Shangri-la plateau wines and Yuquan baijiu both obtained the certificates of "Protected Eco-Origin Product" ("PEOP") (生態原產地產品保護證書) issued by General Administration of Quality Supervision, Inspection and Quarantine of PRC (中華人民共和國國家質量監督檢驗檢疫總局) in March 2016. Both products conformed to the requirements and standards of environment protection and health regulation. The 'PEOP' label is now officially used on our products.

FINANCIAL OVERVIEW

For the year ended 31 December 2016, the Group reported revenue of HK$274 million, representing an increase of 13.5% from HK$241 million last year. The increase was mainly attributable to contribution of gaming revenue. The total operating expenses of the Group demonstrated a substantial increase by 45.8% to HK$230 million (2015: HK$158 million) due to recognition of share-based payment expenses. The Group posted a net loss attributable to shareholders of HK$80 million (2015: HK$35 million) and basic loss per share amounted to HK3.42 cents (2015: HK1.84 cents).

Without taking into account of such recognition which is a non-cash nature and one-off item, the loss after tax for the year would be HK$24 million, representing an improvement of 41.0% as compared to last year. The loss attributable to owners of the Company would be HK$21 million with the basic loss per share of HK0.88 cent.

PROSPECTS

The collaboration with Melco International and UTour, the completion of MegaLuck rebranding and the scheduled opening of sales offices in Seoul and Macau, and the acquisition of more land resources for Glorious Hill were strategic moves in 2016 which represented important stages in the progress of our master development plan. They were conducive to the forthcoming launch of a fully-fledged region-wide culturaltainment foothold.

They will put us in the league of the world's best gaming and cultural tourism operators. After having assumed this status and with the extra funding ammunition, we are ready to prospect further lucrative cultural tourism and real estate opportunities in more developed markets in the asia pacific region and beyond.

Our professional management team is encouraged by these accomplishments of the Group. They are looking forward to moving to the next level and becoming part of the establishment of this cultural tourism value chain. Their devotion and commitment have never been stronger. I strongly believe as we work tightly and more diligently we can create a better return and greater value for our shareholders 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 us over the years. I would also like to extend my utmost gratitude to the entire management team and all staff for their efforts and support. While remaining open to new investment opportunities, we will continue to make progress in converting strategic directions and to consolidate our new acquisitions and existing businesses so as to be able to deliver better returns to our shareholders.

Su Bo
Chairman

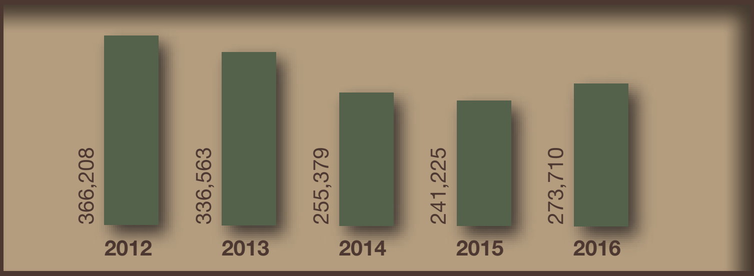
Hong Kong, 28 March 2017

OPERATION ANALYSIS

Revenue

(Unit : HK$'000)

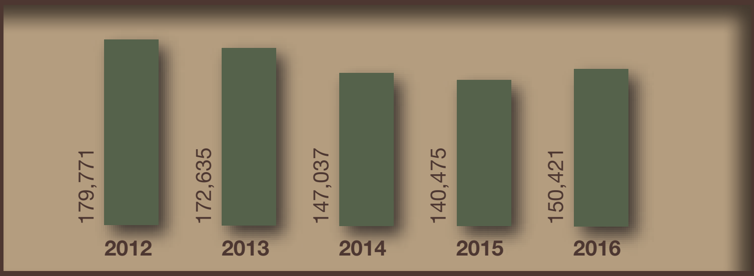
Revenue increased by 13.5% in 2016



Cost of Sales

(Unit : HK$'000)

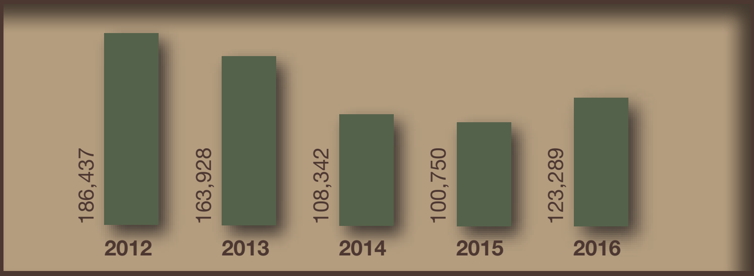
Cost of sales increased by 7.1% in 2016



Gross Profit

(Unit : HK$'000)

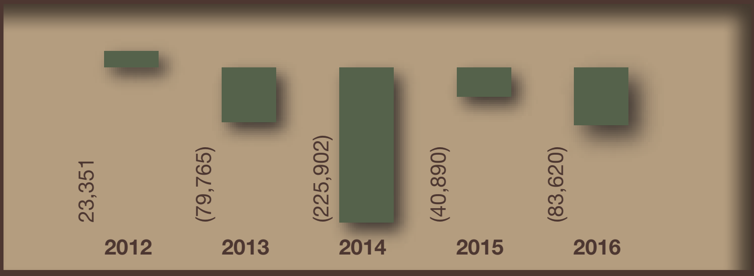
Gross profit increased by 22.4% in 2016



Net Profit (Loss)

(Unit : HK$'000)

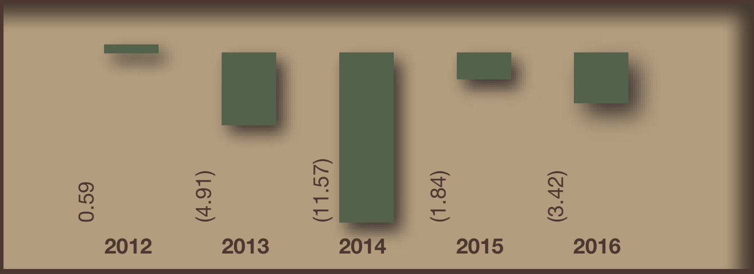
Net loss increased by 104.5% in 2016



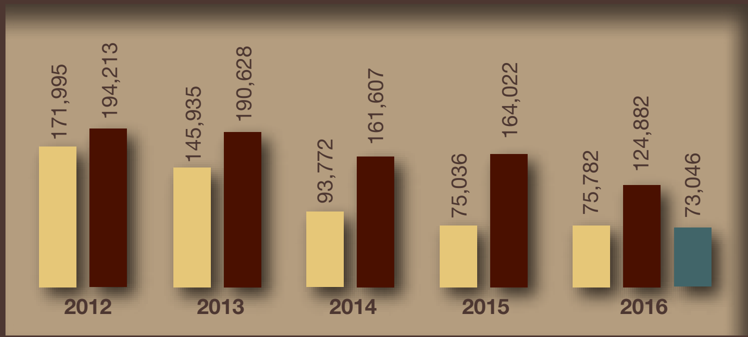
Earnings (Loss) per Share

(Unit : HK CENTS)

Loss per share increased by 85.9% in 2016



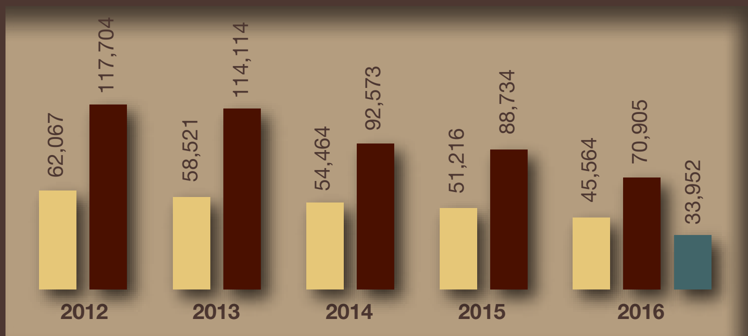
BUSINESS SEGMENTS ANALYSIS



Revenue

(Unit : HK$'000)

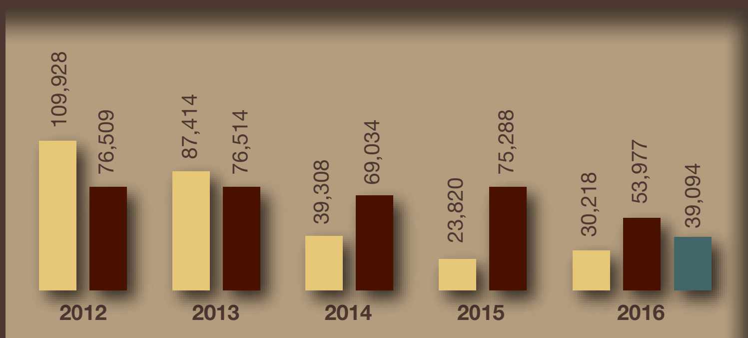
Baijiu increased by 1.0% in 2016
Wine decreased by 23.9% in 2016
Gaming revenue



Cost of Sales

(Unit : HK$'000)

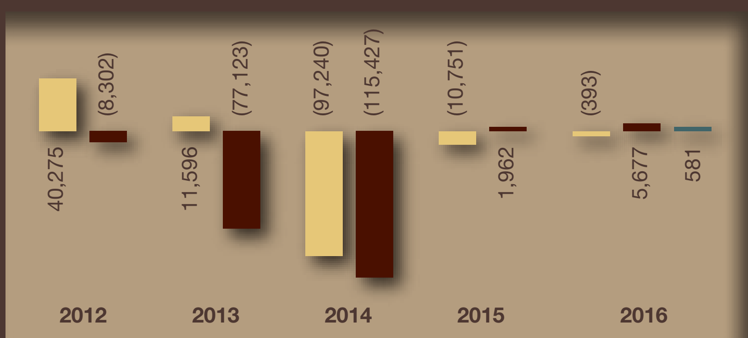
Baijiu decreased by 11.0% in 2016
Wine decreased by 20.1% in 2016
Gaming cost



Gross Profit

(Unit : HK$'000)

Baijiu increased by 26.9% in 2016
Wine decreased by 28.3% in 2016
Gaming gross profit



Net Profit (Loss)

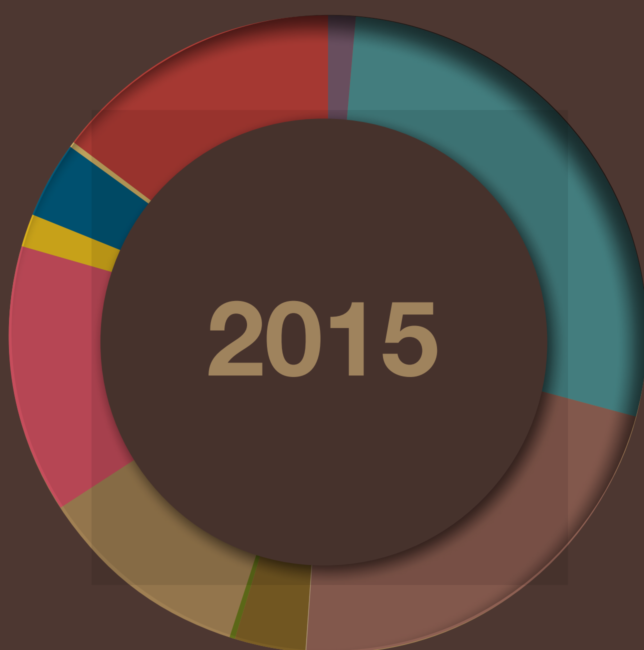
(Unit : HK$'000)

Net loss of baijiu decreased by 53.9% in 2016
Wine increased by 189.2% in 2016
Gaming net profit

Assets Distribution Analysis

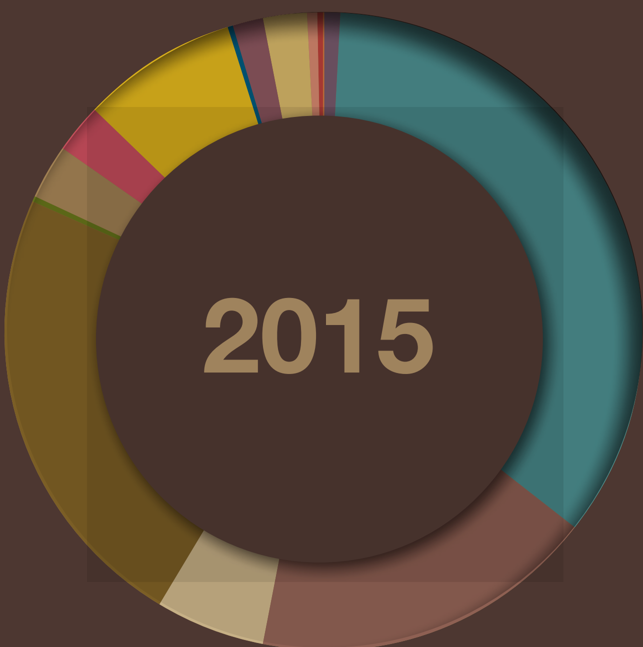
(Unit : HK$'000)

	2016	2015
Land use rights	26,345 (0.78%)	29,338 (1.41%)
Property, plant and equipment	899,555 (26.70%)	583,864 (27.91%)
Intangible assets	430,651 (12.78%)	458,732 (21.93%)
Available-for-sale investment	1,598 (0.05%)	1,728 (0.08%)
Goodwill	75,221 (2.23%)	75,221 (3.60%)
Deferred tax assets	761 (0.02%)	3,203 (0.15%)
Inventories	220,819 (6.55%)	229,227 (10.96%)
Stock of properties	- (0.00%)	281,452 (13.45%)
Trade and bills receivables	9,375 (0.28%)	34,536 (1.65%)
Prepayments, deposits paid and other receivables	117,252 (3.48%)	81,363 (3.89%)
Short-term loans receivables	3,226 (0.10%)	7,289 (0.35%)
Cash and cash equivalents	1,584,897 (47.03%)	305,867 (14.62%)



Liabilities and Equity Analysis

(Unit : HK$'000)



Share capital	2016	22,911 (0.68%)	2015	22,685 (1.08%)
Reserves	2016	650,133 (19.29%)	2015	725,020 (34.66%)
Non-controlling interests	2016	272,607 (8.09%)	2015	367,112 (17.55%)
Deferred tax liabilities	2016	106,936 (3.17%)	2015	112,799 (5.39%)
Loan from immediate holding company	2016	342,422 (10.16%)	2015	481,674 (23.03%)
Net defined benefits liabilities	2016	4,021 (0.12%)	2015	5,082 (0.24%)
Bank borrowing - due after one year	2016	- (0.00%)	2015	60,315 (2.88%)
Trade payables	2016	31,236 (0.93%)	2015	49,581 (2.37%)
Accruals, deposits received and other payables	2016	1,611,153 (47.81%)	2015	169,170 (8.09%)
Amount due to a non-controlling shareholder of a subsidiary	2016	- (0.00%)	2015	4,101 (0.20%)
Amounts due to related parties	2016	87,683 (2.60%)	2015	32,011 (1.53%)
Loans from immediate holding companies	2016	175,465 (5.21%)	2015	50,000 (2.39%)
Bank borrowing - due within one year	2016	55,795 (1.66%)	2015	6,216 (0.30%)
Deferred revenue	2016	5,996 (0.18%)	2015	5,377 (0.26%)
Tax payables	2016	3,342 (0.10%)	2015	677 (0.03%)

MANAGEMENT DISCUSSION & ANALYSIS

MUTUALLY ACCRETIVE PRAGMATIC OPERATIONS

FINANCIAL INFORMATION

Revenue

During the year under review, turnover from production and distribution of wine and Chinese baijiu in the People's Republic of China ("PRC") and revenue from casino business in South Korea were the main contributors to the Group's turnover which made up the total revenue of HK$274 million, representing an increase of 13.5% as compared to the total revenue of HK$241 million last year. This increment signified the contribution from our casino business.

As the competition brought by imported wine getting more fierce, market demand on local wine products plunged. The wine segment, which accounted for 45.6% (2015: 68.0%) of the Group's revenue, was badly hit and recorded a significant decline in revenue by 23.9% to HK$125 million (2015: HK$164 million).

Chinese baijiu industry experienced rebound after years of deterioration and exhibited a modest sign of improvement. Chinese baijiu segment, which accounted for 27.7% (2015: 31.1%) of the Group's revenue, was relatively stable by showing a slight increase in revenue by 1.0% to HK$76 million (2015: HK$75 million).

The casino business which was acquired in late 2015 has contributed gaming revenue of HK$73 million (2015: HK$2 million), representing 26.7% of the Group's total revenue.

Cost of Sales of Winery Businesses

Cost of sales decreased by 16.8% to HK$116 million (2015: HK$140 million) as revenue on wine and Chinese baijiu segments decreased leading to a drop in cost of sales by 20.1% to HK$71 million (2015: HK$89 million) and 11.0% to HK$46 million (2015: HK$51 million) respectively. Cost of sales to winery revenue decreased slightly by 0.5% to 58.0% (2015: 58.5%).

Cost of Gaming Operation

Cost of gaming operation which is related to direct costs amounted to HK$34 million. Cost of gaming operation accounted for 46.5% of gaming revenue for the year ended 31 December 2016.

FINANCIAL INFORMATION *(Continued)*

Gross Profit

The Group's gross profit increased by 22.4% to HK$123 million (2015: HK$101 million), representing a gross profit margin of 45.0% (2015: 41.8%). The increase was mainly due to the contribution from casino business which contributed HK$39 million to the Group's gross profit, representing 53.5% of the gross profit margin.

Gross profit of winery businesses decreased by 15.0% to HK$84 million (2015: HK$99 million). Wine and Chinese baijiu segments each accounted for HK$54 million and HK$30 million respectively. The share of gross profit margin from wine segment decreased slightly by 2.7% to 43.2% whereas the share of gross profit margin from Chinese baijiu segment increased by 8.2% to 39.9%.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 27.7% to HK$58 million (2015: HK$80 million) mainly due to reduced advertising and promotional expenses on wine and Chinese baijiu businesses. Selling and distribution expenses as a percentage of revenue decreased by 12.0% points to 21.0% (2015: 33.0%) for the year.

Administrative Expenses

Administrative expenses mainly consisted of management staff salaries, office rental, professional fees and other administrative expenses. During the year, administrative expenses increased by 44.5% to HK$113 million (2015: HK$78 million). Such increase was mainly due to consolidation of the full year's related expenses of Glorious Hill Co., Ltd. ("Glorious Hill") and MegaLuck Co., Ltd. (formerly known as Development Golden Beach Co., Ltd.) ("MegaLuck").

Loss Before Tax

Loss before taxation increased by 116.6% to HK$82 million (2015: HK$38 million) mainly due to accounting recognition of share-based payment expenses of HK$59 million as a result of the share options granted during the year. Such share-based payment expenses were a one-off accounting treatment which did not incur any outflow of cash. Should such effect have been taken out, loss before taxation would be narrow down to HK$23 million which demonstrated an improvement by 39.7%.

Taxation

Taxation comprises current income tax and deferred tax credit. Current income tax increased by 21.0% to HK$3.4 million (2015: HK$ 2.8 million). During the year, deferred tax credit of HK$2.2 million (2015: Nil) was recognised to the consolidated statement of profit or loss leading to a drop in taxation by 57.4% to HK$1.2 million (2015: 2.8 million).

Loss Attributable to Owners

Taking into consideration the abovementioned share-based payment expenses, loss after tax for the year increased by 104.5% to HK$84 million (2015: HK$41 million). Loss attributable to owners of the Company increased by 126.6% to HK$80 million (2015: HK$35 million). Basic loss per share attributable to owners of the Company for the year increased by 85.9% to HK3.42 cents (2015: HK1.84 cents).

Should the effect of the share-based payment expenses have been taken out, the loss after tax for the year would be HK$24 million, demonstrating an improvement of 41.0% as compared to 2015, and the loss attributable to owners of the Company would be HK$21 million with the basic loss per share would amount to HK0.88 cent.

FINANCIAL INFORMATION *(Continued)*

Open Offer

On 18 October 2016, the Company announced its proposal to raise a net proceeds of approximately HK$1,446 million by way of an open offer on the basis of two offer shares (the "Offer Shares") for every five existing shares held by the qualifying shareholders at a subscription price of HK$1.60 per Offer Share (the "Open Offer"). After completion of the Open Offer, the Group's financial position has been enhanced.

The Open Offer was fully-underwritten by Macro-Link International Land Limited ("MIL") pursuant to the underwriting agreement dated 18 October 2016 entered into between the Company and MIL. On 10 January 2017, the Company issued and allotted a total of 916,454,764 new shares with an aggregate nominal value of HK$9.16 million. Details of the Open Offer and the results of the Open Offer were set out in the Company's prospectus dated 14 December 2016 and the Company's announcement dated 9 January 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Bank Borrowing

During the year, the Group's sources of fund were generated from proceeds of the Open Offer, operating activities, loans from immediate holding companies as well as bank facilities provided by Agricultural Development Bank of China. As at 31 December 2016, the Group had cash and cash equivalents of HK$1,585 million (2015: HK$306 million), posting a 418.2% increase due to the proceeds received from the Open Offer.

As at 31 December 2016, total bank borrowing decreased by 16.1% to HK$56 million (2015: HK$67 million) mainly due to repayment of a bank loan. Our major borrowing is denominated in Renminbi ("RMB"). 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 barring any unforeseen circumstances, 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$129 million (2015: HK$23 million) which was mainly used for the acquisition of land in Jeju, South Korea. For year 2017, we have budgeted HK$938 million on capital expenditure mainly for the development of Glorious Hill.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. The Group's inventories decreased by 3.7% to HK$221 million (2015: HK$229 million). Finished goods increased by 7.0% to HK$48 million (2015: HK$45 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 148 days for the year (2015: 137 days).

Balance Sheet Analysis

As at 31 December 2016, total assets of the Group soared by 61.1% to HK$3,370 million (2015: HK$2,092 million) which were composed of current assets of HK$1,936 million (2015: HK$940 million) and non-current assets of HK$1,434 million (2015: HK$1,152 million). Such increase was mainly attributable to (1) the share based prepayment of HK$38 million to Melco Group for provision of associated consultancy services in relation to the casino in Jeju, South Korea; and (2) the net increase in bank balances of HK$1,279 million as a result of the Open Offer.

As at 31 December 2016, total liabilities, which included current liabilities of HK$1,971 million (2015: HK$317 million) and non-current liabilities of HK$453 million (2015: HK$660 million), substantially increased by 148.1% to HK$2,424 million (2015: HK$977 million) of which current liabilities of HK$1,466 million represented the proceeds from the Open Offer temporarily recorded in other payables in relation to the unissued Offer Shares. Such amount has been transferred to equity after the Offer Shares were issued in January 2017.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Balance Sheet Analysis *(Continued)*

As at 31 December 2016, our total equity was composed of owners' equity of HK$673 million (2015: HK$748 million) and non-controlling interests of HK$273 million (2015: HK$367 million).

Taking into account of the aforementioned, the Group's current ratio as at 31 December 2016 was 0.98 (2015: 3.0) as current liabilities increased. Gearing ratio, representing total borrowings divided by total equity, was 61.7% (2015: 54.0%). About 88.8% of borrowings are from immediate holding companies which are unsecured and repayable within a 5-year period. Taking out the temporary effect of unissued Offer Shares, the Group's current ratio and gearing ratio would be 3.84 and 24.2% respectively, both of which 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) for the year was 15 days (2015: 16 days). The Group did not experience any material doubtful debts that were required to be written off in 2016.

The Group had capital commitments amounted to HK$18 million (2015: HK$37 million) but had no material contingent liabilities as at 31 December 2016.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 37.5% (2015: 43.3%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 19.3% (2015: 20.6%). Excluding Yunnan Jinliufu Trading Limited and VATS Chain Liquor Store Management Company Limited which are connected persons of the Company within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Group's five largest customers accounted for 8.8% (2015: 13.9%) of the Group's total revenue and the sales attributable to the Group's largest customer was 4.2% (2015: 3.5%).

None of the directors, their close associates (within the meaning of the Listing Rules) 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 (2015: HK$19 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 2016 (2015: Nil).

PLEDGE OF ASSETS

At 31 December 2016, the Group pledged its land use rights and buildings with net book value amounted to HK$23 million (2015: HK$25 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, HK$ and Won ("KRW").

The functional currency of the Group's subsidiaries in the 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

No material acquisition or disposal of subsidiaries or associated companies was made by the Group during the year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2016, the Group employed a total of 948 (2015: 870) full time employees, in which 417 staff were related to sales and marketing, 248 staff were related to production, 90 staff were related to management and 193 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.

LITIGATION

MegaLuck has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office for outsourcing management of slot machines regarding a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd., allegedly in violation of the Tourism Promotion Act in Korea (the "First Case"). Global Game Co., Ltd. also filed a civil lawsuit against MegaLuck and its ex-director in October 2016 claiming for damages up to KRW3,000 million (equivalent to about HK$20 million) (the "Second Case"). The Company has engaged its Korean legal representatives to contest both cases.

As at the date of this report, court hearing for the First Case has commenced but has been delayed as the prosecutor's witness had failed to attend the hearing. In the event that MegaLuck is convicted, an administrative sanction such as an order of business suspension for a short period and a penalty of not exceeding KRW20 million (equivalent to about HK$133,000) may be imposed on MegaLuck. Court hearing for the Second Case has been scheduled in May 2017.

After obtaining the advice from a lawyer, it is expected that the cases are remote and no provision has been made in the accounts in respect of the alleged claims.

SU BO

Chairman and Executive Director

Mr. Su Bo, aged 49, 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 (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company. He is also a director of certain subsidiaries of the Company. Mr. Su holds a bachelor degree in laws 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 president of Macrolink Culturaltainment Development Co., Ltd. ("Macrolink Culturaltainment") (formerly known as Macrolink Real Estate Co., Ltd.), 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 53, 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 certain subsidiaries 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 of 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 46, 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 43, 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 Macrolink Culturaltainment. He is also a director of Xin'an Financial Group Co., Ltd. which is quoted on the 'National Equities Exchange and Quotations' with stock code 834397. 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 50, was appointed as an executive director of the Company on 8 June 2015. He is also a director of certain subsidiaries 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. He now acts as the vice-president and secretary to the board of Macrolink Culturaltainment.

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 45, 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. since 2011. He now acts as the vice-president and financial controller of Macrolink Culturaltainment. 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 63, 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 (the "Audit Committee") of the Company 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).

TSE KWONG HON

Independent Non-Executive Director

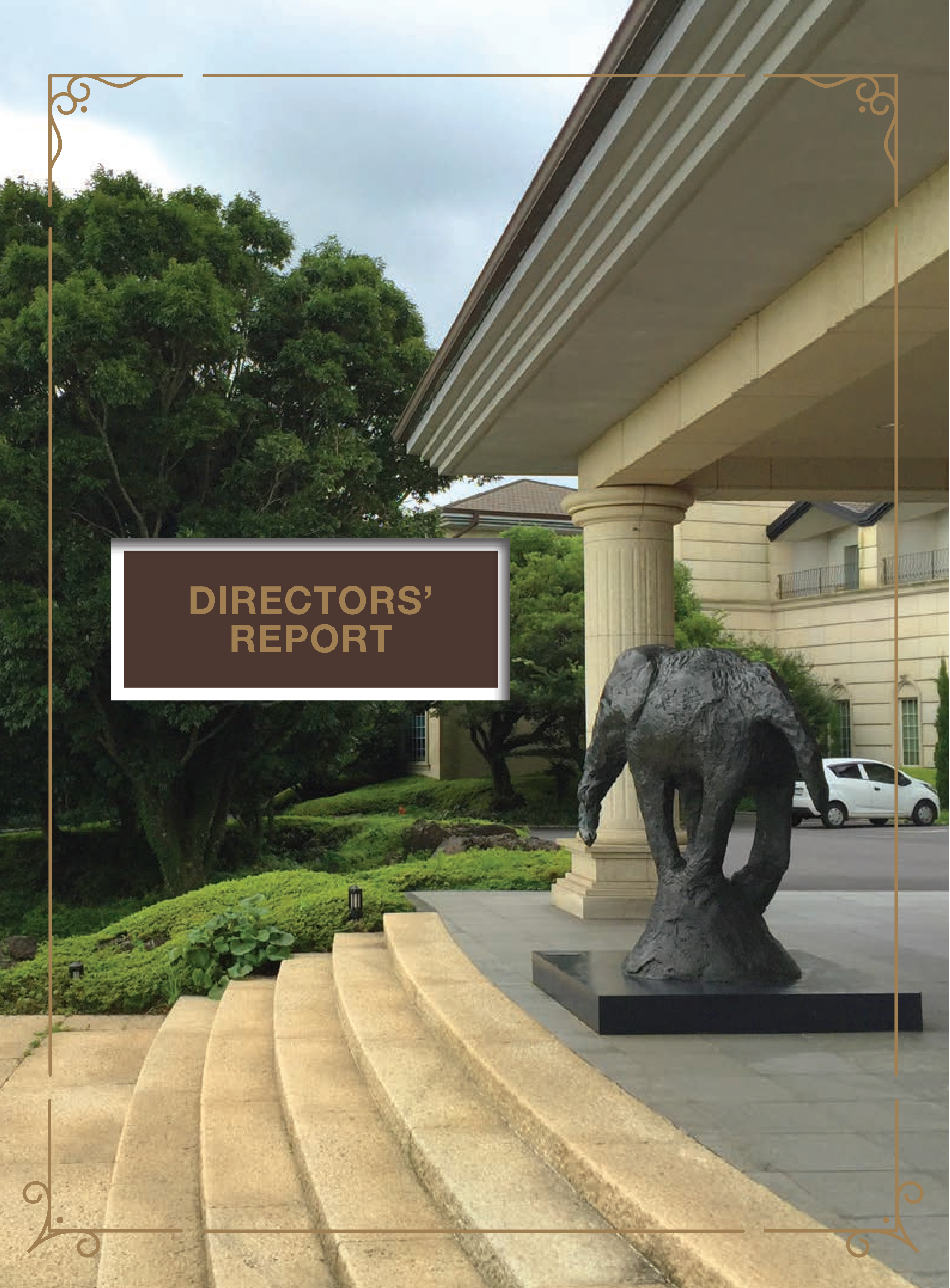
Mr. Tse Kwong Hon, aged 62, was appointed as an independent non-executive director of the Company on 24 November 2015. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tse holds a bachelor degree in Business Administration and a diploma in Chinese 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. Tse is the founder and director of 'Che Kuong Hon Legal & Translation Service Centre'. He is now the part-time professor of Xiamen University at the Center for Social Governance and Soft Law Research, and the distinguished professor of Qilu University of Technology. 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.

CAO KUANGYU

Independent Non-Executive Director

Mr. Cao Kuangyu, aged 66, 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).

DIRECTORS’ REPORT



SOUND MANAGEMENT AND RISK CONTROL UNDERPINNED STEADY GROWTH

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 2016.

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 2016 is set out in the section headed "Chairman's Statement" on pages 5 to 9 of this annual report.

Key financial and business performance indicators

An analysis of the Group's performance during the year using financial key performance indicators comprising revenue growth, cost of sales to revenue ratio, gross profit margin, current ratio, gearing ratio and capital adequacy levels is set out in the sections headed "Financial Highlights" and "Management Discussion and Analysis" on pages 10 to 13 and pages 14 to 19 of this annual report respectively.

Environmental policies and performance

The Group is committed to ensuring our activities and operations are carried out in an environmentally responsible manner by minimising harmful emissions and improving resources utilisation efficiency. We shall comply with all relevant environmental protection legislation and actively explore the feasibility to adopt other industry best practice. Discussion on the Group's environmental policies and performance can be found in the section headed "Environmental, Social and Governance Report" on pages 53 to 68 of this annual report.

BUSINESS REVIEW *(Continued)*

Compliance with laws and regulations

The Group recognises the importance to compliance with regulatory requirements and the risks of non-compliance with such requirements that could have a significant impact on the conduct of our business and our prospects. Non-compliance with applicable laws and regulations could result in sanctions being levied against us, including fines, censures and suspension which could adversely affect our reputation, prospects, revenues and earnings. Accordingly, the Group has been allocating staff resources to ensure ongoing compliance with rules and regulations and the new regulatory and reporting standards. We also maintain cordial working relationships and communication with local governments and relevant departments.

During the year, the Group's principal operations are carried out in the PRC and South Korea while the Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As far as the Directors aware, there was no material impact on the Group resulting from non-compliance with any relevant laws and regulations.

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 measures and policies taken by the PRC and South Korea subsidiaries on compliance with applicable laws and regulations are set out in the section headed "Environmental, Social and Governance Report" on pages 53 to 68 of this annual report.

Principal risks and uncertainties

During the year under review, the Group's principal businesses comprise winery and gaming. The principal risks and uncertainties facing the Group are set out below. This is not an exhaustive statement of all relevant risks and uncertainties. Matters which are not currently known to the Board or events which the Board considers to be immaterial may also have a material adverse effect on our business, financial condition, results of operation and cash flows.

Risk Related to Our Gaming Business in Jeju, South Korea

(i) Economic trends

Customer demands for gaming and entertainment are influenced by the economic conditions in certain regions or countries. Our casino are particularly affected by decelerated economic growth in China where a significant number of our gaming customers come from. Such unfavourable economic conditions could cause decline in customer spending on gaming and entertainment and thus reduced demand for our services, which could adversely affect our revenue, results of operation and cash flows.

(ii) Regional political events

Our gaming business is sensitive to the willingness of our customers to travel as all of them are not Korean players. Regional political events, including those resulting in travellers perceiving the area as unstable, regional conflicts or an outbreak of hostilities or war may severely disrupt international travel, which would result in a decrease in visitors to Jeju, South Korea and thus, may affect the results of our gaming operation.

(iii) Win rates beyond control

Win rates of gaming industry are affected by a variety of factors which are beyond our control. The factors include but not limited to the skill and experience of players, the mix of games played, the financial resources of players, the spread of table limits, the amount of time players spend on gambling, etc. As we are not able to control over these factors, we may record a loss from our gaming operation if the winnings of our gaming customers exceed our winnings, which could adversely affect our financial condition and results in our gaming operation.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risk Related to Our Gaming Business in Jeju, South Korea (Continued)

(iv) Fraud and cheating

Our gaming customers may attempt or commit fraud to cheat in order to increase winnings possibly through collusion with dealers, gaming supervisors or cage staffs. Failure to discover these acts in a timely manner could result in losses in the gaming operation and particularly, negative publicity could have an adverse effect on our reputation, thereby causing a material adverse effect on our business, financial condition and results of operation.

(v) Anti-money laundering

It has been revealed that casinos present the highest risk of money laundering activities globally. Although we have implemented effective internal controls and procedures on anti-money laundering and other illegal activities, we are unable to completely prevent such occurrence within our casino. The adverse risks of non-compliance may include large financial penalties, losing gaming license, tarnishing our reputation, negative publicity and administrative sanctions, such as restriction or suspension of business activities.

Risk Related to Our Winery Business in the PRC

(i) Macroeconomic environment

Our winery business is continued affected by the volatility and uncertainty of local and global macroeconomic conditions, particularly the changes in domestic economy and local customer preferences. The unfavourable factors and market uncertainty affected China's consumer market resulting in reduced demand for our products and thus, leading 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

Given the ongoing government policies in restricting on ostentatious consumption and stringent control over public spending on entertainment and gifting, causing the markets for high-end wine and Chinese baijiu plunged. Yet, we develop new and innovative products, manufacture and operate in a more scientific way, and adjust our product mix so as to adapt to the market shift caused by the policy change.

(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 intend to differentiate ourselves from our competitors and maintain our leading position in major markets.

(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 operational results. 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 negative 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 operational results. It is important that we continue to uphold the brand value, corporate image, product safety and maintain high business ethics.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risk Related to Our Winery Business in the PRC (Continued)

(vi) Food safety risk

Food safety risk can arise in every step along the entire supply chain, from plantation, raw materials storage, production process, to wines delivery, storage and sales. Without efficient control measures to monitor and trace the entire production process, food safety risk may give rise to material impact on our business. Food safety incidents may bring negative information dissemination and cause considerable damage to corporate reputation.

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. Such relationship is further discussed in the section headed "Environmental, Social and Governance Report" on pages 53 to 68 of this annual report.

Future business developments

An indication of future development of the Group's business is presented in the section headed "Chairman's Statement" on pages 5 to 9 of this annual report.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 75.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: 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 156.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 June 2017 to Friday, 16 June 2017 (both days inclusive) for the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting of the Company (the "AGM") to be held on Friday, 16 June 2017. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 12 June 2017.

SHARES ISSUED

Consideration issue

On 14 June 2016, 22,604,764 ordinary shares were allotted and issued at the issue price of HK$1.7253 per share in accordance with the terms of the technical services agreement dated 10 May 2016 entered into between New Silkroad Korea Development Limited and Melco Gaming Assets Management (Korea) Limited. Details of the consideration issue were set out in the announcements of the Company dated 10 May 2016 and 11 May 2016 respectively.

Open Offer

On 18 October 2016, the Company proposed to raise approximately HK$1,466 million before expenses, by way of an open offer of 916,454,764 shares at the subscription price of HK$1.60 per offer share on the basis of two offer shares for every five existing shares (the "Open Offer"). All the conditions to the Open Offer were fulfilled on 3 January 2017. The allotment and issue of the offer shares took place on 10 January 2017.

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 2016, 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)
Mr. Yan Tao (Vice-Chairman and Chief Executive)
Mr. Ng Kwong Chue, Paul
Mr. Zhang Jian
Mr. Hang Guanyu
Mr. Liu Huaming

Independent non-executive Directors:

Mr. Ting Leung Huel, Stephen
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

In accordance with bye-law 87(1) of the Company's bye-laws (the "Bye-laws"), Mr. Su Bo, Mr. Hang Guanyu and Mr. Liu Huaming will retire by rotation and, being eligible, offer themselves for re-election at the AGM. None of the Directors proposed for re-election at the AGM 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 20 to 21 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, 44 and 47 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 2016.

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' 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 Culturaltainment Development Co., Ltd. (formerly known as 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 2016, 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 and underlying shares of the Company

	No. of shares/ underlying shares held in the Company				
Name of Directors	**Nature of interest**	**Interest in shares**	**Interest in underlying shares pursuant to share options** *(Note 1)*	**Total interests**	**Approximate percentage of issued share capital** *(Note 2)*
Mr. Su Bo	Beneficial owner	—	12,000,000	12,000,000	0.52%
Mr. Yan Tao	Beneficial owner	—	3,000,000	3,000,000	0.13%
Mr. Ng Kwong Chue, Paul	Beneficial owner	3,000,000	8,000,000	11,000,000	0.48%
Mr. Zhang Jian	Beneficial owner	—	8,000,000	8,000,000	0.35%
Mr. Hang Guanyu	Beneficial owner	—	8,000,000	8,000,000	0.35%
Mr. Liu Huaming	Beneficial owner	—	8,000,000	8,000,000	0.35%

Notes:

1. On 4 July 2016, a total of 47,000,000 share options were granted to the Directors under the share option scheme adopted by the Company on 23 August 2012 (the "Share Option Scheme"). The particulars of which are set out on page 32 of this section.
2. This percentage is based on 2,291,136,910 shares in issue as at 31 December 2016.

(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 2016, 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 2016, 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 and the Stock Exchange 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	Nature of interest	No. of shares held	Approximate percentage of issued share capital	*Notes*
Macro-Link International Land Limited	Beneficial owner	1,818,052,133	53.17%	*1,3,4*
Macrolink Culturaltainment Development Co., Ltd.	Controlled corporation	1,818,052,133	53.17%	*1,3,5*
MACRO-LINK International Investment Co, Ltd.	Beneficial owner	215,988,336	9.43%	*2,6*
Macro-Link Industrial Investment Limited	Controlled corporation	215,988,336	9.43%	*2,7*
Macro-Link Holding Company Limited	Controlled corporation	2,034,040,469	59.49%	*1,3,5,7*
Mr. Fu Kwan	Controlled corporation	2,034,040,469	59.49%	*1,3,7,8*
Cheung Shek Investment Company Limited	Controlled corporation	2,034,040,469	59.49%	*1,3,5,8*
Ms. Xiao Wenhui	Beneficial owner/ Controlled corporation	2,037,050,469	59.58%	*1,3,8*

Notes:

1. This percentage is based on 3,418,991,674 shares as at 31 December 2016, the shares of which included (i) 2,291,136,910 shares in issue as at 31 December 2016; (ii) 976,854,764 shares being the maximum numbers of shares which might be allotted and issued pursuant to the Open Offer proposed by the Company as disclosed in the announcement of the Company dated 18 October 2016; and (iii) 151,000,000 shares being the total number of shares which might be allotted and issued upon exercise in full of all the outstanding share options already granted under the Share Option Scheme as disclosed in the announcement of the Company dated 4 July 2016.

2. This percentage is based on 2,291,136,910 shares in issue as at 31 December 2016.

3. These shares included (i) 841,197,369 shares directly held by Macro-Link International Land Limited; and (ii) 976,854,764 shares being the maximum number of shares which might be underwritten by Macro-Link International Land Limited pursuant to the underwriting agreement dated 18 October 2016 entered into between the Company and Macro-Link International Land Limited.

DISCLOSURE OF INTERESTS *(Continued)*

(b) Interests of Substantial Shareholders *(Continued)*

Long positions in the shares of the Company (Continued)

Notes: (Continued)

4. Macro-Link International Land Limited is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Macrolink Culturaltainment Development Co., Ltd. whose issued shares are listed on the Shenzhen Stock Exchange with stock code 000620.

5. Macrolink Culturaltainment Development 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.

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

7. Macro-Link Industrial Investment Limited is wholly owned by Macro-Link Holding Company Limited which in turn is owned as to 90% by Cheung Shek Investment Company Limited, as to 4.25% by Mr. Fu Kwan and as to the remaining 5.75% by six individuals.

8. 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 2016, 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 and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in note 46 to the consolidated financial statements.

On 4 July 2016, there were 151,000,000 share options granted to eligible participants under the Share Option Scheme. Save as disclosed above, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme during the year ended 31 December 2016. Particulars of the outstanding share options at the beginning and at the end of the financial period are as follows:

	Options to subscribe for shares							
Name and category of participants	**Date of grant**	**Balance as at 01/01/2016**	**Granted during the year**	**Exercise price per share HK$**	**Balance as at 31/12/2016**	**Exercise period**	**Adjusted no. of share options upon completion of the Open Offer** *(Note 1)*	**Adjusted exercise price per share upon completion of the Open Offer HK$** *(Note 1)*
Directors								
Mr. Su Bo	04/07/2016	—	12,000,000	2.00	12,000,000	04/07/2016 to 03/07/2026	11,775,600	2.0381
Mr. Yan Tao	04/07/2016	—	3,000,000	2.00	3,000,000	04/07/2016 to 03/07/2026	2,943,900	2.0381
Mr. Ng Kwong Chue, Paul	04/07/2016	—	8,000,000	2.00	8,000,000	04/07/2016 to 03/07/2026	7,850,400	2.0381
Mr. Zhang Jian	04/07/2016	—	8,000,000	2.00	8,000,000	04/07/2016 to 03/07/2026	7,850,400	2.0381
Mr. Hang Guanyu	04/07/2016	—	8,000,000	2.00	8,000,000	04/07/2016 to 03/07/2026	7,850,400	2.0381
Mr. Liu Huaming	04/07/2016	—	8,000,000	2.00	8,000,000	04/07/2016 to 03/07/2026	7,850,400	2.0381
Other employees or participants	04/07/2016	—	104,000,000	2.00	104,000,000	04/07/2016 to 03/07/2026	102,055,200	2.0381
Total		**—**	**151,000,000**		**151,000,000**		**148,176,300**	

Notes:

1. As disclosed in the announcement of the Company dated 9 January 2017, upon completion of the Open Offer, the exercise price and the number of shares to be allotted and issued upon exercise of the subscription rights attached to the outstanding share options have been adjusted effective on 10 January 2017. The adjustments satisfied the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.

2. As at the date of this report ,6,869,100 share options have been lapsed in accordance with the terms of the Share Option Scheme.

3. On 31 March 2017, the Board has further granted 13,000,000 share options under the share option Scheme, of which 10,000,000 share options granted to Mr. Fu Kwan, who is a substantial shareholder of the Company within the meaning of the Listing Rules, is subject to the approval at the AGM.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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 as disclosed above, no equity-linked agreements were entered into by the Company, or existed during the year ended 31 December 2016.

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 CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, 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) Connected Transactions

(i) Acquisition of 7.5% equity interests in MegaLuck

On 1 February 2016, the Company entered into a sale and purchase agreement (the "1st Sale and Purchase Agreement") with Mr. Jung Hee Tae who is the then president and chief executive officer of MegaLuck Co., Ltd. (formerly known as "Development Golden Beach Co., Ltd.") ("MegaLuck"), a non-wholly owned subsidiary of the Company, to acquire 30,000 shares of MegaLuck, representing 7.5% of its entire issued share capital, at a consideration of KRW5,700,000,000.

(ii) Acquisition of 13% equity interests in MegaLuck

On 25 April 2016, the Company entered into a sale and purchase agreement (the "2nd Sale and Purchase Agreement") with Mr. Lee Chul Man and Mr. Yu Cheng Kuo who are the then substantial shareholders of MegaLuck, to acquire a total of 52,000 shares of MegaLuck, representing 13% of its entire issued share capital, at a total consideration of KRW9,880,000,000.

Each of the 1st Sale and Purchase Agreement and the 2nd Sale and Purchase Agreement was entered into between the Company and connected persons at the subsidiary level on normal commercial terms. In addition, (a) the Board has approved each of the 1st Sale and Purchase Agreement and the 2nd Sale and Purchase Agreement; and (b) the Directors (including the independent non-executive Directors) have confirmed that the terms of which were fair and reasonable, on normal commercial terms and in the interests of the Company as a whole. Accordingly, they were only subject to the reporting, announcement and annual review requirements but were exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of Chapter 14A of the Listing Rules.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(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 wine 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.

VATS Chain Store is owned as to 63.74% by Mr. Wu Xiang Dong ("Mr. Wu"). Mr. Fu Kwan, who is the ultimate controlling shareholder of the Company, is the brother-in-law of Mr. Wu and thus, VATS Chain Store 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 each of the two years ended 31 December 2015 and 31 December 2016 was RMB20 million and RMB25 million respectively, and for the year ending 31 December 2017 is RMB30 million.

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 each of the two years ended 31 December 2015 and 31 December 2016 was RMB40 million and RMB45 million respectively and the year ending 31 December 2017 is 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.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

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 for transactions involving the provision of goods or services by 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 2016.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 37 to 52 of this report.

AUDIT COMMITTEE

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

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 2016. 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

Details of significant event occurring after the reporting period are set out in note 50 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. 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 AGM.

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, 28 March 2017

CORPORATE GOVERNANCE REPORT

JOINT DEVELOPMENT BACKED BY FULL COMPLIANCE WITH INTEGRITY

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2016.

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 2016, 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 deviation from code provision A.6.7. Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being the independent non-executive Director, was unable to attend the annual general meeting and the special general meeting of the Company held on 6 June 2016 and 5 December 2016 respectively due to his overseas business engagement.

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 2016.

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.

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 2016, 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.

THE BOARD *(Continued)*

Composition *(Continued)*

As at 31 December 2016, 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	6/6/2016
Mr. Zhang Jian	Executive Director	25/2/2004	6/6/2016
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. Tse Kwong Hon	Independent non-executive Director	24/11/2015	22/12/2015
Mr. Cao Kuangyu	Independent non-executive Director	25/2/2004	6/6/2016

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 come from diverse background with varied expertise in finance, legal industry and business fields. Biographical details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” on pages 20 to 21 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 as disclosed in the section headed “Biographies of Directors and Senior Management”, 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.

THE BOARD *(Continued)*

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 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. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

During the year ended 31 December 2016, the Board held 22 meetings. The attendance records of the Directors are set out below:

	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Su Bo	22/22
Mr. Yan Tao	22/22
Mr. Ng Kwong Chue, Paul	22/22
Mr. Zhang Jian	22/22
Mr. Hang Guanyu	22/22
Mr. Liu Huaming	22/22
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	22/22
Mr. Tse Kwong Hon	22/22
Mr. Cao Kuangyu	21/22

THE BOARD *(Continued)*

Board Meetings *(Continued)*

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 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.

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 under Rule 3.08 of the Listing Rules.

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 2016, no claim has been made against the Directors and officers of the Company.

THE BOARD *(Continued)*

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 2016. 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. Tse Kwong Hon	✓	✓
Mr. Cao Kuangyu	✓	

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	C	M	
Mr. Yan Tao	M		
Mr. Ng Kwong Chue, Paul			
Mr. Zhang Jian			
Mr. Hang Guanyu			
Mr. Liu Huaming		M	
Mr. Ting Leung Huel, Stephen	M	C	C
Mr. Tse Kwong Hon	M	M	M
Mr. Cao Kuangyu	M	M	M

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

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 terms of reference were revised on 30 August 2013. 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. Tse Kwong Hon and Mr. Cao Kuangyu.

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;

BOARD COMMITTEES *(Continued)*

(1) Nomination Committee *(Continued)*

- 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.

The Nomination Committee met once during the year ended 31 December 2016. Following is a summary of works performed by the Nomination Committee during the year under review:

- reviewed the structure, size and composition of the Board and made recommendations to the Board;
- reviewed the independence of independent non-executive Directors; and
- made recommendations to the Board on the retirement and re-appointment of Directors by rotation at the annual general meeting of the Company.

The attendance of each member of the Nomination Committee is set out below:

Name of members	**Number of meeting attended/ Number of meeting held**
Mr. Su Bo (Chairman)	1/1
Mr. Yan Tao	1/1
Mr. Ting Leung Huel, Stephen	1/1
Mr. Tse Kwong Hon	1/1
Mr. Cao Kuangyu	0/1

(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. Tse Kwong Hon and Mr. Cao Kuangyu.

BOARD COMMITTEES *(Continued)*

(2) Remuneration Committee *(Continued)*

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.

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**
HK$1,000,001 to HK$1,500,000	2
HK$2,000,001 to HK$2,500,000	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 119 to 120 of this annual report.

BOARD COMMITTEES *(Continued)*

(2) Remuneration Committee *(Continued)*

The Remuneration Committee met twice during the year ended 31 December 2016. Following is a summary of works performed by the Remuneration Committee during the year under review.

- reviewed and made recommendation to the Board on the remuneration packages of the Directors and senior management; and

- approved the grant of share options under the Share Option Scheme.

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)	2/2
Mr. Su Bo	2/2
Mr. Liu Huaming	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	1/2

(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. Tse Kwong Hon and Mr. Cao Kuangyu 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.

BOARD COMMITTEES *(Continued)*

(3) Audit Committee *(Continued)*

The Audit Committee met three times during the year ended 31 December 2016. Executive Directors and the external auditors of the Company were invited to join the discussion at the relevant meetings. Following is a summary of works performed by the Audit Committee during the year under review:

- reviewed with the management and the external auditors on the interim results and annual results and related announcement including the related disclosures, integrity of financial reporting and the accounting policies adopted by the Group prior to the submission to the Board's approval;
- reviewed the continuing connected transactions of the Company;
- considered the independence and re-appointment of the external auditors;
- considered the engagement of external risk management consultant;
- reviewed the financial reporting system, compliance procedures and internal control system of the Group; and
- reviewed and discussed the audit plan for 2016/ 2017.

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. Tse Kwong Hon	2/3
Mr. Cao Kuangyu	2/3

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 2016 has been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, 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 open offer	HK$450,000

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 2016 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 69 to 74.

INTERNAL CONTROL AND RISK MANAGEMENT

Role of the Board

Risk management and internal control are important parts among the operation and management of the Group. The Board and management take high priority on the organization and implementation of each process in respect of risk management and internal control.

The Board is responsible for maintaining appropriate and effective risk management and internal control systems, and for reviewing their design, operational adequacy and effectiveness on an ongoing basis. Such systems are 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.

Internal Control

The key procedures have been placed to provide effective risk management and internal controls include a well-defined management structure with lines of responsibility and limits of authority, clear and written policies, standard operation procedures and review work conducted by the Audit Committee.

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 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.

At the time of acquisition of the gaming business in Jeju, South Korea in late 2015, the Company has engaged Deloitte Touche Tohmatsu ("Deloitte") to perform a comprehensive assessment of internal controls over certain business processes, practices and procedures of MegaLuck Co., Ltd., which covered all material aspects, including corporate control, expenditure management, gaming management, financial reporting and disclosure controls, cash and treasury management, fixed assets management, human resources and payroll management, information technology general controls and anti-money laundering management. The internal control report was submitted and reviewed by the Audit Committee with findings, risks, recommended actions and management responses during the year ended 31 December 2016.

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

Risk Management

All activities undertaken and decisions made involve a degree of risk. The Group manages risks under an overall strategy determined by the Board. On behalf of the Board, the Audit Committee identifies the operation risk of the internal control system that includes finance, operation, compliance on a regular basis so as to review the effectiveness of risk management and control. To assist the Audit Committee in fulfilling its responsibilities, a risk management working group consisting of senior management members has been formed to report to the Audit Committee the effectiveness of the risk management and internal controls.

To further strengthen the internal controls and risk management system of the Group, the Company has engaged Deloitte to conduct the internal control review and to assist in formulating a three-year development plan for comprehensive risk management system. The next focus of risk control will be to continue to facilitate the implementation of the three-year plan, optimizing internal control and achieving quantifiable control index based on the standardization of risk control system, workflows and accountability in order to achieve a further combination between the operation and management of the Company with risk control. Thus, a sound and proper internal control system would be realized with effective operation through the establishment of a mature risk control model, so as to facilitate the strategic development of the Group.

During the year ended 31 December 2016, the Board was not aware of any significant internal control or risk management issues that would have an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considered the risk management and internal control systems of the Group are effective and adequate. The Board, through the Audit Committee also satisfied itself that the accounting and financial reporting of the Group are adequately resourced with staff of appropriate qualifications and experience.

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" (the "Disclosure Guidelines") issued by the Securities and Futures Commission in June 2012. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Main Board Listing Rules, the Disclosure Guidelines and its own policy;
- the Group has implemented and disclosed events or matters on fair disclosure by non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established procedures for responding to external enquiries about the Group's affairs so that only the executive Directors, company secretary and other person duly authorised by the Board are authorised to communicate with parties outside the Group.

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.

COMPANY SECRETARY *(Continued)*

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 2016, 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 43 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, two general meetings were held. The 2016 annual general meeting was held on 6 June 2016 and a special general meetings were held on 5 December 2016. The attendance records of the Directors are set out below:

Directors	**Number of meetings attended/ Number of meetings held**
Executive Directors	
Mr. Su Bo	1/2
Mr. Yan Tao	0/2
Mr. Ng Kwong Chue, Paul	2/2
Mr. Zhang Jian	2/2
Mr. Hang Guanyu	2/2
Mr. Liu Huaming	2/2
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	0/2

Constitutional Documents

During the year ended 31 December 2016, 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 enquiries to the Board

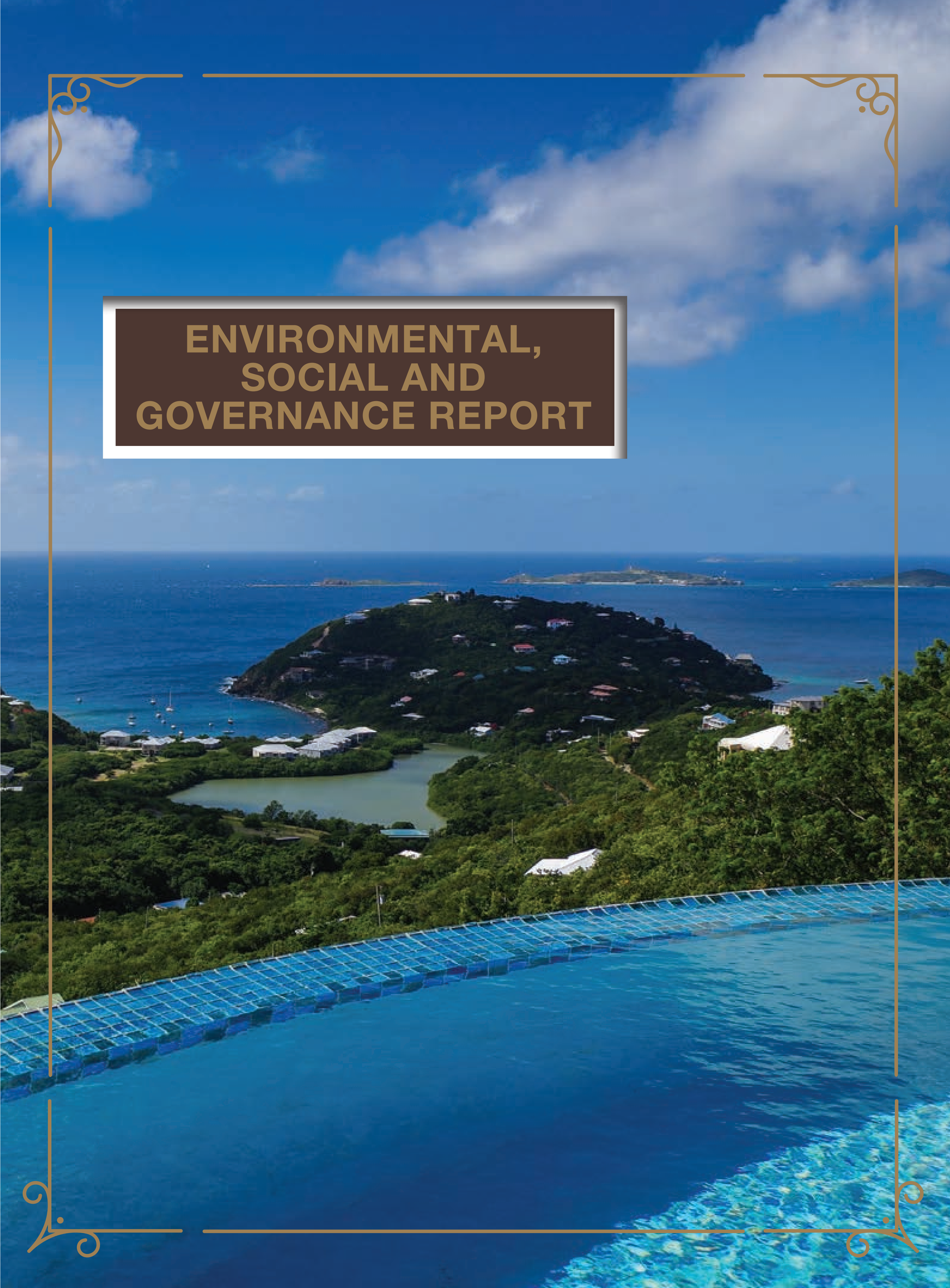
Shareholders may send their enquiries to the Board in writing with contact details, including registered name, address, telephone number and email address, to the Company Secretary as follows:

Address: Suite 1501-02, 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



DISCIPLINED CONSUMPTION WITH VIGILANCE FOR BETTER SAFETY

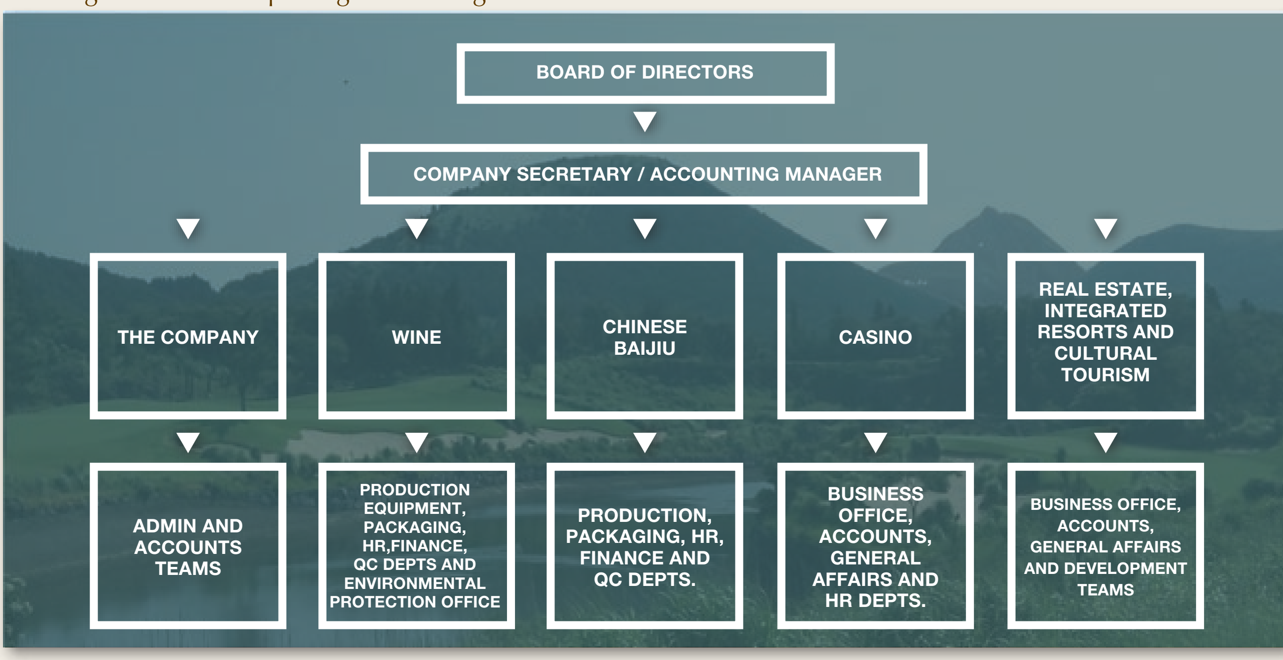
The Group is devoted to holistically fulfil its corporate social responsibility ("CSR") to give back to the society whenever possible, and respond to the needs of various stakeholder groups.

In order to share our vision and work in achieving our ESG objectives, this environmental, social and governance ("ESG") report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "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. This ESG report covers all the businesses in the Group, including wine and Chinese baijiu businesses in the PRC, casino, real estate, integrated resort and cultural tourism businesses in South Korea.

A. ESG MANAGEMENT

ESG management is an important part of our operation. The Company Secretary coordinates with different segments and departments for ESG reporting. The Board is designated to approve the ESG report. The structure is shown in Figure 1.

Figure 1 ESG Reporting and Management Structure



B. MATERIALITY ASSESSMENT

Identifying material ESG issues is an essential part of our ESG management. Understanding our business impacts to the environment and society helps us formulate our ESG strategies and allocate resources efficiently to maximise the contribution. We set goals and implement appropriate measures for aspects that are relevant and important to our business.

In order to identify the possible ESG impacts on our operations, references were made to the Guide, Global Reporting Initiative (GRI) G4 reporting standard and sectoral guidelines in Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR3.0). Materiality was determined by the relevance and importance to the Group and stakeholders. The scale and magnitude of ESG impacts were also considered.

The Group will evaluate and reduce the environmental impacts of our operations, provide high quality products and services to our customers, ensure workplace safety for our employees and promote responsible consumption behavior. The list of ESG issues identified and evaluated are listed in Table 1.

Table 1 List of material ESG issues

ESG Aspects	#	ESG Issues	Material
A1 Emissions	1	Greenhouse gas emissions	
	2	Waste management	✓
	3	Sewage treatment	
A2 Use of resources	4	Water saving	
	5	Energy saving	✓
	6	Competition for water resources (Wine and Chinese baijiu)	
	7	Use of packaging materials	
A3 Environment and natural resources	8	Adopt green building design (Real estate, integrated resort and cultural tourism)	
B1 Employment	9	Provide fair wages and employee benefits	✓
	10	Provide fair promotion opportunities	✓
	11	Talent retention	✓
B2 Health and safety	12	Protect employees against occupational hazards and disease	✓
B3 Development and training	13	Provide training to employees	✓
B4 Labour standards	14	Prevent child labour or forced labour	
B5 Supply chain management	15	Manage the environmental and social risks of the supply chain	✓
B6 Product responsibility	16	Product and services quality	✓
	17	Food hygiene and safety	
	18	Product labelling	
	19	Responsible advertising	✓
	20	Complaint handling	
	21	Intellectual property rights	
	22	Consumer privacy	
B7 Anti-corruption	23	Anti-corruption	✓
B8 Community investment	24	Community investment and charity	✓
Others	25	Promotion of responsible drinking (Wine and Chinese baijiu)	
	26	Promotion of responsible gambling (Casino business)	✓

C. RELATIONSHIP WITH STAKEHOLDERS

The Group's major stakeholders include: investors/ shareholders, government/ regulators, customers, employees, local communities, business partners, media and peers. We strive to strengthen the communication and explore better ways to keep in touch with stakeholders and offer timely responses. Through effective communications, we formulate relevant strategies to address various ESG concerns and issues. We continuously uplift our CSR and enhance the Group's CSR risk management. Throughout the year, we communicated and listened to concerns and opinions through a variety of communication channels. These efforts are summarised in Table 2.

Table 2 Summary of stakeholder efforts

Stakeholder Groups	Our Shared Values	Communication Channels
Investors/ Shareholders	• Create sustainable value for shareholders through all-rounded 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 and site visits • Investor relations enquiry and briefings
Government/ Regulators	• Ascertain compliance with laws and regulations • Support and encourage local employment • Reduce local poverty • Maintain economic sustainability and social stability through job creation, innovations, remote area development etc. • Deliver long-term economic and social benefits through operations including job creation, innovations, remote area development etc.	• Maintain close relationship with local governments and relevant departments • Develop training to educate and enhance the skill level of local staff • Annual and interim reporting • ESG disclosures • Facilitate regular government inspection activities
Customers	• Pursue quality, healthy and safe 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 equal and mutually beneficial partnership • Enhance product experience through education and comprehensive product information sharing	• Customer service hotlines • After-sales customer service • Regular visit to partners' retail outlets

C. RELATIONSHIP WITH STAKEHOLDERS *(Continued)*

Table 2 Summary of stakeholder efforts *(Continued)*

Stakeholder Groups	Our Shared Values	Communication Channels
Employees	• Value employees' contribution and encourage their development and recognise their merit • 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	• Conduct team building activities • Employee satisfaction survey • Annual congress, Intranet, internal publications, bulletin board system, social media and seminars to keep employees in line with the Group's development • Support education and training • Annual and interim appraisal
Local Communities	• Contribute to the local communities through innovations and research and development • Engage environmentally-friendly production to minimise impact to local communities • Promote and educate responsible drinking • Understand and respond to local communities' concerns over products and ESG issues • Grow our business to support local economic development	• Organise or contribute to community activities and programmes • Donation to and sponsorship for charity functions and organisations • Organise and encourage employees to participate in community
Business Partners	• Ensure ethical and legal compliance within the whole value chain • Bring synergy in long-term profitability with good ESG practice • Maintain equity to strengthen cooperation • Demonstrate business integrity by fulfilling contractual obligations	• Contractor conference • Progress meetings • Audits, assessments and inspections • Information and experience sharing • Product briefing
Media	• Jointly promote responsible and healthy drinking • Publish important events timely	• Product launch • Press conference • Interviews • Internet • Press media
Peers	• Establish a fair and benign competition and safeguard the interest of the industry for sustainable development • Strengthen cooperation in technological advancement and management enhancement • Form alliance and respond society expectation in a timely manner	• Industry forum • Industry conference • Industry knowledge sharing platform

D. AWARD AND CERTIFICATIONS

Our determination to deliver quality products and services to our customers are demonstrated by the recognition received during the year. These award and certifications not only reaffirmed our accomplishment but also reminded us of continuous improvements. The ESG-related award and certifications received by our segments are listed in Table 3.

Table 3 Award and certifications

Award Name
2016 Korean National Assembly Daesang Award

Presenting Organisation
Korean National Assembly

Receiving Subsidiary
Glorious Hill

Contribution Commended
- Development of land resources
- Development and protection of tourism resources
- International exchange and cooperation
- Contribution in economic development

Award Name
China Organic Product Certificate

Presenting Organisation
China Quality Certification Centre

Receiving Subsidiary
Shangri-la Winery

Contribution Commended
Certification of GB/T19630 "Organic Product" for the production of cabernet sauvignon (grape) in the following parts:
Part 1: Production
Part 3: Labelling and Marketing
Part 4: Management System

D. AWARD AND CERTIFICATIONS *(Continued)*

Table 3 Award and certifications *(Continued)*

Award Name
China Organic Product Certificate

Presenting Organisation
China Quality Certification Centre

Receiving Subsidiary
Shangri-la Winery

Contribution Commended
Certification of GB/T19630 "Organic Product" for the processing of cabernet sauvignon (wine) in the following parts:
Part 2: Processing
Part 3: Labelling and Marketing
Part 4: Management System

Award Name
Protected Eco-Origin Product Certificate

Presenting Organisation
General Administration of Quality Supervision, Inspection and Quarantine, State Council of the PRC

Receiving Subsidiary
Shangri-la Winery
Yuquan Winery

Contribution Commended
Environmentally-friendly, low-carbon, energy- and resource-saving in production, as well as having ecological features or characteristics of the origin

E. ESG PERFORMANCE

Our ESG vision helped us accomplish our ESG responsibilities. We are delighted to share our achievements on environmental protection, employee care, provision of quality products and services, business integrity and positive impacts to the community in the following sections.

1. Environmental Protection

The Group is devoted to protecting the environment through improving the production and operational practices. We strive to reduce emissions, enhance resource efficiency, in particular to energy and water as well as improving greenery. All our operations adhered to the relevant local environmental laws and regulations during the reporting period. A variety of measures were deployed. Brief description of the measures and achievements is shown in Table 4.

Table 4 Environmental protection measures

Categories	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 waste are reused where possible or processed at waste treatment plant for safe disposal. • Grape skins are reused by relevant parties, with some sold to farmers as fertilisers. • Hazardous chemical waste are handled in accordance with the relevant laws and regulations. The waste are separately stored and handled with ledger for record. • The use of pesticides is prohibited to promote organic and ecological cultivation. • Waste separation and recycling.
Sewage treatment	• Sewage treatment plant is constructed to treat the wastewater before discharging to the environment, ensuring compliance with relevant water processing and emission laws and regulations.
Air emissions	• Coal use is avoided as much as possible. • Flue gas desulphurisation device is installed in coal-powered boiler. • Coal with higher calorific value is used.
Efficient use of natural resources	• Sewage effluent is treated to meet quality standard with annual saving of 30,000 tonnes 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. • Install water dispenser and encourage staff to bring their own cups. • Benchmark 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. • Improve air conditioning and heating system in casino. • Use of energy-saving lighting in production areas and casino.
Others	• Improve greenery in the production sites and incorporate ecologically-friendly features to the facilities. • Promotion of organic and ecologically-friendly products through the use of domestic fertiliser, organic pest control, and organic farming.

E. ESG PERFORMANCE *(Continued)*

1. Environmental Protection *(Continued)*

With the above measures in place for reducing carbon emissions, improving greenery and enhancing eco-efficiency, we will continue our research and development efforts to advance environmental-friendliness in the future.

2. Employee Care

We regard our employees as our valuable assets and companions. As the commitment to our employees and on top of fulfilling our ESG obligations, we strive to safeguard their benefits and welfare, provide a healthy and safe workplace and offer career and personal development opportunities. The Group complied with the relevant local laws and regulations during the reporting period.

Employee benefits and welfare

To safeguard our employee rights in compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits, welfare and arrangements in case of work-related injuries, we have produced staff handbook, guidelines and management methodology. Reference to the relevant legal standards is made to ensure consistency across segments and functions. We have preventive measures to avoid child and forced labour across our segments. No occurrence of such was recorded in 2016.

Employees with financial difficulties can apply for subsidies on accommodation. Management visit them periodically to offer necessary support and assistance. As a family-friendly employer, we offer initiatives such as lactation breaks for mothers with babies less than one year old and family leave for taking care of family members in need. We have also organised sports events for our employees and medical screenings for workers.

Health and safety

Our commitment to a healthy and safe workplace is founded on occupational hazard prevention. Through safety inspections, supervisions and audits, we strive to attain our production safety to national standards. Our subsidiaries' proactive measures have earned the level two and three in the safety production standardisation on the respective operations.

In addition, we put in resources to raise our employees' awareness of workplace health and safety. Apart from providing safety training and annual medical checkup for frontline production staff, production safety has been listed as one of the criteria in their performance review. Risk assessments have been conducted to identify and manage health and safety risk. During the reporting period, three work-related health and safety incidents were recorded.

Training and development

Facilitating the professional and personal development of the employees is essential to the on-going development and continuity of the Group. As such, we have dedicated programmes to develop their skills and knowledge. We provide them with a variety of internal and external training courses, ranging from workplace safety, industry-specific knowledge, laws and regulations, marketing, administration to management skills. To evaluate the effectiveness of the courses and to help them better understand and apply the knowledge, we assess their competence and training needs regularly, with assessment elements incorporated into the curricula.

Our subsidiaries also offer seminars on special topics. Specifically, topics on anti-sexual harassment, gambling addiction and anti-money laundering would be offered to suit the business nature. Demonstrating our effort to develop our staff, we dedicated effort to achieve a total of 12,275 training hours in 2016.

E. ESG PERFORMANCE *(Continued)*

3. Premium Quality

As committed to bringing premium quality products to customers, the Group has implemented measures to enhance management of suppliers, product quality control and production process.

Supply chain management

We conduct evaluations and verifications on our supply chain. Our subsidiaries follow the Group's procurement policy and system which are compliant with the relevant local laws and regulations.

Our suppliers and service providers have all undergone evaluation processes. Apart from comparing the price and quality of goods or services, we look into their business reputation as well as relevant certificates in food safety management. We require our existing and new suppliers to uphold high standard in control measures and management system in terms of legal compliance, product quality, food safety and other relevant ESG issues.

The Group has a quality assurance policy which is beyond compliance standard. It involves sample inspection, product certification check, and quality and safety testing. We follow the policy strictly to ensure the quality of the supplies and our products.

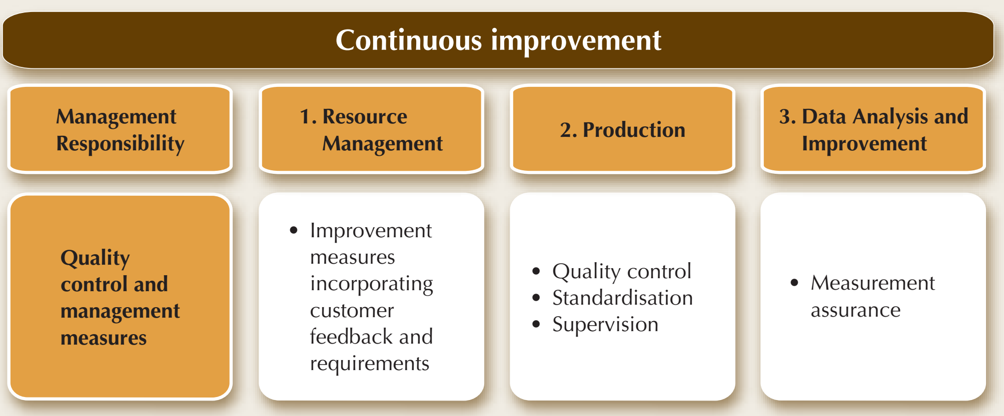
Quality control

Our product and service quality goes beyond the regulatory standards. We have been running a management system of quality food safety and integrity, and since 2006, we have been certified with the ISO9001 Quality Management System. In addition, our food safety management system is certified with Hazard Analysis and Critical Control Point (HACCP). The general quality management process across segments is shown in Figure 2.

Through the integration of our quality management process into our daily operations, the responsibility on quality control is integrated into each production process. To govern issues related to the purchase of raw materials, production, storage, transport, sales etc., the Group has measurement assurance, standardisation and quality control systems in place. Our emphasis on product quality can also be seen from the well-established quality responsibility system which defines roles and responsibilities of every staff. The system has been recognised by both the local government and food and beverage industry.

We complied with the local food safety legal requirements during the reporting period.

Figure 2 Quality management process



E. ESG PERFORMANCE *(Continued)*

3. Premium Quality *(Continued)*

After-sales service

Customer feedback is vital for our provision of quality services and products. We have set up a customer service hotline to collect feedback in a timely manner. We also arrange staff to visit retail outlets to obtain feedback. Our marketing department analyses the feedback to continuously improve our products and services.

During the reporting period, no complaints on our goods and services were received.

Information management and intellectual property rights

To protect our customers' personal details and privacy, an integrated information management system for customer information management, confidentiality and security has been established to prevent data bleaching. No complaints or prosecutions were recorded during the reporting period. Our practice in information management complies with the corresponding local laws and regulations.

We treat intellectual property rights seriously and forbid the use of pirate software in our operations. A management team has been set up for anti-counterfeiting enforcement, strengthen brand management and maintain our brand image. Patents, trademarks and the like are managed with regard to the internal policies, with defined roles, responsibilities and standardised procedures.

Product responsibility

As a wine-maker, we make use of marketing and product development to advocate responsible and healthy drinking. On top of putting warning messages on packaging and product labels as well as developing baijiu products with lower alcohol content, we have organised campaigns in the community to promote healthy drinking and responsible driving.

For our casino business, we strictly prohibit the locals or people aged below 19 to access the facility. The relevant messages are posted in the entrance, with security guards stationed in the area. Through monitoring and selection of suppliers, we strive to ensure food safety of the food and beverages served on the premise.

Recreational resorts require high-quality environment and service. Our staff closely monitors the deliverables of suppliers and contractors and conducts quality assurance activities to ensure building safety and that the build environment is in line with the design. Profession-related and service-related training are provided to relevant staff.

4. Anti-corruption

Upholding high standard of business integrity is vital to our role as a responsible corporate citizen. To this, we have established a stringent internal control system and conducted internal audit reviews regularly. To reduce the likelihood of improprieties related to bribery, extortion, fraud and money laundering, all our suppliers and customers are obliged to sign and are bound by the "Integrity Agreement".

We have also established procedures and measures to combat against corruption. Employees can report suspicious cases with a telephone hotline or whistle-blowing procedures. The former has been made available to external parties as well. Additionally, we carry out education programmes and campaigns for our staff to raise their awareness.

Corrupt practices can occur at different aspects and process of operation. The risk of the occurrence is also different for different businesses. We believe that prevention is better than cure while requiring staff from all business to follow the Group's policy, necessary training will also be provided.

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

E. ESG PERFORMANCE *(Continued)*

5. Care for the Community

We are committed to giving back to the community. Our community initiatives include advocating healthy and responsible drinking, donating, sponsoring, organising activities for community well-being and supporting remote regions' development.

In supporting societal development, we contribute to the community with donations, sponsorship, organisation and participation in community programmes. Our service targets include the underprivileged, elderly, families suffered from natural disasters, retired employees and other groups in need. We have also contributed to the development in Shangri-la Economic Development Zone and helped create jobs in the vicinity.

6. ESG Performance and Data

Environmental	Unit	Data
Greenhouse gas emissions		
Scope 1[1]	tonnes	7,536.6
Scope 2[2]	tonnes	297,397.8
Total	tonnes	304,934.4
Air emissions		
Nitrogen oxides (NOx)	tonnes	11.9
Sulphur oxides (SOx)	tonnes	2.5
Waste disposed (by types)		
Wastewater	m^3	1,152.0
Paper	tonnes	129.0
Plastic	tonnes	22.9
Cinder	tonnes	417.0
General waste	tonnes	0.4
Use of resources		
Electricity use	kWh	599,430,800.0
Coal use	tonnes	3,825.7
Water use	m^3	47,680.0
Packaging materials		
Wine bottle	tonnes	1,822.1
Carton box	tonnes	307.5
Cork	tonnes	11.0
Paper box	tonnes	84.1

1 Scope 1 greenhouse gas emissions refer to direct emissions from combustion of fuels in stationary sources. The figure presented includes only the amount of coal used. It is presented in carbon dioxide equivalent. The methodology used for calculation is drawn from the 'Specification with guidance for quantification and reporting of greenhouse gas emissions published by Market Supervision Administration of Shenzhen Municipality.

2 Scope 2 greenhouse gas emissions refer to energy indirect emissions. The figure presented includes only the electricity purchased from power companies. It is presented in carbon dioxide equivalent. The methodology used for calculation is drawn from the 'CO_2e per electricity unit sold' by HK Electric, '2015 Emission Factors for purchased electricity within Mainland China', published by National Development and Reform Commission and 'Building Simplified Life Cycle CO_2 Emissions Assessment Tool' published by Multidisciplinary Ditigal Publishing Institute.

E. ESG PERFORMANCE *(Continued)*

6. ESG Performance and Data *(Continued)*

Social	Unit	Data
Total number of employees – by gender (full-time employees only)		
Male	number	546
Female	number	402
Total number of employees – by age (full-time employees only)		
< 30	number	266
30 – 50	number	591
> 50	number	91
Total number of employees – by employee category		
Senior	number	51
Middle	number	128
Junior	number	769
Temporary/ contract/ seasonal staff	number	51
Total number of employees – by geography (full-time employees only)		
Hong Kong	number	17
Mainland China	number	765
South Korea	number	166
Employee turnover – by gender		
Male	number	72
Female	number	34
Employee turnover – by age		
< 30	number	40
30 – 50	number	52
> 50	number	14
Employee turnover – by geography		
Hong Kong	number	1
Mainland China	number	58
South Korea	number	47
Occupational safety and health		
Lost days due to work injuries	number	37
Number of injuries	number	3
Number of fatalities	number	0

E. ESG PERFORMANCE *(Continued)*

6. ESG Performance and Data *(Continued)*

Social	Unit	Data
Percentage of employees trained – by gender		
Male	%	97.8
Female	%	97.0
Percentage of employees trained – by employee category		
Senior	%	82.4
Middle	%	91.3
Junior	%	99.5
Average training hours completed per employee – by gender		
Male	hours	13.3
Female	hours	12.6
Average training hours completed per employee – by employee category		
Senior	hours	22.6
Middle	hours	16.1
Junior	hours	11.8
Number of suppliers – by geography[3]		
Mainland China	number	24
Hong Kong	number	4
South Korea	number	1
Product and service quality		
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0
Number of complaints	number	0
Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the reporting period	number	0

[3] This number only includes contracts over HK$1,000,000.

F. STOCK EXCHANGE ESG GUIDE CONTENT INDEX

Aspects	Disclosure	Location and Notes
A1 - Emissions	General Disclosure A1.1 The types of emissions and respective emissions data. A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). A1.5 Description of measures to mitigate emissions and results achieved. A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• 1. Environmental Protection (pages 60 to 61) • 6. ESG Performance and Data (pages 64 to 66)
A2 - Use of Resources	General Disclosure A2.1 Direct and/ or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). A2.3 Description of energy use efficiency initiatives and results achieved. A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3 - The Environment and Natural Resources	General Disclosure A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

F. STOCK EXCHANGE ESG GUIDE CONTENT INDEX *(Continued)*

Aspects	Disclosure	Location and Notes
B1 - Employment	General Disclosure B1.1 Total workforce by gender, employment type, age group and geographical region. B1.2 Employee turnover rate by gender, age group and geographical region.	•2. Employee Care (page 61) •6. ESG Performance and Data (pages 64 to 66)
B2 - Health and Safety	General Disclosure B2.1 Number and rate of work-related fatalities. B2.2 Lost days due to work injury. B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	
B3 - Development and Training	General Disclosure B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). B3.2 The average training hours completed per employee by gender and employee category.	
B4 - Labour Standards	General Disclosure B4.1 Description of measures to review employment practices to avoid child and forced labour. B4.2 Description of steps taken to eliminate such practices when discovered.	
B5 - Supply Chain Management	General Disclosure B5.1 Number of suppliers by geographical region. B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	•3. Premium Quality (pages 62 to 63) •6. ESG Performance and Data (pages 64 to 66)
B6 - Product Responsibility	General Disclosure B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. B6.2 Number of products and service related complaints received and how they are dealt with. B6.3 Description of practices relating to observing and protecting intellectual property rights. B6.4 Description of quality assurance process and recall procedures. B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	
B7 - Anti-corruption	General Disclosure B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	•4. Anti-corruption (page 63) •6. ESG Performance and Data (pages 64 to 66)
B8 - Community Investment	General Disclosure B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). B8.2 Resources contributed (e.g. money or time) to the focus area.	•5. Care for the Community (page 64) •6 ESG Performance and Data (pages 64 to 66)

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
(incorporated in Bermuda with limited liability)

OPINION

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 75 to 155, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressd the key audit matter
Impairment assessment on the Group's casino business	
Refer to Notes 18 and 20 and the accounting policies in Note 3 to the consolidated financial statements.	
As at 31 December 2016, the Group had goodwill of approximately HK$75,221,000 and casino license of approximately HK$423,812,000 respectively. For the purpose of assessing impairment, these assets were allocated to cash generating units ("CGUs"), and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of CGUs and to determine the key assumptions, including operating margins, terminal growth rates and discount rates, underlying the value-in-use calculations. Independent external valuation was obtained in order to support management's estimate. Management has concluded that there is no impairment in respect of the goodwill and casino license.	Our procedures in relation to management's impairment assessment of the Group's key business included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's casino business; • Assessing the value-in-use calculations methodology adopted by management and the reasonableness of key assumptions (including operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry; and • Checking on a sample basis, the accounting and relevance of the input data used. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressd the key audit matter
Carrying values of properties under development	
Refer to Note 17 and the accounting policies in Note 3 to the consolidated financial statements.	
The carrying value of properties under development was approximately HK$355,730,000 as at 31 December 2016. The management determined the net realisable value of the properties by the direct comparison approach, which involved the use of estimates and assumptions including recent sales price of similar properties with adjustments for any difference in nature, locality and condition of the properties. Based on their determination of these net realisable values, management concluded that the carrying values of the properties under development were appropriate.	Our procedures in relation to management's assessment of the carrying values of properties under development included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of the properties under development; and • Comparing the management's estimates of selling prices for similar properties to market data used in the assessment. We found the carrying value of the properties under development were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressd the key audit matter
Valuation of inventories	
Refer to Note 22 and the accounting policies in Note 3 to the consolidated financial statements.	
The carrying value of inventories was approximately HK$220,819,000 as at 31 December 2016. The management estimated the net realisable value of the inventories by reference to the latest selling prices and current market conditions, which involve management's estimation. The Group carried out the inventory review at the end of the reporting period. The management concluded that the carrying value of the inventories was appropriate and no allowance on obsolete and slow-moving items was provided during the year ended 31 December 2016.	Our procedures in assessing the appropriateness of the determination of the carrying value of the inventories, included: • Assessing the appropriateness of the methodologies used by the management for the assessment of the net realisable value of inventories; • Assessing, on a sample basis, whether items in ageing report prepared by the management where classified within the appropriate ageing bracket of comparing items; and • Testing, on a sample basis, the net realisable value of selected inventory items, by comparing the subsequent selling price to year end carrying amount. We found the carrying values of the inventories were supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance with Section 90 of Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditors' report is Ng Ka Wah.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417

Hong Kong, 28 March 2017

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**273,710**	241,225
Sales of wines and Chinese baijiu		**200,664**	239,058
Cost of sales of wines and Chinese baijiu		**(116,469)**	(139,950)
Gross profit of wines and Chinese baijiu		**84,195**	99,108
Gaming revenue		**73,046**	2,167
Cost of gaming operation		**(33,952)**	(525)
Gross profit of gaming operation		**39,094**	1,642
Gross profit		**123,289**	100,750
Other revenue	9	**34,727**	22,258
Selling and distribution expenses		**(57,513)**	(79,567)
Administrative expenses		**(112,655)**	(77,941)
Share-based payment expenses		**(59,479)**	–
Loss from operating activities	10	**(71,631)**	(34,500)
Finance costs	12	**(10,778)**	(3,544)
Loss before taxation		**(82,409)**	(38,044)
Taxation	13	**(1,211)**	(2,846)
Loss for the year		**(83,620)**	(40,890)
Attributable to:			
Owners of the Company		**(80,064)**	(35,336)
Non-controlling interests		**(3,556)**	(5,554)
		(83,620)	(40,890)
Loss per share attributable to owners of the Company			(restated)
Basic and diluted	15	**HK(3.42) cents**	HK(1.84) cents

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

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(83,620)**	(40,890)
Other comprehensive income/ (loss), net of income tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**130**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(81,729)**	(17,059)
Total comprehensive loss for the year	**(165,219)**	(57,949)
Attributable to:		
Owners of the Company	**(144,369)**	(51,816)
Non-controlling interests	**(20,850)**	(6,133)
	(165,219)	(57,949)

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	**26,345**	29,338
Property, plant and equipment	17	**899,555**	583,864
Intangible assets	18	**430,651**	458,732
Available-for-sale investment	19	**1,598**	1,728
Goodwill	20	**75,221**	75,221
Deferred tax assets	30	**761**	3,203
		1,434,131	1,152,086
Current assets			
Inventories	22	**220,819**	229,227
Stock of properties	23	**–**	281,452
Trade and bills receivables	24	**9,375**	34,536
Prepayments, deposits paid and other receivables	25	**117,252**	81,363
Short-term loans receivables	26	**3,226**	7,289
Cash and cash equivalents	27	**1,584,897**	305,867
		1,935,569	939,734
Total assets		**3,369,700**	2,091,820

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	28	**22,911**	22,685
Reserves	29	**650,133**	725,020
		673,044	747,705
Non-controlling interests		**272,607**	367,112
Total equity		**945,651**	1,114,817
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	30	**106,936**	112,799
Loan from immediate holding company	31	**342,422**	481,674
Net defined benefits liabilities	33	**4,021**	5,082
Bank borrowing - due after one year	37	**–**	60,315
		453,379	659,870
Current liabilities			
Trade payables	34	**31,236**	49,581
Accruals, deposits received and other payables	35	**1,611,153**	169,170
Amount due to a non-controlling shareholder of a subsidiary	32	**–**	4,101
Amounts due to related parties	36	**87,683**	32,011
Loans from immediate holding companies	31	**175,465**	50,000
Bank borrowing - due within one year	37	**55,795**	6,216
Deferred revenue	38	**5,996**	5,377
Tax payables		**3,342**	677
		1,970,670	317,133
Total liabilities		**2,424,049**	977,003
Total equity and liabilities		**3,369,700**	2,091,820
Net current (liabilities)/ assets		**(35,101)**	622,601
Total assets less current liabilities		**1,399,030**	1,774,687

Approved and authorised for issue by the Board of Directors on 28 March 2017 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 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK'000
At 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											
Exchange differences arising from translation of foreign operations	–	–	–	(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 43)	–	–	–	–	–	–	–	–	–	172,957	172,957
Effect of business combination under common control (note 44)	–	–	–	–	–	10,168	–	–	10,168	134,249	144,417
Appropriation to the statutory reserve	–	–	–	–	740	–	–	(740)	–	–	–
At 31 December 2015 and 1 January 2016	22,685	797,861	–	53,365	35,338	10,168	356	(172,068)	747,705	367,112	1,114,817
Loss for the year	–	–	–	–	–	–	–	(80,064)	(80,064)	(3,556)	(83,620)
Other comprehensive income/ (loss)											
Remeasurement of defined benefit plan	–	–	–	–	–	–	–	166	166	(36)	130
Exchange differences arising from translation of foreign operations	–	–	–	(64,471)	–	–	–	–	(64,471)	(17,258)	(81,729)
Total comprehensive loss for the year	–	–	–	(64,471)	–	–	–	(79,898)	(144,369)	(20,850)	(165,219)
Acquisition of additional interest in a subsidiary (note 42)	–	–	–	–	–	–	(28,199)	–	(28,199)	(73,655)	(101,854)
Issuance of consideration shares (note 28)	226	38,202	–	–	–	–	–	–	38,428	–	38,428
Recognition of equity-settled share-based payments (note 46)	–	–	59,479	–	–	–	–	–	59,479	–	59,479
Appropriation to the statutory reserve	–	–	–	–	611	–	–	(611)	–	–	–
At 31 December 2016	22,911	836,063*	59,479*	(11,106) *	35,949*	10,168*	(27,843) *	(252,577)*	673,044	272,607	945,651

* These reserve accounts comprise the consolidated reserve of approximately HK$650,133,000 (2015: HK$725,020,000) in the consolidated statement of financial position.

For the year ended 31 December 2016

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 (the "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 Glorious Hill Co., Ltd. ("Glorious Hill") and the carrying amounts of its net assets during the year ended 31 December 2015. As the Company and Glorious 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 and its carrying amount on the date of the acquisition.

SHARE OPTION RESERVE

Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in the consolidated statement of profit or loss with a corresponding increase in the share option reserve.

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss before taxation		**(82,409)**	(38,044)
Adjustments for:			
Bank Interest income	9	**(458)**	(1,061)
Dividend income from unlisted securities	9	**(290)**	(298)
Impairment loss of trade receivables	10,24	**187**	–
Impairment loss of short-term loans receivables	10,26	**409**	–
Reversal of impairment loss of trade receivables	24	**(66)**	–
Reversal of impairment loss of other receivables	25	**(166)**	–
Reversal of impairment loss of short-term loans receivables	26	**(7,026)**	–
Depreciation of property, plant and equipment	10,17	**25,142**	20,577
Amortisation of intangible assets	10,18	**670**	715
Amortisation of land use rights	10,16	**830**	805
Loss on disposal of property, plant and equipment	10	**314**	4,134
Interest expenses	12	**10,778**	3,544
Share-based payment expenses	46	**59,479**	–
Operating cash flows before movements in working capital		**7,394**	(9,628)
Decrease (increase) in trade and bills receivables		**22,452**	(8,722)
Decrease in prepayments, deposits paid and other receivables		**2,705**	2,503
Decrease in short-term loans receivables		**10,246**	–
(Increase) decrease in inventories		**(8,771)**	30,661
Increase in amounts due to related parties		**57,579**	15,847
Decrease in trade payables		**(14,463)**	(1,146)
Decrease in accruals, deposits received and other payable		**(11,666)**	(8,336)
Decrease in amount due to a non-controlling shareholder of a subsidiary		**(4,101)**	–
Increase in deferred revenue		**1,022**	5,377
Decrease in net defined benefits liabilities		**(758)**	–
Increase in stock of properties		**–**	(85,715)
Cash generated from (used in) operations		**61,639**	(59,159)
Taxation paid		**(729)**	(639)
Interest paid		**(3,399)**	(3,544)
Net cash generated from (used in) operating activities		**57,511**	(63,342)
Cash flows from investing activities			
Bank interest received		**458**	1,061
Dividend received from unlisted securities		**290**	298
Purchase of property, plant and equipment	17	**(128,719)**	(22,936)
Acquisition of additional interests in a subsidiary	42	**(101,854)**	–
Net cash outflow arising from acquisition of a subsidiary	43	**–**	(254,260)
Net cash inflow arising from business combination under common control		**–**	20,553
Net cash used in investing activities		**(229,825)**	(255,284)

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Proceeds from bank borrowing		–	60,315
Repayment of bank borrowing		(5,846)	(63,150)
Net proceeds from placing of new shares		–	393,943
Advance from immediate holding companies		118,086	133,592
Repayment of a loan to the immediate holding company		(111,590)	–
Proceeds from application for the open offer	35	1,466,327	–
Net cash generated from financing activities		1,466,977	524,700
Net increase in cash and cash equivalents		1,294,663	206,074
Cash and cash equivalents at the beginning of the year		305,867	105,455
Effect of exchange rate changes on the balance of cash held in foreign currency		(15,633)	(5,662)
Cash and cash equivalents at the end of the year		1,584,897	305,867
Analysis of the balances of cash and cash equivalents			
Banks balances and cash		1,584,897	305,867

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.

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) operation of casino business in South Korea; and (iii) development and operation of real estate and cultural tourism 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 AMENDMENTS TO HKFRSs

(i) Amendments to HKFRSs adopted by the Group

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2016:

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

The 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 AMENDMENTS TO HKFRSs *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016 *(Continued)*

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

- 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 attributable to a financial liability's 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 is 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. 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, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016 *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016 *(Continued)*

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK$65,138,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016 *(Continued)*

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a `net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

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.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016 *(Continued)*

Amendments to HKAS 7 Disclosure Initiative

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

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

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.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 Financial Instruments: Recognition and Measurement under certain specific facts and circumstances.

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 HKFRs which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") 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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to 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.

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.

Catering and related service income

Catering and related service income, including income from food and beverages sales and related services, is recognised when the relevant services has been rendered.

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 and properties under development include 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.

Freehold land is stated at cost less accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress, properties under development and freehold land) 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%
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% – $33^1/_3$%

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

AFS financial assets (Continued)

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).

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.

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 consolidated 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.

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 capitalised as the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalisation of such borrowing costs begins when the acquisiton, construction or production activities commence and ceases when 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. 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. 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

	2016 HK$'000	2015 HK$'000
Financial assets		
Available-for-sale investment	**1,598**	1,728
Loan and receivables (including cash and cash equivalents)	**1,604,188**	354,344
Financial liabilities		
Amortised cost	**2,247,562**	774,467

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 2016 would increase/ decrease by approximately HK$279,000 (2015: loss would increase/ decrease by HK$333,000).

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.

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:

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk tables

	Weighte 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 2016						
Non-derivative financial liabilities						
Trade payables	–	**31,236**	–	–	**31,236**	**31,236**
Accruals and other payables	–	**1,554,961**	–	–	**1,554,961**	**1,554,961**
Amounts due to related parties	–	**87,683**	–	–	**87,683**	**87,683**
Loan from immediate holding companies	**8.00%**	**175,465**	**351,462**	–	**526,927**	**517,887**
Amount due to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–
Bank borrowings	**5.33%**	**55,795**	–	–	**55,795**	**55,795**
		1,905,140	**351,462**	**–**	**2,256,602**	**2,247,562**
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	–	1,011,162	774,467

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 2016 and 2015, 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 2015.

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 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Total borrowings	**583,324**	602,306
Total equity	**945,651**	1,114,817
Gearing ratio	**61.68%**	54.03%

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 2016 was approximately HK$75,221,000 (2015: HK$ 75,221,000). Details of the impairment test of goodwill are set out in note 20.

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

Key sources of estimation uncertainty *(Continued)*

(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.

(d) Impairment of trade receivables, short-term loans receivables and other receivables

The aged debt profile of trade receivables, short-term loan receivables and other receivables are reviewed on a regular basis to ensure that these 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 these balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers and other debtors, the aged analysis of these balances and their respective 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 these balances 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.

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

Key sources of estimation uncertainty *(Continued)*

(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.

(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

	2016 **HK$'000**	2015 HK$'000
Production and distribution of wine	**124,882**	164,022
Production and distribution of Chinese baijiu	**75,782**	75,036
Casino business	**73,046**	2,167
	273,710	241,225

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) operation of casino business in South Korea; and (iv) development and operation of real estate and cultural tourism in South Korea. The segmentations are based on the business nature 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		Casino business		Cultural tourism		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment revenue										
Revenue from external customers	**124,882**	164,022	**75,782**	75,036	**73,046**	2,167	**–**	–	**273,710**	241,225
Segment profit (loss)	**10,201**	8,228	**(3,225)**	(10,627)	**3,638**	1,739	**(8,835)**	(6,643)	**1,779**	(7,303)
Unallocated corporate income									**1,205**	151
Unallocated corporate expenses									**(74,615)**	(27,348)
Finance costs									**(10,778)**	(3,544)
Loss before taxation									**(82,409)**	(38,044)
Taxation									**(1,211)**	(2,846)
Loss for the year									**(83,620)**	(40,890)

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, share-based payment expenses, 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.

For the year ended 31 December 2016

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		Casino business		Cultural tourism		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment assets	**409,054**	474,886	**203,571**	213,096	**562,297**	577,160	**671,815**	804,398	**1,846,737**	2,069,540
Unallocated									**1,522,963**	22,280
									3,369,700	2,091,820
Segment liabilities	**170,634**	135,853	**54,662**	46,994	**49,845**	38,213	**414,291**	516,547	**689,432**	737,607
Unallocated									**1,734,617**	239,396
									2,424,049	977,003

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		Casino business		Cultural tourism		Unallocated		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Additions to non-current assets	**15,166**	15,965	**10,268**	6,660	**1,629**	–	**99,824**	295	**1,832**	16	**128,719**	22,936
Depreciation of property, plant and equipment	**12,420**	12,827	**2,212**	6,921	**3,946**	35	**6,507**	775	**57**	19	**25,142**	20,577
Amortisation of land use rights	**215**	230	**615**	575	**–**	–	**–**	–	**–**	–	**830**	805
Amortisation of intangible assets	**670**	715	**–**	–	**–**	–	**–**	–	**–**	–	**670**	715
Recovery of impairment loss in respect of trade receivables, other receivables and short-term loans receivables	**(166)**	–	**–**	–	**(7,092)**	–	**–**	–	**–**	–	**(7,258)**	–
Impairment loss of trade receivables	**–**	–	**–**	–	**187**	–	**–**	–	**–**	–	**187**	–
Impairment loss of short-term loans receivables	**–**	–	**–**	–	**409**	–	**–**	–	**–**	–	**409**	–

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 2016 (2015: Nil).

Geographical information

The Group's operations are located in the PRC (including Hong Kong) 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	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
The PRC (including Hong Kong)	**200,664**	239,058	**297,418**	315,485
South Korea	**73,046**	2,167	**1,136,713**	836,601
	273,710	241,225	**1,434,131**	1,152,086

9. OTHER REVENUE

	2016 **HK$'000**	2015 HK$'000
Government grants (note 48)	**19,046**	19,254
Bank interest income	**458**	1,061
Dividend income	**290**	298
Service income (note 47)	**1,152**	–
Catering and related services income	**4,060**	–
Sales of wasted materials	**1,380**	1,028
Recovery of impairment loss in respect of trade receivables, other receivables and short-term loans receivables (notes 24, 25 and 26)	**7,258**	–
Others	**1,083**	617
	34,727	22,258

10. LOSS FROM OPERATING ACTIVITIES

	2016 HK$'000	2015 HK$'000
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**73,029**	42,456
– Retirement benefits scheme contributions	**5,066**	6,588
– Share-based payments to directors	**18,513**	—
– Share-based payments to other employees	**10,241**	—
Total staff costs	**106,849**	49,044
Auditors' remuneration	**1,650**	2,600
Amortisation of intangible assets	**670**	715
Amortisation of land use rights	**830**	805
Cost of inventories recognised as expenses	**95,454**	119,788
Loss on disposal of property, plant and equipment	**314**	4,134
Depreciation of property, plant and equipment	**25,142**	20,577
Impairment loss of trade receivables	**187**	–
Impairment loss of short-term loans receivables	**409**	–
Research and development costs	**878**	895
Minimum lease payments under operating leases:		
– Land and building	**2,839**	2,397
Share-based payments to other participants	**30,725**	–

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

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2016, the emoluments paid or payable to each of the nine (2015: thirteen) directors and the chief executive of the Company were as follows:

For the years ended 31 December 2016 and 2015:

	Fees		Salaries, allowance and benefits in kind		Performance related incentive payments		Retirement benefits scheme contributions		Share-based payments		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Su Bo[1]	–	–	120	90	–	–	–	–	4,727	–	4,847	90
Yan Tao[2]	–	–	120	331	–	–	–	–	1,182	–	1,302	331
Ng Kwong Chue, Paul	–	–	1,750	1,717	–	–	18	18	3,151	–	4,919	1,735
Zhang Jian	–	–	120	115	–	–	–	–	3,151	–	3,271	115
Hang Guangyu[3]	–	–	120	90	–	–	–	–	3,151	–	3,271	90
Liu Huaming[4]	–	–	120	90	–	–	–	–	3,151	–	3,271	90
Ting Leung Huel, Stephen	360	360	–	–	–	–	–	–	–	–	360	360
Tse Kwong Hon[5]	180	15	–	–	–	–	–	–	–	–	180	15
Cao Kuangyu	180	170	–	–	–	–	–	–	–	–	180	170
Wu Xiang Dong[6]	–	–	–	525	–	–	–	6	–	–	–	531
Shu Shi Ping[7]	–	–	–	127	–	–	–	–	–	–	–	127
Sun Jian Xin[8]	–	–	–	25	–	–	–	–	–	–	–	25
E Meng[9]	–	25	–	–	–	–	–	–	–	–	–	25
	720	570	2,350	3,110	–	–	18	24	18,513	–	21,601	3,704

Notes:

1. Mr. Su Bo was appointed as an executive director of the Company 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 of the Company with effect from 26 June 2015.

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

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

5. Mr. Tse Kwong Hon was appointed as an independent non-executive director of the Company with effect from 24 November 2015.

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

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

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

9. Mr. E Meng resigned as an independent non-executive director of the Company 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 2016 (2015: 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 (2015: None).

(b) Employees' emoluments

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

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**–**	312
Retirement benefits scheme contribution	**–**	14
Performance related incentive payments	**–**	–
	–	326

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

	2016 Number of individual	2015 Number of individual
Up to HK$1,000,000	**–**	1
	–	1

(c) Emoluments of senior management

The emoluments of senior management fell within the following bands:

	2016 Number of individual	2015 Number of individual
Up to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	–
	3	1

12. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expenses on bank borrowings	**3,399**	3,544
Interest expenses on loans from immediate holding companies	**26,377**	19,198
	29,776	22,742
Less: Amounts capitalised in the cost of qualifying assets	**(18,998)**	(19,198)
	10,778	3,544

Borrowing costs capitalised to properties under development at rate of 8% (2015: 8%) per annum.

13. TAXATION

	2016 HK$'000	2015 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax		
– current year	**3,444**	2,846
– under-provision in prior year	**–**	–
South Korea Corporate Income Tax	**–**	–
Deferred tax	**(2,233)**	–
	1,211	2,846

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2015: 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 both years.

As at 31 December 2016, the Group had estimated unused tax losses of approximately HK$113,708,000 (2015: HK$102,310,000) available for offset against future profits. No deferred tax asset in respect of tax loss has been recognised due to the unpredictability of future profit streams.

PRC Corporate Income Tax

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

The tax rate applicable for all other subsidiaries established in the PRC is 25% (2015: 25%).

13. TAXATION *(Continued)*

South Korea Corporate Income Tax

MegaLuck Co., Ltd. (formerly known as Development Golden Beach Co., Ltd.) ("MegaLuck") and Glorious 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:

	2016		2015	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(82,409)**		(38,044)	
Tax at the Hong Kong Tax rate of 16.5% (2015: 16.5%)	**(13,597)**	**16.5**	(6,277)	16.5
Effect of different tax rates of subsidiaries operating in other countries	**860**	**(1.0)**	(208)	0.5
Tax effect of tax losses not recognised	**6,853**	**(8.3)**	6,248	(16.4)
Tax effect of income not taxable for tax purpose	**(585)**	**0.7**	(7,231)	19.0
Tax effect of expenses not deductible for tax purpose	**10,371**	**(12.6)**	10,518	(27.6)
Effect of tax exemptions granted to the overseas subsidiaries	**(458)**	**0.6**	(204)	0.5
Tax effect of temporary difference not recognised	**(2,233)**	**2.7**	–	–
Tax charge (credit) for the year	**1,211**	**(1.5)**	2,846	(7.5)

14. DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2016 (2015: Nil).

15. LOSS PER SHARE

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

	2016 **HK$'000**	2015 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(80,064)**	(35,336)

	Number of shares	
	2016	2015 (restated)
Weighted average number of shares for the purpose of basic and diluted loss per ordinary share	**2,342,515,905**	1,918,867,534

For the year ended 31 December 2016, the computation of diluted loss per share assumes that the Company's share options would not be exercised as the exercise price of these share options was higher than the average market price of the shares.

For the year ended 31 December 2015, diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares.

The number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 December 2016 and 2015 have been retrospectively adjusted to reflect the effect of the open offer on the basis of two offer shares for every five shares held at an offer price of HK$1.60 per share as announced by the Company on 18 October 2016 (the "Open Offer").

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:

	2016 HK$'000	2015 HK$'000
Outside Hong Kong, held on:		
Lease period between 30 to 50 years	**26,345**	29,338
Cost		
At 1 January	**36,042**	33,880
Exchange alignment	**(2,700)**	(1,520)
Additions	**—**	3,682
At 31 December	**33,342**	36,042
Accumulated amortisation		
At 1 January	**6,704**	6,202
Exchange alignment	**(537)**	(303)
Charge for the year	**830**	805
At 31 December	**6,997**	6,704
Carrying amounts		
At 31 December	**26,345**	29,338

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 2016, the Group's land use rights with carrying amount of approximately HK$362,000 (2015: HK$392,000) were pledged as security for the Group's bank borrowings.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Properties under development HK$'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 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 43)*	–	–	–	–	–	–	–	–	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 and 1 January 2016	106,458	–	193,496	100,331	310	155,606	125,934	648	6,260	13,476	7,772	710,291
Exchange alignment	(8,340)	(25,320)	(14,501)	(7,519)	(25)	(12,138)	(9,265)	(27)	(505)	(879)	(463)	(78,982)
Transfer to plant and building and machinery	(14,649)	–	–	–	–	11,573	3,020	–	56	–	–	–
Reallocation	–	281,452	–	–	–	(757)	807	–	(50)	–	–	281,452
Additions	23,173	99,598	–	–	51	508	1,589	2,048	1,752	–	–	128,719
Elimination upon disposals	(8)	–	–	–	(8)	(166)	(1,352)	(5)	(105)	(1,973)	–	(3,617)
At 31 December 2016	106,634	355,730	178,995	92,812	328	154,626	120,733	2,664	7,408	10,624	7,309	1,037,863
Accumulated depreciation												
At 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 and 1 January 2016	–	–	–	564	104	41,714	75,464	333	2,290	5,940	18	126,427
Exchange alignment	–	–	–	(88)	(13)	(3,428)	(5,670)	(5)	(222)	(459)	(73)	(9,958)
Reallocation	–	–	–	–	–	(128)	141	–	(13)	–	–	–
Charge for the year	–	–	–	1,090	134	7,304	10,825	184	1,396	2,152	2,057	25,142
Elimination upon disposals	–	–	–	–	–	(38)	(1,284)	(1)	(80)	(1,900)	–	(3,303)
At 31 December 2016	–	–	–	1,566	225	45,424	79,476	511	3,371	5,733	2,002	138,308
Carrying amounts												
At 31 December 2016	**106,634**	**355,730**	**178,995**	**91,246**	**103**	**109,202**	**41,257**	**2,153**	**4,037**	**4,891**	**5,307**	**899,555**
At 31 December 2015	106,458	–	193,496	99,767	206	113,892	50,470	315	3,970	7,536	7,754	583,864

Assets pledged as securities

As at 31 December 2016, the Group's building with carrying amount of approximately HK$22,673,000 (2015: building: HK$24,510,000) was pledged as security for the Group's bank borrowing.

The building 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 2015	–	16,073	1,923	26,981	44,977
Acquisition of a subsidiary *(note 43)*	443,099	–	–	–	443,099
Exchange alignment	7,548	(674)	(86)	(1,213)	5,575
At 31 December 2015 and 1 January 2016	450,647	15,399	1,837	25,768	493,651
Exchange alignment	(26,835)	(1,074)	(137)	(1,934)	(29,980)
At 31 December 2016	423,812	14,325	1,700	23,834	463,671
Accumulated amortisation and impairment					
At 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 and 1 January 2016	–	7,314	1,837	25,768	34,919
Exchange alignment	–	(498)	(137)	(1,934)	(2,569)
Charge for the year	–	670	–	–	670
At 31 December 2016	–	7,486	1,700	23,834	33,020
Carrying amounts					
At 31 December 2016	**423,812**	**6,839**	**–**	**–**	**430,651**
At 31 December 2015	450,647	8,085	–	–	458,732

Casino license

The casino license was acquired by the Company through the acquisition of 51.5% equity interests of MegaLuck in 2015. 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 MegaLuck.

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$670,000 (2015: HK$715,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of approximately HK$6,839,000 (2015: HK$8,085,000) 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 6 to 14 years (2015: 7 to 15 years).

The trademark acquired in the business combination is classified as an intangible asset with indefinite useful 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 with indefinite useful Life

Casino license

Casino license with indefinite useful life of approximately HK$423,812,000 (2015: 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 11.0% per annum (2015: 13.8%). 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 years ended 31 December 2016 and 2015, management of the Group determines that no impairment was recognised in respect 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 and has been fully impaired in previous years.

19. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK$'000	2015 HK$'000
Unlisted securities, at cost	**1,598**	1,728

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 2015	177,959
Acquisition of a subsidiary *(note 43)*	75,221
At 31 December 2015, 1 January 2016 and 31 December 2016	253,180
Accumulated impairment losses	
At 1 January 2015	177,959
Impairment loss recognised for the year	—
At 31 December 2015, 1 January 2016 and 31 December 2016	177,959
Carrying amounts	
At 31 December 2016	75,221
At 31 December 2015	75,221

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

	2016 HK$'000	2015 HK$'000
Casino business	**75,221**	75,221

Impairment test of goodwill

Casino business

For the years end 31 December 2016 and 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 11.0% per annum (2015: 13.8%). 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.

21. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2016 and 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 Directly		Indirectly		Principal activities
			2016 %	2015 %	**2016** %	2015 %	
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 Zimi Trading Company Limited	The PRC	RMB2,000,000	**–**	–	**95.0**	95.0	Distribution of winery products
Heilongjiang Province YuQuan Winery Company Limited	The PRC	RMB4,060,000	**–**	–	**66.5**	66.5	Production of Chinese baijiu 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 Directly		Indirectly		Principal activities
			2016 **%**	2015 %	**2016** **%**	2015 %	
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
MegaLuck	South Korea	KRW2,000,000,000	**72.0**	51.5	**–**	–	Operation of casino business
Glorious Hill	South Korea	KRW44,792,729,280	**55.0**	55.0	**–**	–	Development and operation of real estate and cultural tourism

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	
		2016 **HK'000**	2015 HK'000	**2016** **HK'000**	2015 HK'000	**2016** **HK'000**	2015 HK'000
YuQuan Investment	The PRC	**33.5%**	33.5%	**(132)**	(3,602)	**21,486**	22,359
MegaLuck	South Korea	**28.0%**	48.5%	**163**	843	**95,121**	174,258
Glorious Hill	South Korea	**45.0%**	45.0%	**(3,913)**	(2,989)	**115,991**	129,532
Individually immaterial subsidiaries with non-controlling interests				**326**	194	**40,009**	40,963
				(3,556)	(5,554)	**272,607**	367,112

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that has material non-controlling interests *(Continued)*

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.

YuQuan Investment

	2016 HK$'000	2015 HK$'000
Current assets	**74,691**	73,270
Non-current assets	**128,880**	136,843
Current liabilities	**(132,286)**	(130,919)
Non-current liabilities	**(7,148)**	(12,452)
Equity attributable to owners of the company	**42,651**	44,383
Non-controlling interests	**21,486**	22,359
Revenue	**80,081**	80,760
Expenses	**(80,474)**	(91,511)
Loss for the year	**(393)**	(10,751)
Loss attributable to owners of the company	**(261)**	(7,149)
Loss attributable to non-controlling interests	**(132)**	(3,602)
Loss for the year	**(393)**	(10,751)
Other comprehensive loss attributable to owners of the company	**(1,470)**	(1,043)
Other comprehensive loss attributable to non-controlling interests	**(741)**	(525)
Other comprehensive loss for the year	**(2,211)**	(1,568)
Total comprehensive loss attributable to owners of the company	**(1,731)**	(8,192)
Total comprehensive loss attributable to non-controlling interests	**(873)**	(4,127)
Total comprehensive loss for the year	**(2,604)**	(12,319)
Dividend paid to non-controlling interests	**–**	–
Net cash generated from operating activities	**17,370**	641
Net cash generated from financing activities	**–**	–
Net cash used in investing activities	**(9,978)**	(6,361)
Net increase/(decrease) in cash and cash equivalents	**7,392**	(5,720)

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

MegaLuck

	2016 **HK$'000**	2015 HK$'000
Current assets	**52,594**	35,017
Non-current assets	**434,482**	460,317
Current liabilities	**(47,089)**	(33,131)
Non-current liabilities	**(100,268)**	(102,908)
Equity attributable to owners of the company	**244,598**	185,037
Non-controlling interests	**95,121**	174,258
Revenue	**84,626**	2,370
Expenses	**(84,044)**	(632)
Profit for the year/ period	**582**	1,738
Profit attributable to owners of the company	**419**	895
Profit attributable to non-controlling interests	**163**	843
Profit for the year/ period	**582**	1,738
Other comprehensive (loss)/ income attributable to owners of the company	**(14,513)**	487
Other comprehensive (loss)/ income attributable to non-controlling interests	**(5,645)**	458
Other comprehensive (loss)/ income for the year/ period	**(20,158)**	945
Total comprehensive (loss)/ income attributable to owners of the company	**(14,094)**	1,382
Total comprehensive (loss)/ income attributable to non-controlling interests	**(5,482)**	1,301
Total comprehensive (loss)/ income for the year/ period	**(19,576)**	2,683
Dividend paid to non-controlling interests	**–**	–
Net cash generated from operating activities	**25,054**	1,558
Net cash generated from financing activities	**–**	–
Net cash generated from investing activities	**1,539**	–
Net increase in cash and cash equivalents	**26,593**	1,558

21. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glorious Hill

	2016 HK$'000	2015 HK$'000
Current assets	**44,805**	509,942
Non-current assets	**627,010**	294,458
Current liabilities	**(70,603)**	(34,875)
Non-current liabilities	**(343,687)**	(481,674)
Equity attributable to owners of the company	**141,534**	158,318
Non-controlling interests	**115,991**	129,532
Revenue	**676**	51
Expenses	**(9,372)**	(6,693)
Loss for the year/ period	**(8,696)**	(6,642)
Loss attributable to owners of the company	**(4,783)**	(3,653)
Loss attributable to non-controlling interests	**(3,913)**	(2,989)
Loss for the year/ period	**(8,696)**	(6,642)
Other comprehensive loss attributable to owners of the company	**(11,767)**	(2,112)
Other comprehensive loss attributable to non-controlling interests	**(9,628)**	(1,728)
Other comprehensive loss for the year/ period	**(21,395)**	(3,840)
Total comprehensive loss attributable to owners of the company	**(16,550)**	(5,765)
Total comprehensive loss attributable to non-controlling interests	**(13,541)**	(4,717)
Total comprehensive loss for the year/ period	**(30,091)**	(10,482)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(442,222)**	(81,044)
Net cash generated from financing activities	**366,404**	254,087
Net cash used in investing activities	**(99,661)**	–
Net (decrease)/ increase in cash and cash equivalents	**(175,479)**	173,043

For the year ended 31 December 2016

22. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**139,878**	153,449
Work in progress	**30,954**	30,652
Finished goods	**49,987**	45,126
	220,819	229,227

The directors of the Company have assessed the net realisable values and conditions of the Group's inventories as at 31 December 2016 and have considered no write-down of obsolete inventories to be made (2015: HK$Nil).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$95,454,000 (2015: HK$119,788,000).

Included in raw materials of approximately HK$102,828,000 (2015: HK$111,075,000) were unprocessed wines.

23. STOCK OF PROPERTIES

	2016 HK$'000	2015 HK$'000
Properties under development	**–**	281,452

Properties under development represented the freehold land located in Jeju, South Korea which were acquired by the Group through the subscription of new shares in Glorious Hill in 2015. These freehold land will be developed into a comprehensive integrated resort complex (the "Glorious Hill Project") which is expected to be completed by the end of 2020. During the year ended 31 December 2016, the Group reclassified these freehold land into property, plant and equipment under non-current assets in accordance with its nature and the latest development plan of the Glorious Hill Project. The Glorious Hill Project will include a comprehensive resort, hotel, shopping centre, healthcare and recreation facilities and certain commercial properties which will be held for long-term development and investment purposes.

24. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2015: 30 to 90 days) to its trade customers.

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**9,626**	38,337
Less: Allowance for doubtful debts of trade receivables	**(251)**	(3,801)
	9,375	34,536

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:

	2016 HK$'000	2015 HK$'000
Within 30 days	**9,251**	12,724
More than 30 days and within 60 days	**98**	1,685
More than 60 days and within 90 days	**26**	666
More than 90 days and within 180 days	**—**	10,641
More than 180 days and within 360 days	**—**	8,820
At 31 December	**9,375**	34,536
Represented by:		
Receivables from related parties	**1,415**	20,967
Receivables from third parties	**7,960**	13,569
	9,375	34,536

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

The movements in allowance for doubtful debts of trade receivables were as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**3,801**	81
Exchange alignment	**(231)**	(5)
Recognised during the year (note 10)	**187**	–
Acquisition of a subsidiary	**–**	3,725
Written off during the year as uncollectible	**(3,440)**	–
Amounts recovered during the year	**(66)**	–
At 31 December	**251**	3,801

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:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**9,375**	15,075
One to six months past due	**–**	10,641
Six months to one year past due	**–**	8,820
	9,375	34,536

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.

As at 31 December 2016, there was no receivables that was past due. 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

	2016 HK$'000	2015 HK$'000
Prepayments	**99,329**	62,276
Deposit paid	**11,233**	12,435
Other receivables	**15,564**	16,461
	126,126	91,172
Less: Allowance for doubtful debts of other receivables	**(8,874)**	(9,809)
	117,252	81,363
Represented by:		
Amounts due from related parties	**34,986**	37,821
Amounts due from third parties	**82,266**	43,542
	117,252	81,363

Included in the Group's "Prepayments" under current assets as at 31 December 2016 and 2015 were as follows:

(i) procurement of raw materials, amounted to approximately HK$3,344,000 (2015: HK$4,762,000), 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$34,986,000 (2015: HK$37,821,000) for the purpose of acquisition of land in Jeju, South Korea.

(iii) prepayment made to Melco Gaming Assets Management (Korea) Limited ("Melco (Korea)") amounted to approximately HK$38,428,000 (2015: HK$ Nil) for the provision of technical services by Melco (Korea) to the Group's casino operation in South Korea. The prepayment was made by issuance of the Company's shares which was non-cash nature. Details of which were set out in note 28 to the consolidated financial statements.

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

The movements in allowance for doubtful debts of other receivables were as follows:

	2016 HK$'000	2015 HK$'000
At the beginning of the year	**9,809**	10,286
Exchange alignment	**(769)**	(477)
Amount recovered during the year	**(166)**	—
	8,874	9,809

Included in the allowance for doubtful debts above with an aggregate balance of approximately HK$8,874,000 (2015: HK$9,809,000) 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

	2016 HK$'000	2015 HK$'000
Loan receivables		
Unsecured	**7,145**	25,816
Less: Impairment loss recognised	**(3,919)**	(18,527)
	3,226	7,289
The movement on impairment of short term loan receivables were as follows:		
At the beginning of the year	**18,527**	—
Exchange alignment	**(616)**	301
Acquisition of a subsidiary	**—**	18,226
Recognised during the year (note 10)	**409**	—
Amount recovered during the year	**(7,026)**	—
Written off during the year	**(7,375)**	—
	3,919	18,527

The loans were interest free and recoverable on demand.

During the year, the Group had recognised impairment loss of approximately HK$409,000 (2015: HK$ Nil).

The remaining balance of short-term loan receivables relates to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

27. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Bank balances and cash	**1,584,897**	305,867

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately HK$71,845,000 (2015: HK$100,938,000). 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	
	2016 '000	2015 '000	**2016 HK$'000**	2015 HK$'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	**2,268,532**	1,668,532	**22,685**	16,685
Issuance of consideration shares (Note i)	**22,605**	–	**226**	–
Placing of new shares (Note ii)	–	600,000	–	6,000
At the end of the year	**2,291,137**	2,268,532	**22,911**	22,685

Notes:

(i) On 14 June 2016, 22,604,764 consideration shares have been allotted and issued by the Company at the contract price of HK$1.7253 per share pursuant to the terms of the technical services agreement dated 10 May 2016 entered into between New Silkroad Korea Development Limited, a wholly-owned subsidiary of the Company and Melco (Korea). The fair value of the consideration shares issued was determined by reference to the published closing price of HK$1.70 per share at the date of issue. Details of the transaction were set out in the Company's announcements dated 10 May 2016 and 11 May 2016 respectively.

(ii) 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 respectively.

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 79.

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 2015	–	–	–
Acquisition of a subsidiary (note 43)	2,357	790	3,147
Exchange alignment	41	15	56
At 31 December 2015 and 1 January 2016	2,398	805	3,203
Exchange alignment	(62)	(48)	(110)
Charged to consolidated statement of profit or loss	(2,320)	(12)	(2,332)
At 31 December 2016	**16**	**745**	**761**

Deferred tax liabilities

	Intangible assets HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2015	–	(15,711)	(15,711)
Acquisition of a subsidiary (note 43)	(97,700)	–	(97,700)
Exchange alignment	(1,671)	2,283	612
At 31 December 2015 and 1 January 2016	(99,371)	(13,428)	(112,799)
Exchange alignment	1,858	(560)	1,298
Credited to consolidated statement of profit or loss	–	4,565	4,565
At 31 December 2016	**(97,513)**	**(9,423)**	**(106,936)**

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

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**761**	3,203
Deferred tax liabilities	**(106,936)**	(112,799)
	106,175	(109,596)

The deferred tax liabilities of the Group recognised in the consolidated statement of financial position was attributable from revaluation of land and buildings upon acquisition of subsidiaries in 2005 and 2008 respectively. During the year ended 31 December 2015, the deferred tax liabilities of approximately HK$97,700,000 was attributable from revaluation of the casino license upon the acquisition of MegaLuck.

30. DEFERRED TAXATION *(Continued)*

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.

31. LOANS FROM IMMEDIATE HOLDING COMPANIES

	2016 HK$'000	2015 HK$'000
Unsecured loans from MIL *(Note (i))*		
— due within one year	**76,484**	—
— due after one year	**342,422**	481,674
	418,906	481,674
Unsecured loans from MACRO-LINK International Investment Co, Ltd. *(Note (ii))*		
— due within one year	**98,981**	50,000
— due after one year	**—**	—
	98,981	50,000

Notes:

(i) The amounts are unsecured and repayable within 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.

For the year ended 31 December 2016, the actuarial valuation of plan assets and the present value of the retirement benefits liabilities were performed by reputable actuaries, Actuarial Insurance Company Sejong Corporation and KEB Hana Bank. 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:

	2016	2015
Discount rate	**2.60% - 2.61%**	2.54%
Expected rate of salary increase	**2.00% - 5.00%**	2.00%
Expected return on plan assets	**3.96%**	2.54%

33. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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:

	2016 HK$'000	2015 HK$'000
Present value of funded defined benefit obligation	10,890	9,497
Fair value of plan assets	(6,869)	(4,415)
Net liability arising from defined benefit obligation	4,021	5,082

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

	2016 HK$'000	2015 HK$'000
At 1 January	9,497	–
Acquisition of a subsidiary	–	9,343
Current service costs	3,715	–
Interest cost on benefit obligations	206	–
Benefits paid during the year	(2,300)	–
Re-measurement losses recognised in other comprehensive income	(130)	–
Exchange alignment	(98)	154
At 31 December	10,890	9,497

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

	2016 HK$'000	2015 HK$'000
At 1 January	(4,415)	–
Acquisition of a subsidiary	–	(4,344)
Contributions by the Group	(2,814)	–
Exchange alignment	360	(71)
At 31 December	(6,869)	(4,415)

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

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.

33. NET DEFINED BENEFITS LIABILITIES *(Continued)*

— for the year ended 31 December 2016, if the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by approximately HK$1,967,000 (increase by approximately HK$2,270,000).

— for the year ended 31 December 2016, if the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by approximately HK$2,265,000 (decrease by approximately HK$2,140,000).

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 2016 is 8.61 years for MegaLuck and 8.66 years for Glorious Hill.

For the year ended 31 December 2016, the Group expects to make a contribution of approximately HK$1,623,000 to the defined benefit plan during the next financial year (2015: HK$1,274,000).

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:

	2016 **HK$'000**	2015 HK$'000
Within 90 days	**19,555**	26,437
More than 90 days and within 180 days	**2,166**	6,713
More than 180 days and within 360 days	**9,515**	16,431
	31,236	49,581

Trade payables are non interest-bearing and are repayable within credit periods.

35. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Accruals	**38,985**	38,685
Deposits received	**56,192**	78,601
Other payables (Note)	**1,515,976**	51,884
	1,611,153	169,170

Note:

On 18 October 2016, the Company proposed the Open Offer at a subscription price of HK$ 1.60 per share. Included in other payables of approximately HK$ 1,466,327,000 represented the proceeds received from the Open Offer. Upon completion of the Open Offer on 10 January 2017, the issued share capital of the Company was increased from 2,291,136,910 to 3,207,591,674 shares.

35. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES *(Continued)*

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. They comprise amounts due to the following related parties:

	2016 HK$'000	2015 HK$'000
Beijing Macrolink Land Limited *(Note (i))*	**54,792**	28,633
Macrolink Culturaltainment Development Co., Ltd. *(Note (i))*	**12,776**	3,378
Yunnan Jinlinfu Trading Limited ("Yunnan JLF Trading") *(Note (ii))*	**20,115**	—
	87,683	32,011

Notes:

(i) Mr. Fu Kwan ("Mr. Fu"), the ultimate controlling shareholder of the Company, is the substantial shareholder of these companies.

(ii) Mr. Fu is the brother-in-law of Mr. Wu Xiang Dong, who is the substantial shareholder of Yunnan JLF Trading.

37. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowings comprised of:		
Bank loan – secured	**55,795**	60,315
Bank overdraft – unsecured	**—**	6,216
	55,795	66,531
The borrowings are repayable as follows:		
Within one year or on demand	**55,795**	6,216
More than one year, but not exceeding two years	**—**	60,315
Total bank borrowings	**55,795**	66,531

Bank loan is secured by the followings:

(i) the Group's buildings and land use rights with carrying amounts of approximately HK$22,673,000 and HK$362,000 respectively (2015: building: HK$24,510,000 and land use rights: HK$392,000); and

(ii) personal guarantee from Mr. Shu Shi Ping, a director of certain subsidiaries of the Company.

The Group's bank borrowings are denominated in RMB.

The above bank loan is carried at variable (2015: variable) interest rate with maturity period within one year (2015: exceeding one year). The effective interest rate on bank borrowings is 6.09% (2015: 5.70%) 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:

	2016 HK$'000	2015 HK$'000
Land use rights (note 16)	**362**	392
Building (note 17)	**22,673**	24,510
	23,035	24,902

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:

	2016 HK$'000	2015 HK$'000
Within one year	**3,340**	3,532
In the second to fifth year inclusive	**9,360**	10,130
Over five years	**52,438**	61,515
	65,138	75,177

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

	2016 HK$'000	2015 HK$'000
Authorised and contracted for:		
In connection with the construction of winery warehouses and factories	**16,514**	33,971
In connection with acquisition of plant and equipment	**1,396**	3,355
	17,910	37,326

42. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 1 February 2016, the Company acquired 7.5% interest in the issued share capital of MegaLuck at a consideration of KRW5,700,000,000 (equivalent to approximately HK$36,566,000). The carrying amounts of MegaLuck on the completion date of acquisition was approximately HK$336,726,000.

On 25 April 2016, the Company further acquired 13% interest in the issued share capital of MegaLuck at a consideration of KRW9,880,000,000 (equivalent to approximately HK$65,288,000). The carrying amounts of MegaLuck on the completion date of acquisition was approximately HK$372,314,000.

The Company recognised a total decrease in non-controlling interests of approximately HK$73,655,000 and equity attributable to the owners of the Company of approximately HK$28,199,000.

43. 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 MegaLuck. 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 paid and other receivables	11,825
Short-term loans receivables	7,171
Tax recoverable	1,424
Cash and cash equivalents	4,616
Accruals, deposits received 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 MegaLuck)	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

43. BUSINESS COMBINATION *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2015 approximately with profit of HK$1,738,000 was attributable to the business generated by MegaLuck. Revenue of the Group for the year ended 31 December 2015 included of approximately HK$2,167,000 was attributable to MegaLuck.

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 ended 31 December 2015 would have been approximately HK$62,196,000. The directors of the Company 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.

44. 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, Glorious 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 Glorious 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. Glorious 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 Glorious 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 Glorious Hill as if the Subscription had occurred since the date on which MIL completed the acquisition of the Company.

44. 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 Glorious Hill) 2015 HK$'000	Glorious Hill 2015 HK$'000	Merger adjustments 2015 HK$'000	The Group (including Glorious Hill) 2015 HK$'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)

44. 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 Glorious Hill) 2015 HK$'000	Glorious Hill 2015 HK$'000	Merger adjustments 2015 HK$'000	The Group (including Glorious Hill) 2015 HK$'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

44. 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 Glorious Hill) 2015 HK$'000	Glorious Hill 2015 HK$'000	Merger adjustments 2015 HK$'000	The Group (including Glorious Hill) 2015 HK$'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

45. 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).

46. SHARE OPTION SCHEME

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 participants. 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 7.28% of the issued share capital of the Company as at 31 December 2016 (2015: 7.36%). 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.

On 4 July 2016, a total of 151,000,000 share options were granted to the directors, employees and other participants at an exercise price of HK$ 2.00 per share under the terms of the 2012 Scheme (2015: Nil).

On 10 January 2017, the exercise price and the number of share options have been adjusted to HK$ 2.0381 and 148,176,300 respectively upon completion of the Open Offer. Details of which were set out in the Company's announcement dated 9 January 2017.

46. SHARE OPTION SCHEME *(Continued)*

Name and category of participants	Date of grant	Exercise period	Exercise price per share	Number of share options: Outstanding at 31.12.2015	Granted in 2016	Exercised in 2016	Lapsed in 2016	Outstanding at 31.12.2016
Directors								
Mr. Su Bo	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	12,000,000	—	—	12,000,000
Mr. Yan Tao	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	3,000,000	—	—	3,000,000
Mr. Ng Kwong Chue, Paul	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	8,000,000	—	—	8,000,000
Mr. Zhang Jian	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	8,000,000	—	—	8,000,000
Mr. Hang Guanyu	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	8,000,000	—	—	8,000,000
Mr. Liu Huaming	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	8,000,000	—	—	8,000,000
Other employees or participants	4.7.2016	4.7.2016 to 3.7.2026	2.00	—	104,000,000	—	—	104,000,000
Total				—	151,000,000	—	—	151,000,000

The fair value of options at grant date was calculated using the Trinomial option pricing model ("Trinomial"). The inputs into the model were as follows:

	2016	2015
Date of grant	**4 July 2016**	—
Number of share options	**151,000,000**	—
Exercise price per share	**HK$2.00**	—
Share price at date of grant	**HK$1.615**	—
Expected life	**10**	—
Expected volatility	**23.195%**	—
Risk-free interest rate	**0.93%**	—
Expected dividend yield	**0.00%**	—

As the Trinomial models require the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company's share price since the change of substantial shareholder in May 2015.

The expected life used in the Trinomial model is the full life of share options from date of grant to expiry date provided by the Company.

During the year ended 31 December 2016, the Group recognised total expenses of approximately HK$59,479,000 (2015: HK$ Nil) in relation to share options granted by the Company.

47. 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.

	2016 HK$'000	2015 HK$'000
Sales of goods		
Yunnan JLF Trading (Note i)	**8,488**	17,538
VATS Chain Liquor Store Management Company Limited ("VATS Chain Store") (Note i)	**1,095**	8,496
Service income		
MACRO-LINK International Investment Co, Ltd. (Note ii)	**1,152**	–
Loan interest		
MACRO-LINK International Investment Co, Ltd. (Note iii)	**7,379**	–

Notes:

(i) These companies are related parties of the Group as Mr. Fu Kwan, who is the ultimate controlling shareholder of the Company, is the brother-in-law of Mr. Wu Xiang Dong, who is a substantial shareholder of these companies.

Included in the sales of goods to Yunnan JLF Trading and VATS Chain Store during the year ended 31 December 2016, approximately HK$8,488,000 and HK$1,095,000 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 Continuing Connected Transactions" in the Directors' Report.

Sales and purchases transactions were carried out at cost plus mark-up basis.

(ii) Service income was determined based on the actual amount of salaries and staff benefits paid to relevant personnel of the Company who had spent time on administrative support to MACRO-LINK International Investment Co, Ltd, which is an exempted continuing connected transaction of the Company under the Listing Rules.

(iii) Loan interest was charged at 8% fixed rate per annum on the outstanding balance of shareholder loan, which is an exempted continuing connected transaction of the Company under the Listing Rules.

(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:

	2016 HK$'000	2015 HK$'000
Short-term benefit	**3,070**	3,680
Post-employment benefits	**18**	24
Share-based payments	**18,513**	–
	21,601	–

(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.

(d) Personal guarantee is provided by Mr. Shu Shi Ping, a director of certain subsidiaries of the Company for the bank borrowings as disclosed in note 37.

48. GOVERNMENT GRANTS

During the year ended 31 December 2016, the Group recognised of approximately HK$19,046,000 (2015: HK$19,254,000) in the consolidated statement of profit or loss which represented government grant received from various local government for the contribution towards the business in Yunnan, Qinhuangdao, Yantai and Yuquan, the PRC. Government grants received for which related expenditure has not yet been undertaken are included in deferred revenue in the consolidated statement of financial position.

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,829**	46
Interests in subsidiaries	**933,405**	790,224
	935,234	790,270
Current assets		
Prepayments, deposits paid and other receivables	**2,759**	632
Cash and cash equivalents	**1,479,774**	21,430
	1,482,533	22,062
Total assets	**2,417,767**	812,332
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**22,911**	22,685
Reserves	**746,486**	729,583
Total equity	**769,397**	752,268
LIABILITIES		
Current liabilities		
Accruals and other payables	**1,472,905**	10,064
Loans from immediate holding companies	**175,465**	50,000
Total liabilities	**1,648,370**	60,064
Total equity and liabilities	**2,417,767**	812,332
Net current liabilities	**(165,837)**	(38,002)
Total assets less current liabilities	**769,397**	752,268

Approved and authorised for issue by the Board of Directors on 28 March 2017 and signed on its behalf by:

Su Bo
Director

Ng Kwong Chue, Paul
Director

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2016	797,861	–	(68,278)	729,583
Issuance of consideration shares	38,202	–	–	38,202
Recognition of equity-settled share based payments	–	59,479	–	59,479
Loss for the year	–	–	(80,778)	(80,778)
At 31 December 2016	**836,063**	**59,479**	**(149,056)**	**746,486**

The Company did not have any distributable reserves for both years.

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 October 2016, the Company announced the Open Offer to raise approximately HK$1,466 million before expenses. The net proceeds raised shall be used (i) to repay the indebtedness of the Group due to MIL and its concert parties; (ii) to repay other indebtedness of the Group; (iii) to develop the Group's casino business in Seoul, Jeju and Macau; (iv) to increase the Group's land bank reserve; (v) to develop the Group's integrated tourist resort complex in Jeju; and (vi) for general working capital of the Group.

Upon completion of the Open Offer on 10 January 2017, the issued share capital of the Company were increased from 2,291,136,910 to 3,207,591,674 shares.

(b) On 3 November 2016, the Company announced that MIL, being the controlling shareholder of the Company and the underwriter in the Open Offer, has entered into the financial arrangement, including but not limited to a facilities agreement, transaction security documents, letter of undertaking, etc. (collectively, the "Finance Documents"), with a licensed bank in Hong Kong and its related party (the "Lenders") in relation to the provision of syndicated term loan facilities (the "Syndicated Loan") to MIL for the purpose of funding the Open Offer. As at 31 December 2016, MIL has pledged 841,197,369 shares of the Company to the Lenders as part of the security for the Syndicated Loan in favour of the Lenders.

On 12 January 2017, the Company further announced that MIL has pledged a further 916,253,374 shares of the Company to the Lenders as part of the security for the Syndicated Loan in favour of the Lenders. As a result of the above share pledge arrangement, all the 1,757,450,743 shares of the Company held by MIL have been pledged in faovur of the Lenders.

51. COMPARATIVE FIGURES

Certain comparative figures of prior years have been re-presented to conform with the current year's presentation.

52. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 28 March 2017.

For the year ended 31 December 2016

RESULTS

	For the year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue	366,208	336,563	255,379	241,225	**273,710**
Profit (loss) from operating activities	45,974	(68,187)	(223,866)	(34,500)	**(71,631)**
Finance costs	(4,277)	(3,918)	(3,947)	(3,544)	**(10,778)**
Profit (loss) before taxation	41,697	(72,105)	(227,813)	(38,044)	**(82,409)**
Taxation	(18,346)	(7,660)	1,911	(2,846)	**(1,211)**
Profit (loss) for the year	23,351	(79,765)	(225,902)	(40,890)	**(83,620)**
Attributable to:					
Owners of the Company	9,832	(81,975)	(193,044)	(35,336)	**(80,064)**
Non-controlling interests	13,519	2,210	(32,858)	(5,554)	**(3,556)**
Profit (loss) for the year	23,351	(79,765)	(225,902)	(40,890)	**(83,620)**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	1,045,368	1,017,389	743,692	2,091,820	**3,369,700**
Total liabilities	(282,731)	(319,325)	(282,243)	(977,003)	**(2,424,049)**
Non-controlling interests	(98,082)	(102,004)	(66,039)	(367,112)	**(272,607)**
Shareholders' funds	664,555	596,060	395,410	747,705	**673,044**