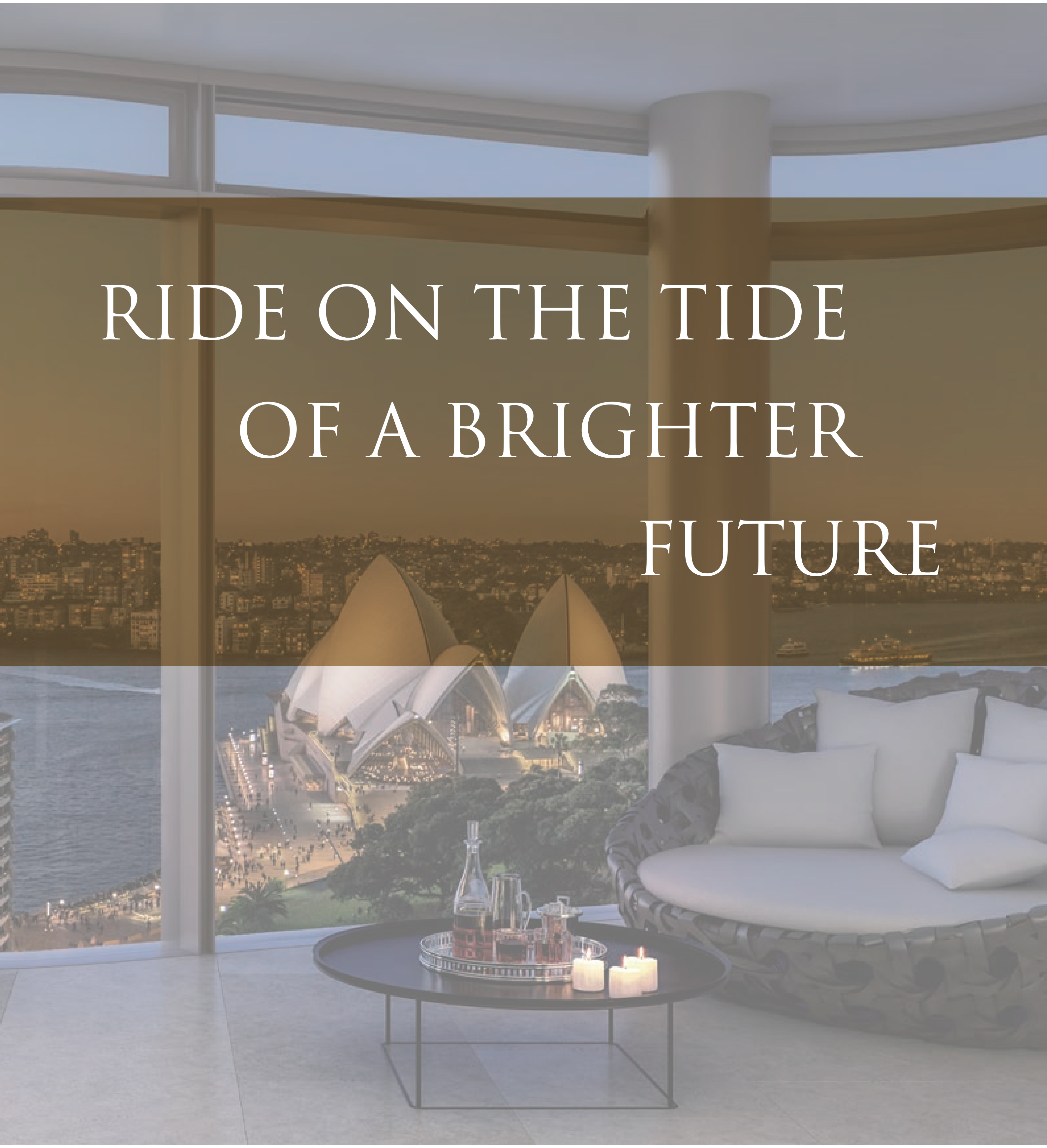
New Silkroad Culturaltainment Limited
新絲路文旅有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 472)

For the financial year from 1 January 2017 to 31 December 2017

annual report 2017


RIDE ON THE TIDE
OF A BRIGHTER
FUTURE

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Su Bo (Chairman)
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. 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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Agricultural Development Bank of China

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

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

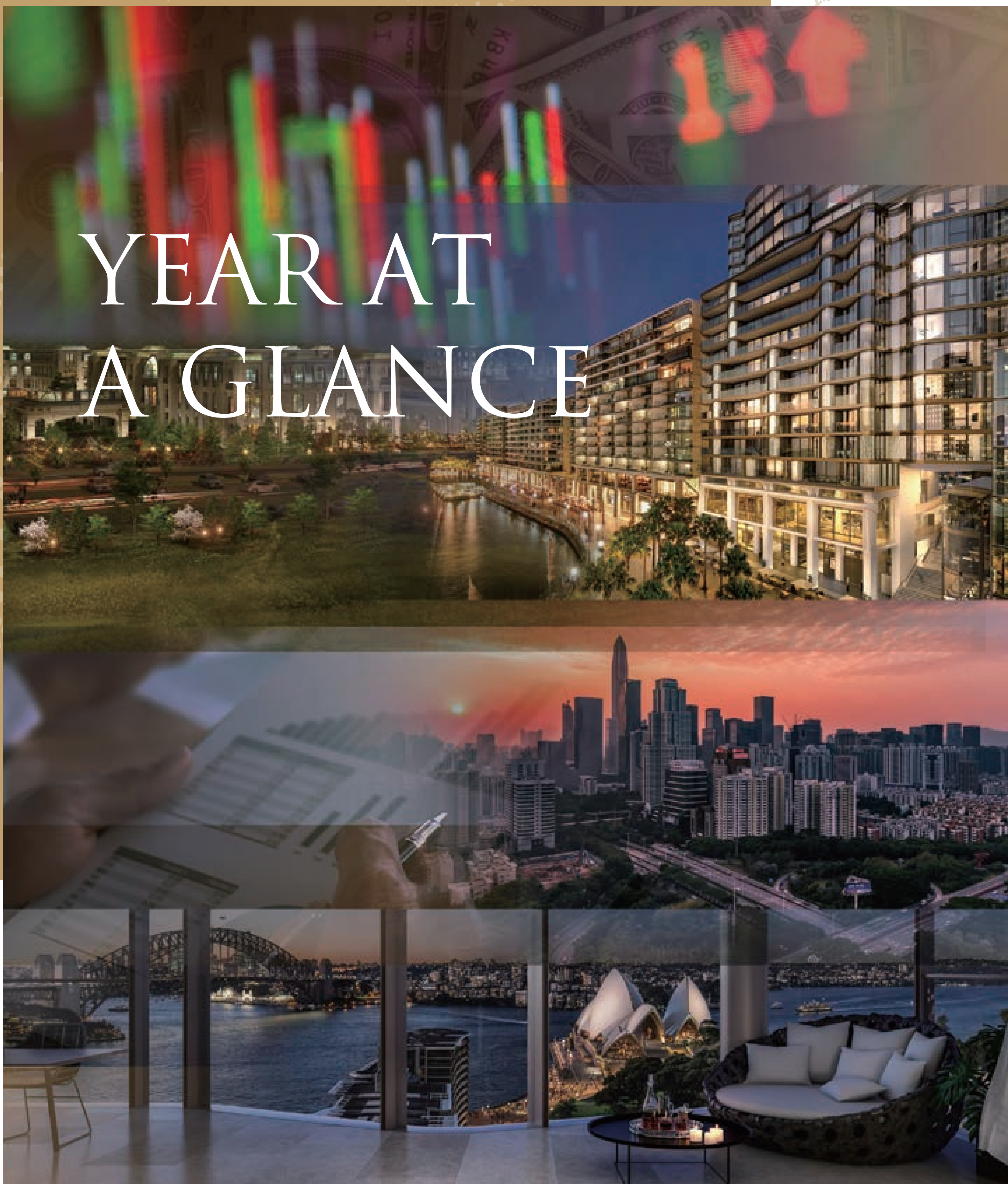
INVESTORS AND MEDIA RELATIONS

Strategic Financial Relations (China) Limited
24/F., Admiralty Centre I
18 Harcourt Road, Hong Kong

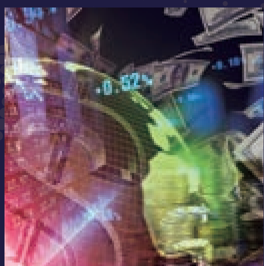
STOCK CODE

00472

YEAR AT A GLANCE



YEAR AT A GLANCE

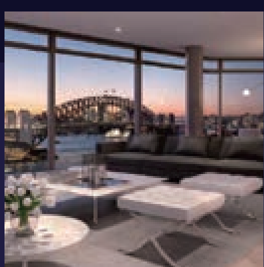


JAN 2017 Completion of the Open Offer

Completed a two-for-five open offer by issuance and allotment of 916,454,764 new shares at a subscription price of HK$1.60 per offer share and raised approximately HK$1,446 million in net proceeds.

MAY 2017 Inaugural Move into the Real Estate Market in Canada

Expansion to the real estate market in Canada through the acquisition of 51% interest in the Mackenzie Creek Project composed of residential and commercial complex located in Markham, Ontario, Canada.

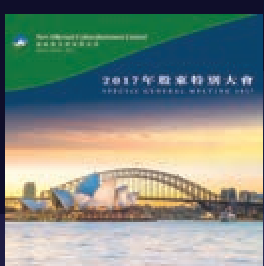


SEP 2017 Entering the Real Estate Market in Australia

The Group expands its global footprint into the southern hemisphere by entering into an agreement to subscribe for redeemable preference shares in Macrolink Australia which through its holdings in Macrolink & Landream Australia Land Pty Limited holds the Opera Residence Project at 71 Macquarie Street, Sydney, Australia.

OCT 2017 Momentous Step into the Fintech Market in China

Further achieve business diversification into the growing Fintech market in China by proposing to acquire the controlling right and the entire economic benefits of Shenzhen Niiwoo Financial Information Services Ltd.



DEC 2017 Starting the Australia Footprint

The resolutions with regard to the acquisition of the Opera Residence Project were passed by the independent shareholders at a special general meeting held on 20 December 2017. This marks our official entry into the Australia Real Estate Market.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

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 2017.

For the year ended 31 December 2017, revenue of the Group increased by 19.1% to HK$325.9 million as compared with last year, mainly attributable to significant growth in gaming revenue. During the year, the total operating expenses decreased by 17.6% to HK$209.8 million due to a drastic reduction in the recognition of share-based expense. Should the effect of such expense be taken out, the total operating expenses would be increased by 6.7% to HK$208.4 million. As a result, net loss attributable to shareholders narrowed down to HK$71.0 million (restated in 2016: HK$92.5 million) and basic loss per share was amounted to HK2.23 cents (restated in 2016: HK3.95 cents). As at 31 December 2017, the Group had total assets of HK$4,253.3 million and net assets of HK$2,610.1 million.

ECONOMY OVERVIEW

The global economy retains a steady recovery path and gradually improved throughout the year. China, being the world's second largest economy, is benefiting from the supply side reform and the continuous optimisation of the local economic structure. China's gross domestic product in 2017 has increased by 6.9%, evidencing a sustainable growth trend.

While the global economy has been reviving, there are still underlying uncertainties. Important among these are the upward trend of interest rates in the aftermath of the interest rate hikes by the US Federal Reserve and the US tax reform. The Chinese government's tightened capital control also caused cost of fund to rise. Last but not least, the geopolitical tensions in North Asia and, in particular, the rising tensions between the US and North Korea had adversely affected the relations between Japan, Korea and China. Even Russia was inevitably dragged into the scene, leading to a more complicated political situation. Amongst all the relations, the Sino-Korean relationship was the most affected, leading to the implementation of retardation policies by China to discourage tourist and trade with Korea. This has adversely affected our operation in Jeju Island, Korea, especially the casino operation which relied heavily on Chinese tourists. Against all these uncertainties, we have actively adjusted our business strategies and pursued acquisitions in order to enrich investment portfolio and to diversify investment risks.

THE TRANSFORMATION

If 2016 was a year of transformation, then 2017 was a year of expansion. During the year, we had conducted several major acquisitions which laid a solid foundation for our future development.

Prior to 2015, our business interests were confined to wine and Chinese baijiu via the ownership of Shangri-la Winery and Yuquan Winery respectively.

In 2015 and 2016, through the acquisition of 55% equity interest in Glorious Hill and progressive acquisition of 72% equity interest in MegaLuck, we paved the path to our cultural tourism business with the investment in a large-scale integrated resort development and entering into the gaming business in South Korea in order to enrich our cultural tourism value chain.

In 2017, we made three further significant acquisitions, including: (i) 51% equity interest in the Mackenzie Creek Project in Markham, Ontario, Canada; (ii) the entire economic benefits in the Opera Residence Project in Sydney, Australia; and (iii) the entire economic benefits in Niiwoo Financial Informational Services Co., Ltd. ("Niiwoo Financial"), though the last one is still in progress and pending for approval from the relevant authorities. Through these acquisitions, the Group has further expanded its business scale and enhanced its investment portfolio, at the same time, extending its presence to overseas real estate and the FinTech industries. These breakthroughs had enhanced our business quality and coverage with the objective to reinforce future income sources and promote shareholder values.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

1. WINE AND CHINESE BAIJIU OPERATION

In 2017, the macro-economy in China maintained stable growth momentum, yet the depressed winery industry, coupled with fierce industry competition, put pressure on the performance of the Group's winery business. During the year, although the total revenue of our winery business rose slightly by 1.1% to approximately HK$202.9 million (2016: HK$200.7 million), the operating loss of Yuquan Winery increased from approximately HK$0.4 million in 2016 to approximately HK$6.6 million. Shangri-la Winery even turned to a loss of approximately HK$6.2 million.

Faced with industry challenges, the Group reacts with total confidence and commitment to future brand development as we see brand awareness as foundation to every business success. During the year, Shangri-la Winery and Yuquan Winery continued to gain market recognition. Each was honored as "The Gold-Medal Winery in China" and designated as "National Honest Wine Demonstration Corporation" respectively.

2. CASINO BUSINESS IN JEJIU ISLAND

At present, with a controlling 72% stake in the casino inside the Jeju KAL Hotel in Jeju, South Korea, the Group engages in the gaming operation under the brand of 'MegaLuck Casino'. The venue hosted 19 Baccarat tables, one Blackjack table, one Cussec table, one Roulette table, 6 Texas poker tables, one three-card poker table and 24 slot machines. The Group intends to collaborate with leading global gaming entertainment companies in its future operation.

Despite the adverse impact on Sino-Korean relationship as a result of the political tension, in particular, the implementation of retardation policies by China to discourage its citizens from travelling to Korea, the Group had stepped up its efforts to open up other markets so as to diversify market risk. During the year, we have set up representation offices in Seoul and Macau in order to reach out to our VIP guests and to optimise ancillary services and to provide a better gaming and tourism experience for our VIP guests. During the year, the gaming revenue rose notably by 68.3% to approximately HK$123.0 million.

3. GLORIOUS HILL PROJECT

We are dedicated to bring the Glorious Hill Project into a state-of-the-art integrated resort that look up to the highest international standard. The Glorious Hill Project is situated at a prime location, with beautiful landscapes close to Hallasan Mountain and a world-class golf course. With a land area of approximately 1,250,000 square metres, the project is to include five-star hotels, commercial and residential real estate, duty free shopping centre, entertainment complex, healthcare facilities, theme park, golf course, and more. We were advised that the project development has been approved by the Jeju Provincial Government recently and the final approval is expected to be granted soon. The Group expects the Glorious Hill Resort to become a major attraction in Korea and bring sustainable and promising revenue to the Group.

Active Acquisitions – Overseas Property Development Businesses

Through the acquisitions of the Opera Residence Project in Sydney, Australia and the Mackenzie Creek Poject in Markham, Ontario, Canada, the Group has successfully ventured into overseas real estate operations. These two projects are strategically located with strong marketing potential, with the pre-sales of the existing development projects having been mostly completed, paving the way for contributions to the business results in the coming years.

4. MACKENZIE CREEK PROJECT IN MARKHAM, ONTARIO, CANADA

In May 2017, the Group acquired a total of 51% equity interest in the Mackenzie Creek Project in Canada through the subscription for 51 units in each of CIM Development (Markham) LP and CIM Commercial LP at a consideration of approximately HK$184 million.

The Mackenzie Creek Project is to be developed in two phases. The first phase will comprise 195 townhouse units and is expected to be completed in 2018 and 2019. The second phase will comprise high-rise condominiums and commercial shopping centre including not less than 500 residential condominium apartments with a total saleable area of no less than 34,840 square metres. Of this, a total saleable area of no more than 5,574 square metres is to be allocated for commercial use. Pre-sale is expected to be commenced in 2019.

As at 31 December 2017, 141 townhouses of Phase 1 of the Mackenzie Creek Project have been sold. The properties are expected to be completed in 2018 and 2019 in succession and to begin to contribute revenue and profit to the Group in these respective years.

5. OPERA RESIDENCE PROJECT IN SYDNEY, AUSTRALIA

In September 2017, the Group subscribed for 104 redeemable preference shares of Macrolink Australia Investment Limited (a wholly-owned subsidiary of its substantial shareholder, Macrolink Group) for a consideration of approximately HK$222.5 million, representing 51% of its voting rights. At the same time, through a loan agreement of approximately HK$461.3 million and an interest swap arrangement, the Group obtained all economic benefits in the Opera Residence Project in Sydney, Australia. The project restructuring has been completed in December 2017.

Opera Residence's site was the former headquarters of Coca-Cola in Australia. The site is perfectly located in Sydney, Australia's Circular Quay which has been described as the world's most beautiful harbour. It is situated in a prime location, a hub for Sydney's economic, cultural and tourist centre and a core metropolitan district on par with other major cities in the world. The property has a site area of approximately 1,207 square metres with a total floor area of 26,308 square metres of which a 20-storey mixed use development complex comprising 104 luxury residential apartments, four-storey premium retail premises with a gross floor area of 980 square metres, and a six-storey basement with 103 carpark spaces will be developed.

Opera Residence was well-received by the market and has broken the record for the highest apartment price in Australia several times. So far, 102 apartments and 103 carpark spaces have been sold, with a total contract sales amount of approximately AUD524.1 million (equivalent to approximately HK$3,249.4 million), of which approximately AUD47.9 million (equivalent to approximately HK$297.0 million) has been received in trust as deposit. The commercial section was also sold for AUD41.3 million (equivalent to approximately HK$256.1 million). The amounts are expected to be booked after the properties are delivered in 2020.

6. SHENZHEN NIIWOO FINANCIAL

In October 2017, the Group has announced the proposed acquisition of the entire economic benefits in Niiwoo Financial, a subsidiary of Paison Technology Group Inc. ("Paison Technology"), by way of variable interest entities contracts for a consideration of approximately HK$1,411.8 million. The consideration is to be satisfied by the Group issuing 1,086,000,000 shares at the issue price of HK$1.30 each. The proposed acquisition marks our first entry to the growing internet financing market in Mainland China.

Paison Technology warranted that the profits of Niiwoo Financial will not be less than RMB70 million, RMB200 million and RMB300 million from 2017 to 2019 respectively, which lays a strong foundation for the results of the Group for the coming years. The transaction is pending the approval of the Stock Exchange and subsequently by shareholders at a general meeting of the Company.

PROSPECTS

Although the development potential of the gaming business in Jeju cannot be fully reflected amid a tense geopolitical situation, the Sino-Korean relationship is gradually improving. As the Group has enhanced its marketing efforts, we believe the gaming operation is set to improve. Besides, as the property projects in Australia and Canada are to be completed and delivered sequentially over the next two-to-three years, relevant revenue would be recorded, which would subsequently strengthen our financial performance.

The Group will closely observe the trends and developments in the global economy and the market. We will adhere to our diversified investment and development strategy and strive to actively develop our cultural tourism roadmap, gaming, real estate and innovative FinTech businesses. In addition, the Group will adjust its investment strategy when appropriate, so as to create and capture business opportunities, and generate long-term substantial returns for both shareholders and itself alike.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our respected shareholders for their long-term concern and support to the Group over the years, as well as our management team and staffs for their dedication and hard work. We will continue to seize development opportunities, raise the value in each business segment with the objective to bring business to a higher level.

Su Bo
Chairman

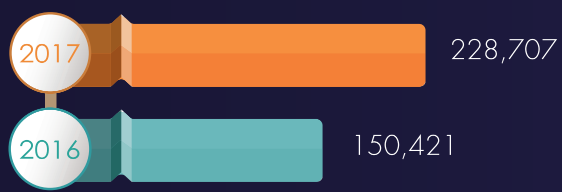
Hong Kong, 26 March 2018

FINANCIAL HIGHLIGHTS

Operation Analysis

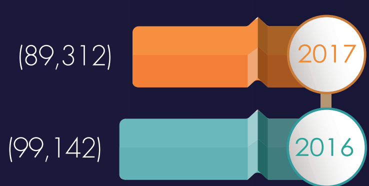
Revenue
(Unit : HK$'000)
Revenue increased by 19.1% in 2017

Cost of Sales
(Unit : HK$'000)
Cost of sales increased by 52.0% in 2017

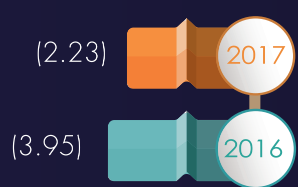


Gross Profit
(Unit : HK$'000)
Gross profit decreased by 21.2% in 2017

Net Loss
(Unit : HK$'000)
Net loss decreased by 9.9% in 2017



Loss per Share
(Unit : HK CENTS)
Loss per share decreased by 43.5% in 2017

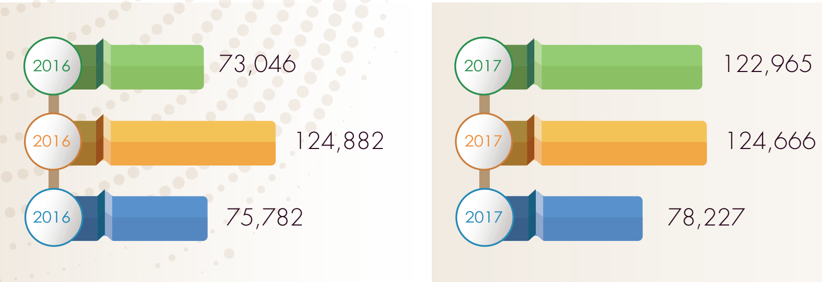


Gaming

Wine

Baijiu

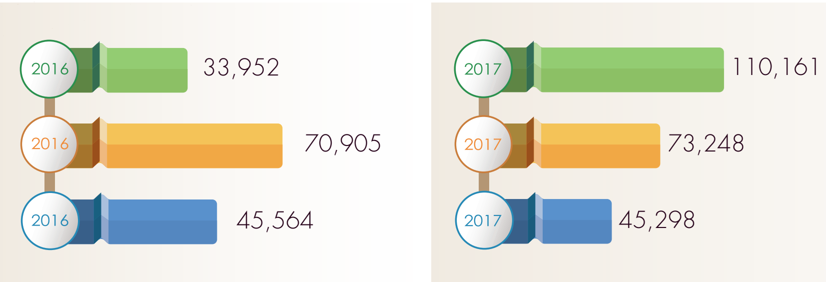
Business Segments Analysis



Revenue

(Unit : HK$'000)

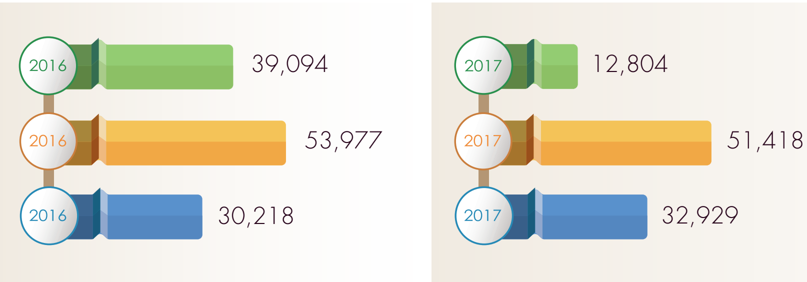
Gaming increased by 68.3% in 2017
Wine decreased by 0.2% in 2017
Baijiu increased by 3.2% in 2017



Cost of Sales

(Unit : HK$'000)

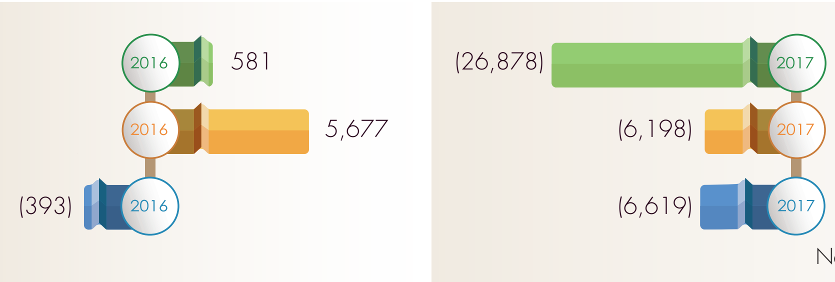
Gaming increased by 224.5% in 2017
Wine increased by 3.3% in 2017
Baijiu decreased by 0.6% in 2017



Gross Profit

(Unit : HK$'000)

Gaming decreased by 67.2% in 2017
Wine decreased by 4.7% in 2017
Baijiu increased by 9.0% in 2017



Net Profit (Loss)

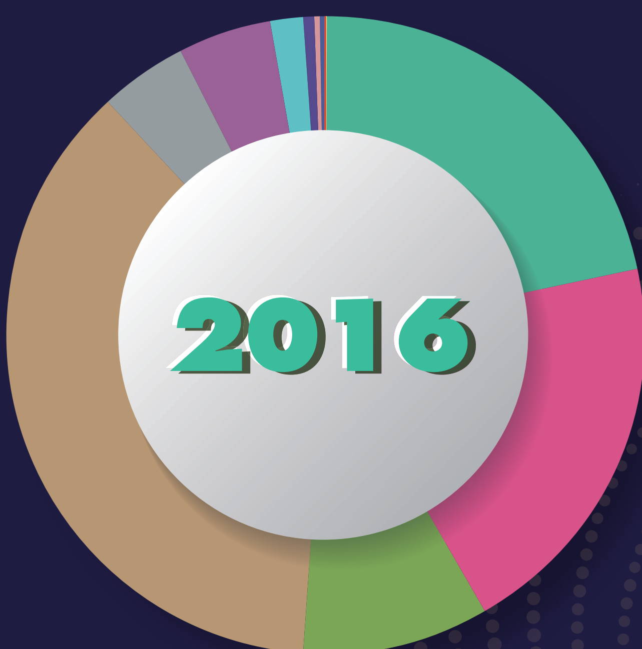
(Unit : HK$'000)

Gaming turned loss in 2017
Wine turned loss in 2017
Net loss of baijiu increased by 1,584.2% in 2017

Assets Distribution Analysis

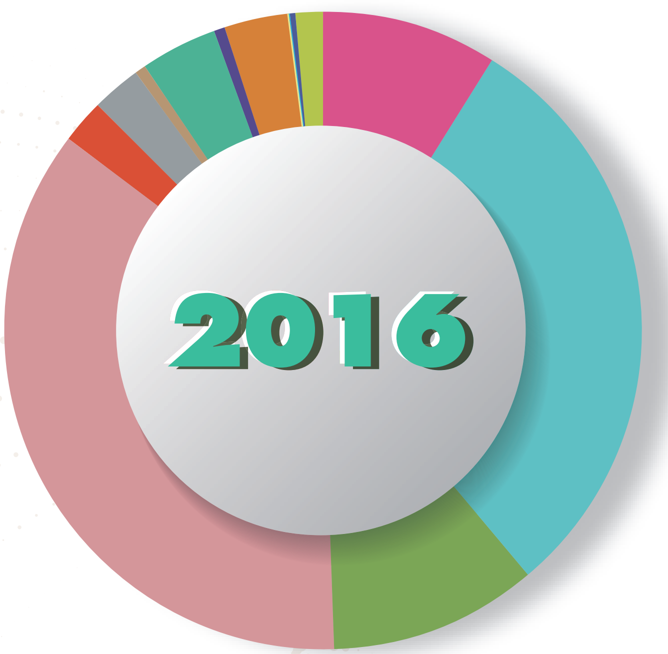
(Unit : HK$'000)

	2017		2016	
Stock of properties	2017	1,735,767 (40.82%)	2016	984,257 (21.81%)
Property, plant and equipment	2017	1,021,766 (24.02%)	2016	902,009 (19.98%)
Intangible assets	2017	489,288 (11.50%)	2016	430,651 (9.54%)
Cash and cash equivalents	2017	334,206 (7.86%)	2016	1,669,194 (36.99%)
Prepayments, deposits paid and other receivables	2017	300,840 (7.07%)	2016	189,612 (4.20%)
Inventories	2017	253,599 (5.96%)	2016	220,819 (4.89%)
Goodwill	2017	75,221 (1.77%)	2016	75,221 (1.67%)
Land use rights	2017	31,552 (0.74%)	2016	26,345 (0.58%)
Trade and bills receivables	2017	4,926 (0.12%)	2016	9,375 (0.21%)
Short-term loans receivables	2017	2,927 (0.07%)	2016	3,226 (0.07%)
Available-for-sale investment	2017	1,719 (0.04%)	2016	1,598 (0.04%)
Deferred tax assets	2017	1,462 (0.03%)	2016	761 (0.02%)



Liabilities and Equity Analysis

(Unit : HK$'000)



	2017		2016	
Reserves	2017	1,906,555 (44.83%)	2016	411,881 (9.13%)
Loan from an immediate holding company	2017	721,011 (16.95%)	2016	1,344,001 (29.78%)
Non-controlling interests	2017	671,481 (15.79%)	2016	480,294 (10.64%)
Accruals, deposits received and other payables	2017	333,159 (7.83%)	2016	1,613,895 (35.76%)
Deferred tax liabilities	2017	169,831 (3.99%)	2016	106,936 (2.37%)
Bank and other borrowings - due after one year	2017	162,062 (3.81%)	2016	- (0.00%)
Loan from a non-controlling shareholder of a subsidiary	2017	114,053 (2.68%)	2016	105,338 (2.33%)
Trade payables	2017	57,268 (1.35%)	2016	31,236 (0.69%)
Loans from immediate holding companies	2017	56,561 (1.33%)	2016	175,465 (3.89%)
Share capital	2017	32,076 (0.75%)	2016	22,911 (0.51%)
Amounts due to related parties	2017	18,918 (0.44%)	2016	151,957 (3.37%)
Net defined benefits liabilities	2017	7,266 (0.17%)	2016	4,021 (0.09%)
Tax payables	2017	2,686 (0.06%)	2016	3,342 (0.07%)
Deferred revenue	2017	346 (0.02%)	2016	5,996 (0.13%)
Bank borrowing - due within one year	2017	- (0.00%)	2016	55,795 (1.24%)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

During the year, the Group has acquired the Opera Residences Project in Sydney, Australia from its common controlling party, Macro-Link International Land Limited ("MIL") by subscription of redeemable preference shares in Macrolink Australia Investment Limited ("Macrolink Australia"), representing 51% of its voting rights. In accordance with the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations", upon completion of the restructuring by the Group, the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income of the Group as at 31 December 2016 would need to be restated to consolidate the assets, liabilities and results of Macrolink Australia and its subsidiary as if the consolidation had been effected since their inceptions. Accordingly, the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income of the Group have been restated to include the assets, liabilities and results of the related project companies.

Revenue

The Group generated revenue from the casino business in South Korea, and sales and distribution of wine and Chinese baijiu in the PRC. During the year under review, the Group's revenue increased by 19.1% to approximately HK$325.9 million (2016: HK$273.7 million) which was mainly attributable to the contribution from the casino business.

The gaming revenue, which accounted for 37.7% (2016: 26.7%) of the Group's revenue, recorded a substantial increase of 68.3% to approximately HK$123.0 million (2016: HK$73.0 million) mainly driven by increase in direct marketing and promotion efforts.

The revenue of wine business segment, which accounted for 38.3% (2016: 45.6%) of the Group's revenue, recorded a slight adjustment of 0.2% to approximately HK$124.7 million (2016: HK$124.9 million).

Chinese baijiu industry experienced a stable growth after years of adjustment. The revenue of Chinese baijiu segment, which accounted for 24.0% (2016: 27.7%) of the Group's revenue, showed a moderate 3.2% improvement to approximately HK$78.2 million (2016: HK$75.8 million).

Gross Profit

The Group's gross profit decreased by 21.2% to approximately HK$97.2 million (2016: HK$123.3 million) as the gross profit margin declined to 29.8% (2016: 45.0%). The decrease in gross profit was due to increase of direct gaming costs.

Gross profit of the casino business decreased by 67.2% to approximately HK$12.8 million (2016: HK$39.1 million), and the gross profit margin declined to 10.4% (2016: 53.5%). The declines in both gross profit and gross profit margin were due to sharp increase in direct gaming costs which soared by 224.5% to approximately HK$110.2 million (2016: HK$34.0 million).

Gross profit of the wine business segment decreased by 4.7% to approximately HK$51.4 million (2016: HK$54.0 million) while gross profit of the Chinese baijiu business segment maintained a moderate growth of 9.0% to approximately HK$32.9 million (2016: HK$30.2 million). Gross profit margin of the wine business segment decreased slightly by 2.0% to 41.2% (2016: 43.2%) while gross profit margin of the Chinese baijiu segment increased by 2.2% to 42.1% (2016: 39.9%).

Other Reveune

During the year under review, other revenue recorded a significant decrease of 33.7% to approximately HK$29.3 million (restated in 2016: HK$44.3 million) as the base of other revenue in previous year included a recovery of bad debts of approximately HK$7.3 million. Besides, government subsidies for the year also reduced by approximately HK$4.8 million.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 5.9% to approximately HK$66.0 million (restated in 2016: HK$70.2 million). The reduction was mainly due to the fact that pre-sales of the residential properties for the Australian real estate project has almost finished in 2016 and such expenses decreased significantly by 74.9% to approximately HK$3.2 million (2016: HK$12.6 million) in 2017. Selling and distribution expenses as a percentage of revenue also decreased by 5.3 points to 20.3% (restated in 2016: 25.6%).

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and other operating expenses. During the year, administrative and other operating expenses increased by 13.8% to approximately HK$142.3 million (restated in 2016: HK$125.1 million). Such increase was mainly due to consolidation of the administrative expenses in relation to the real estate business in Canada of approximately HK$4.8 million and the increase in merger and acquisition cost of approximately HK$10.7 million.

Loss before Tax

The Group's loss before tax decreased by 12.0% to approximately HK$86.2 million (restated in 2016: HK$97.9 million) due to a significant decrease in share-based payment expenses of approximately HK$1.5 million (2016: HK$59.5 million) recognised for the year.

Taxation

Taxation recorded a significant increase of 154.9% to approximately HK$3.1 million (2016: HK$1.2 million) mainly due to under-provision of the PRC corporate income tax in prior years.

Loss Attributable to Owners

Taking into consideration the abovementioned factors, loss after tax for the year decreased by 9.9% to approximately HK$89.3 million (restated in 2016: HK$99.1 million). Loss attributable to owners of the Company decreased by 23.2% to approximately HK$71.0 million (restated in 2016: HK$92.5 million). Basic loss per share attributable to owners of the Company decreased by 23.5% to HK2.23 cents (restated in 2016: HK3.95 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

During the year, the Group's sources of fund were generated from proceeds of the open offer on the basis of two offer shares (the "Offer Shares") for every five shares held (the "Open Offer"), operating activities, loans from immediate holding companies as well as loan facilities provided by financial institutions. The Group recorded a significant decline in cash and cash equivalents by 80.0% to approximately HK$334.2 million (2016: HK$1,669.2 million) mainly due to repayment of shareholders' loans of approximately HK$1,279.0 million during the year.

As at 31 December 2017, total borrowings decreased by 37.3% to approximately HK$1,053.7 million (restated in 2016: HK$1,680.6 million) mainly due to repayment of shareholders' loan.

Our major borrowings are denominated in Renminbi ("RMB"), Canadian dollar(s) ("CAD") and Australian dollar(s) ("AUD"). In view of the Group's cash and bank balances, funds generated internally from our operations and the unutilised loan 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 approximately HK$42.8 million (restated in 2016: HK$131.4 million) which was mainly used for the purchase of machineries and construction of winery factories. For year 2018, we have budgeted HK$1,588.3 million on capital expenditure mainly for development of the Mackenzie Creek Project in Canada, Opera Residence Project in Sydney, Australia and Glorious Hill Project in Jeju, South Korea.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. The Group's inventories increased by 14.8% to approximately HK$253.6 million (2016: HK$220.8 million). Finished goods also increased by 39.7% to approximately HK$69.8 million (2016: HK$50.0 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 182 days for the year (2016: 148 days).

Balance Sheet Analysis

As at 31 December 2017, total assets of the Group decreased by 5.8% to approximately HK$4,253.3 million (restated in 2016: HK$4,513.1 million) which were composed of current assets of approximately HK$2,632.3 million (restated in 2016: HK$3,076.5 million) and non-current assets of approximately HK$1,621.0 million (restated in 2016: HK$1,436.6 million). The decline was mainly as a result of repayment of shareholders' loan in cash of approximately HK$1,279.0 million.

Total liabilities, which included current liabilities of approximately HK$469.0 million (restated in 2016: HK$2,037.7 million) and non-current liabilities of approximately HK$1,174.2 million (restated in 2016: HK$1,560.3 million), decreased significantly by 54.3% to approximately HK$1,643.2 million (restated in 2016: HK$3,598.0 million). Such decrease was mainly because of (i) the transfer of proceeds from the Open Offer amounted to approximately HK$1,466.3 million to equity account upon issuance of the Offer Shares in January 2017; and (ii) the repayment of shareholders' loans of approximately HK$1,279.0 million.

As at 31 December 2017, our total equity was composed of owners' equity of approximately HK$1,938.6 million (restated in 2016: HK$434.8 million) and non-controlling interests of approximately HK$671.5 million (restated in 2016: HK$480.3 million).

The Group's current ratio as at 31 December 2017 was improved at 5.6 (restated in 2016: 1.5) as current liabilities decreased significantly. Gearing ratio, representing total borrowings divided by total equity, was 40.4% (restated in 2016: 183.7%). About 73.8% of borrowings are from the immediate holding company which are unsecured and repayable within a 5-year period.

Trade receivables turnover (being average trade receivables divided by revenue) for the year was 9 days (2016: 15 days). The Group did not experience any material doubtful debts that were required to be written off in 2017.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 26.0% (2016: 37.5%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 6.9% (2016: 19.3%). 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group's five largest customers accounted for 6.0% (2016: 8.8%) of the Group's total revenue and the sales attributable to the Group's largest customer was 1.6% (2016: 4.2%).

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 or 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 approximately HK$14.2 million (2016: HK$19.0 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 2017 (2016: Nil).

PLEDGE OF ASSETS

At 31 December 2017, the Group pledged its land, property, plant and equipment with net book value amounted to approximately HK$28.8 million (2016: HK$23.0 million) to secure general bank facilities granted. In addition, the Group pledged several lands located in Markham, Ontario, Canada and Sydney, Australia in favour of the financial institutions which in aggregate amounted to approximately HK$1,735.8 million to obtain loans for land development.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had provided guarantees in an aggregate amount of approximately HK$221.4 million to a financial institution in Canada in favour of its non-wholly owned subsidiary in respect of a mortgage loan for the re-financing and pre-construction of the property situated in Markham, Ontario, Canada.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in HK$, RMB, Won ("KRW"), CAD and AUD.

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, Canada and Australia are in KRW, CAD and AUD respectively. As the impact of the foreign exchange fluctuation is low and no material exchange rate risk is anticipated, no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group will investigate into its treasury management function and will closely monitor its currency and interest rate exposures in order to implement suitable foreign exchange hedging policy as and when appropriate to prevent related risks.

MATERIAL ACQUISITION AND DISPOSAL

Disclosable transaction in relation to acquisition of 51% equity interest of Mackenzie Creek Project composed of residential and commercial complex in Canada

In May 2017, NSR Toronto Holdings Ltd., a wholly-owned subsidiary of the Company, acquired 51% equity interest of the Mackenzie Creek Project which composed of residential and commercial complex located in Markham, Ontario, Canada at the total consideration of approximately HK$184.0 million by the subscriptions of 51% of the respective units in CIM Development (Markham) LP (the "Residential LP") and CIM Commercial LP (the "Commercial LP"). For details, please refer to the announcement of the Company dated 31 May 2017.

Major and connected transactions in relation to acquisition of the entire economic benefits of the Opera Residence Project in Sydney, Australia

In September 2017, Wealth Venture Asia Limited ("Wealth Venture"), a direct wholly-owned subsidiary of the Company, and Macrolink Australia entered into the subscription agreement, the loan agreement and the total return swap agreement for the purpose of acquiring the entire economic benefits of the Opera Residence Project in Sydney, Australia. Wealth Venture subscribed for 104 redeemable preference shares of Macrolink Australia (representing 51% of its voting right) for approximately HK$222.5 million and provided a loan of approximately HK$461.3 million to Macrolink Australia. For details, please refer to the announcement and circular of the Company dated 29 September 2017 and 30 November 2017 respectively.

Major transaction in relation to proposed acquisition of the controlling right and the entire economic benefits of Niiwoo Financial Information Services Ltd. ("Niiwoo Financial")

In October 2017, the Company announced for the proposed acquisition of the controlling right and the entire economic benefits of Niiiwoo Financial through the variable interest entity contracts at the consideration of HK$1,411.8 million to be satisfied by the allotment and issuance of 1,086,000,000 shares of the Company at the issue price of HK$1.30 per share. The transaction is subject to the approval of the Stock Exchange and the shareholders' approval at the general meeting of the Company. For details, please refer to the announcements of the Company dated 18 October 2017, 3 November 2017, 13 March 2018 and 28 March 2018 respectively.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2017, the Group employed a total of 1,059 (2016: 948) full time employees. 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 Co., Ltd. ("MegaLuck") has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office for the suspicion of 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. 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.

The court hearings for the First Case and the Second Case have been commenced but delayed in several occasions as the prosecutors' witnesses had failed to attend. As at the date of this report, the First Case and the Second Case are still pending.

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.

USE OF PROCEEDS FROM THE OPEN OFFER

On 10 January 2017, the Company completed the Open Offer and raised approximately HK$1,446.0 million in net proceeds after deducting the costs and expenses in relation to the Open Offer.

As stated in the prospectus of the Company dated 14 December 2016, the Company intended to use the net proceeds (i) as to about HK$576.5 million to repay the indebtedness of the Group due to MIL and its concert parties; (ii) as to HK$84.0 million to repay other indebtedness of the Group; (iii) as to HK$100.0 million for the development of the Group's casino business in Seoul, Jeju and Macau; (iv) as to HK$430.0 million for the acquisition of land bank reserve; (v) as to HK$200.0 million for the preliminary land development of the Glorious Hill Project; and (vi) as to the remaining HK$55.5 million for general working capital of the Group. As announced by the Company dated 31 May 2017 and 29 September 2017, the use of proceeds from the Open Offer was changed to cater for the Mackenzie Creek Project and the Opera Residence Project respectively.

As at 31 December 2017, a total amount of approximately HK$1,325.1 million of net proceeds from the Open Offer was utilised, of which (i) approximately HK$595.1 million was used for the repayment of the indebtedness due to MIL and its concert parties; (ii) approximately HK$184.0 million was used for the payment of the subscription of 51 units in each of the Residential LP and the Commercial LP in relation to the Mackenzie Creek Project in Canada; and (iii) approximately HK$546.0 million was used for the payment of the subscription of 104 redeemable preference shares of Macrolink Australia and the provision of a loan to the Opera Residence Project in Sydney, Australia. The Company intended to allocate the remaining net proceeds of approximately HK$120.9 million as originally disclosed.

SU BO

Chairman and Executive Director

Mr. Su Bo, aged 50, 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. He is now the director and president of Macrolink Culturaltainment Development Co., Ltd. ("Macrolink Culturaltainment") which is a company listed on the Shenzhen Stock Exchange (stock code: 000620) and is the controlling shareholder of the Company. Mr. Su is also a director of Macro-Link International Land Limited ("MIL") which is a wholly-owned subsidiary of Macrolink Culturaltainment.

NG KWONG CHUE, PAUL

Executive Director

Mr. Ng Kwong Chue, Paul, aged 47, 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. Mr. Ng was 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. He was also the founder and acted as the chairman of Realvision Technology Limited which is an international mobile technology company from 1998 to 2002. 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 44, 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. 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. He was a director of Xin'an Financial Group Co., Ltd. which is quoted on the 'National Equities Exchange and Quotations' (stock code: 834397) from June 2016 to August 2017.

HANG GUANYU

Executive Director

Mr. Hang Guanyu, aged 51, 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. Mr. Hang is also a director of MIL.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 46, 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 64, 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 a partner of Messrs Ting Ho Kwan & Chan, Certified Public Accountants and the director of Ting Ho Kwan & Chan CPA Limited. 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 63, 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.

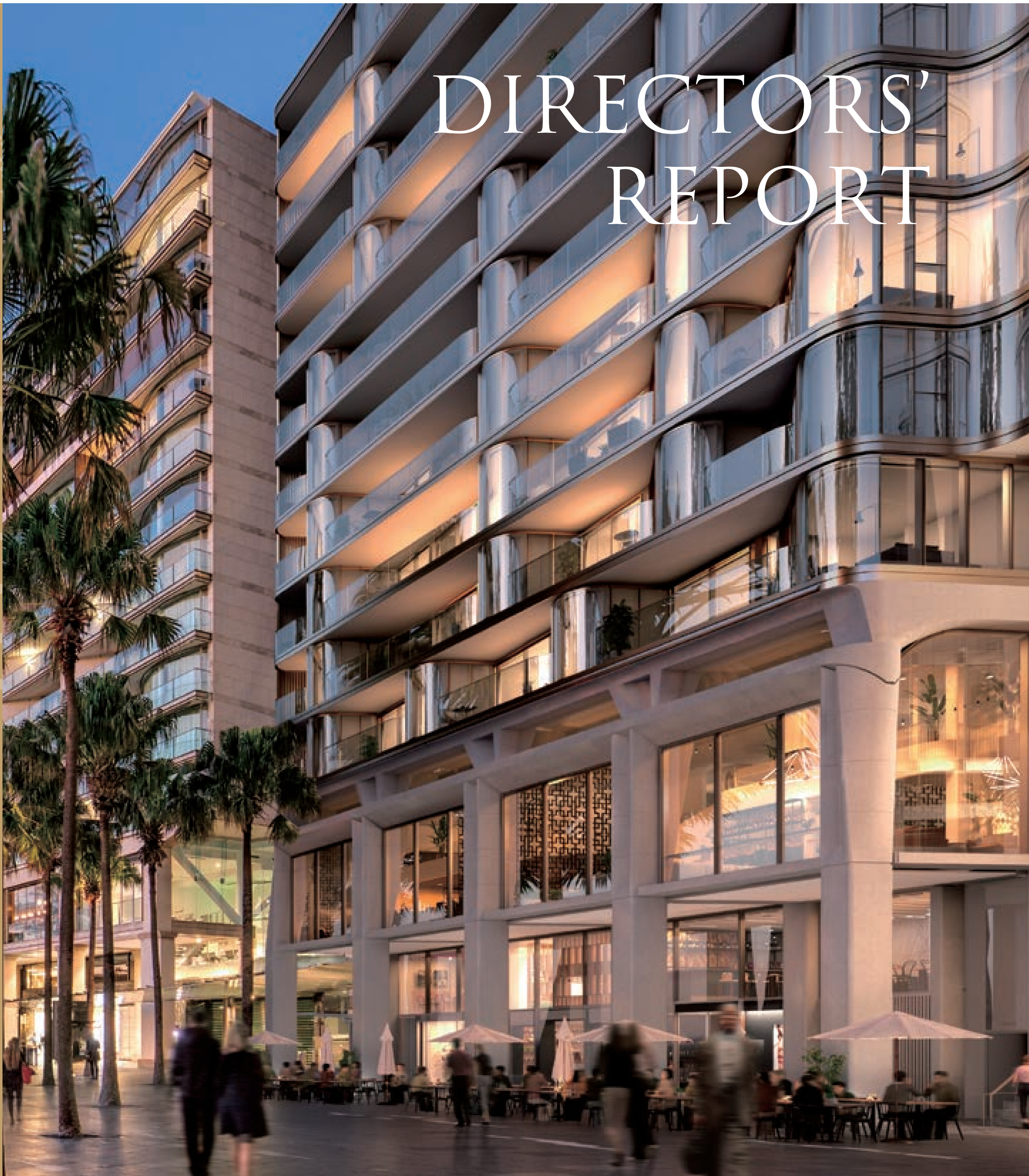
Mr. Tse is the founder and director of 'Che Kuong Hon Legal & Translation Service Centre'. He is now the part-time professor of Xiamen University at the Center for Social Governance and Soft Law Research, and the distinguished professor of Qilu University of Technology. He has over 30 years of experience in corporate management and corporate legal counsel. He 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 67, 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), Dongwu Cement International Limited (stock code: 695) and Junefield Department Store Group Limited (stock code: 758). He was an independent non-executive director of Huili Resources (Group) Limited (stock code: 1303) from December 2011 to September 2017.

DIRECTORS' REPORT



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 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) development and operation of real estate in South Korea, Canada and Australia; (ii) development and operation of integrated resort and cultural tourism in Jeju, South Korea; (iii) operation of gaming business in Jeju, South Korea; and (iv) production and distribution of wine and Chinese baijiu in the PRC. Details of the principal activities and other particulars of the subsidiaries of the Company are shown in note 23 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 2017 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, 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 20 of this annual report respectively.

Environmental policies and performance

The Group is committed to protecting the planet by measuring and controlling the environmental impact during operations. All businesses are required to strictly comply with all applicable environmental laws and regulations, including《Environmental Protection Law of the People's Republic of China》,《Canadian Environmental Protection Law in Ontario》and《Korean Environmental Impact Assessment》. The Group strives to minimise its environmental impacts through effective air emissions control, superior water and energy efficiency, proper waste management and wastewater treatment. Discussion on the Group's environmental protection initiatives and performance can be found in the section headed "Environmental, Social and Governance Report" on pages 56 to 83 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 South Korea, Canada and the PRC 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 South Korea, Canada and PRC subsidiaries on compliance with applicable laws and regulations are set out in the section headed "Environmental, Social and Governance Report" on pages 56 to 83 of this annual report.

Principal risks and uncertainties

During the year under review, the Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. 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 businesses, financial conditions, results of operations or growth prospects.

Risks Related to Our General Operation

(i) Economic environment and conditions

Uncertainty in world economic recovery remains due to economic pressures and geopolitical tensions in various areas of the world. Slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group is an investment company with diversified businesses in Australia, Canada, South Korea and Mainland China. Any adverse economic conditions in those countries in which the Group operates may potentially impact on the Group's financial position or potential income, asset value and liabilities.

(ii) Currency fluctuations

The Group is an investment company with diversified businesses in Australia, Canada, South Korea and Mainland China, and is exposed to potential currency fluctuations in these countries in which the Group operates. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries and the associate may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries and the associate may therefore impact on the Group's financial position or potential income, asset value and liabilities. The Group has not engaged in any financial instruments for hedging purposes. Instead, the Group has closely monitored the currencies and interest rates exposures in order to implement suitable foreign exchange hedging policy to prevent the related risk.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks Related to Our General Operation (Continued)

(iii) Strategic partners

Some of the businesses of the Group are conducted through non-wholly owned subsidiaries and associate in which the Group shares control with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries and associate and the markets in which they operate. Furthermore, the strategic or business partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations, which may affect the Group's businesses, financial conditions, results of operations or growth prospects.

(iv) Acquisitions

The Company has made various acquisitions in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before the Company proceeds with an acquisition, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate. For overseas acquisitions, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers and governmental authorities.

Risks 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 gaming business is particularly susceptible to the economic growth in China where a significant number of our gaming customers come from. 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 non-Korean players. Regional political events, including those resulting in travellers perceiving the area as unstable, regional conflicts or an outbreak of hostilities or war, in particular, the deployment of the Terminal High Altitude Area Defense missile system by South Korea in 2017, may cause severe disruption on international travel, which would result in a decrease in visitors to Jeju, South Korea and thus, may affect the results of our gaming operation. For risk mitigation and diversification purpose, the Group has adjusted the development strategy to invest in countries which are more politically stable with degree of certainty in financial return.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

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

(iii) Win rates beyond control

Win rates of the gaming industry are affected by a variety of factors which are beyond our control. The factors include but are 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 have no 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.

(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 in 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.

Risks Related to Our Real Estate Business in Toronto, Canada and Sydney, Australia

(i) Property market risk

The Group has actively purchased valuable lands and acquired two property development projects in 2017, i.e. Toronto, Canada and Sydney, Australia. The real estate business line of the Group is highly dependent on the performance of the property markets in each specific country it operates. Any property market downturn in those countries generally or in the cities and regions in which the Group's property projects are located, or the lack of suitable land banks/reserves for project development could adversely affect the Group's business, results of operations and financial position.

(ii) Development risk

Property project development comprises multiple phases and typically requires long turnover periods, significant financial investments and interaction with numerous parties. It is also subject to approval and supervision by various government authorities and will also be affected by factors such as market conditions.

The more stringent approval requirements in recent years for land transactions, housing layout planning, and application for construction permits and sales permits may result in longer turnover periods for the Group's property development and sales and thus, increase our development costs and development risk.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks Related to Our Real Estate Business in Toronto, Canada and Sydney, Australia (Continued)

(iii) Financing on property development

Property development is capital intensive in nature. Whilst the Group finances its property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internal funds, if no adequate financing can be secured or there is any failure to renew the Group's existing credit facilities prior to their expiration, the Group's operation may adversely be impacted.

Risks Related to Our Winery Business in the PRC

(i) Macroeconomic environment

Our winery business continued to be 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 its business model and operation approach to adapt to the change.

(ii) Government policies

Given the ongoing government policies to restrict ostentatious consumption and impose stringent control over public spending on entertainment and gifting, the markets for high-end wine and Chinese baijiu plunged. We have been developing new and innovative products, manufacturing and operating in a more scientific way, and adjusting 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 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) 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.

(v) Food safety risk

Food safety risk can arise in every step along the entire supply chain, from plantation, raw materials storage, production process, to wine 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.

BUSINESS REVIEW *(Continued)*

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, shareholders, media, business partners and suppliers. Such relationship is further discussed in the section headed "Environmental, Social and Governance Report" on pages 56 to 83 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 2017 are set out in the consolidated statement of profit or loss on page 90.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 179.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 30 May 2018 to Monday, 4 June 2018 (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 "2018 AGM") to be held on Monday, 4 June 2018. In order to qualify for attending and voting at the 2018 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 Tuesday, 29 May 2018.

SHARES ISSUED

Open Offer

On 10 January 2017, the Company allotted and issued 916,454,764 ordinary shares at the subscription price of HK$1.60 per share by way of open offer (the "Open Offer") on the basis of two offer shares for every five existing shares held.

Details of movements in the share capital of the Company are set out in note 30 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 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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 18 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. Ng Kwong Chue, Paul
Mr. Zhang Jian
Mr. Hang Guanyu
Mr. Liu Huaming

Mr. Yan Tao *(Resigned with effect from 28 September 2017)*

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. Zhang Jian, Mr. Ting Leung Huel, Stephen and Mr. Tse Kwong Hon will retire by rotation and, being eligible, offer themselves for re-election at the 2018 AGM. None of the Directors proposed for re-election at the 2018 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 21 to 22 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 2, 38 and 50 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 2017.

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., 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.

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 2017, 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**	**Total interests**	**Approximate percentage of issued share capital**
Mr. Su Bo	Beneficial owner	–	11,775,600	11,775,600	0.37%
Mr. Ng Kwong Chue, Paul	Beneficial owner	3,000,000	7,850,400	10,850,400	0.34%
Mr. Zhang Jian	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Hang Guanyu	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Liu Huaming	Beneficial owner	–	7,850,400	7,850,400	0.24%

DISCLOSURE OF INTERESTS *(Continued)*

(a) Interests of Directors *(Continued)*

(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 2017, 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.

(b) Interests of Substantial Shareholders

As at 31 December 2017, 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 and underlying shares of the Company

Name of Shareholders	Nature of interest	No. of shares/underlying shares held	Approximate percentage of issued share capital	*Notes*
Macro-Link International Land Limited	Beneficial owner	1,757,450,743	54.79%	*1,2*
Macrolink Culturaltainment Development Co., Ltd.	Controlled corporation	1,757,450,743	54.79%	*2*
MACRO-LINK International Investment Co, Ltd.	Beneficial owner	215,988,336	6.73%	*3*
Macro-Link Industrial Investment Limited	Controlled corporation	215,988,336	6.73%	*4*
Macro-Link Holding Company Limited	Controlled corporation	1,973,439,079	61.52%	*2,4*
Mr. Fu Kwan	Controlled corporation	1,973,439,079	61.52%	*4,5*
	Beneficial owner	10,000,000	0.31%	
Cheung Shek Investment Company Limited	Controlled corporation	1,973,439,079	61.52%	*2,5*
Ms. Xiao Wenhui	Controlled corporation	1,973,439,079	61.52%	*5*
	Beneficial owner	6,010,000	0.19%	

DISCLOSURE OF INTERESTS *(Continued)*

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

Long positions in the shares and underlying shares of the Company (Continued)

Notes:

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

2. 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.

3. 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.

4. 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.

5. Cheung Shek Investment Company Limited is owned as to 53.35% by Mr. Fu Kwan (who has been granted 10,000,000 share options on 31 March 2017 under the share option scheme adopted by the Company on 23 August 2012 (the "Share Option Scheme")), as to 33.33% by Ms. Xiao Wenhui (who also has a personal interest in 3,010,000 shares of the Company and has been granted 3,000,000 share options under the Share Option Scheme on 31 March 2017), 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 2017, 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 48 to the consolidated financial statements.

On 31 March 2017, there were 13,000,000 share options granted to eligible participants under the Share Option Scheme. Movements in the share options during the year ended 31 December 2017 are as follows:

			Options to subscribe for shares						
Name and category of participants	Date of grant	Exercise period	Exercise price per share HK$ *(Note 1)*	Balance as at 01/01/2017	Adjustment made upon completion of the Open Offer *(Note 1)*	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31/12/2017
Directors									
Mr. Su Bo	04/07/2016	04/07/2016 to 03/07/2026	2.0381	12,000,000	(224,400)	–	–	–	11,775,600
Mr. Ng Kwong Chue, Paul	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Zhang Jian	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Hang Guanyu	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Liu Huaming	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Yan Tao *(resigned w.e.f. 28 September 2017)*	04/07/2016	04/07/2016 to 03/07/2026	2.0381	3,000,000	(56,100)	–	–	(2,943,900)	–
Other employees or participants	04/07/2016	04/07/2016 to 03/07/2026	2.0381	104,000,000	(1,944,800)	–	–	(6,869,100)	95,186,100
	31/03/2017	31/03/2017 to 30/03/2027	2.0000	–	–	3,000,000	–	–	3,000,000
Substantial shareholder									
Mr. Fu Kwan	31/03/2017	31/03/2017 to 30/03/2027	2.0000	–	–	10,000,000 *(Note 2)*	–	–	10,000,000
Total				**151,000,000**	**(2,823,700)**	**13,000,000**	**–**	**(9,813,000)**	**151,363,300**

Notes:

1. As disclosed in the announcement of the Company dated 9 January 2017, upon completion of the Open Offer on 10 January 2017, the number of outstanding share options and the exercise price in respect of the share options granted on 4 July 2016 have been adjusted effective on 10 January 2017.

2. The grant of 10,000,000 share options to Mr. Fu Kwan, who is the substantial shareholder of the Company within the meaning of the Listing Rules, was approved by the independent shareholders of the Company at the annual general meeting held on 16 June 2017.

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 2017.

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 2017, the Group had significant transactions with related parties of which fall into connected and/or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules, the details of which are set out below:

(A) Major and Connected Transactions

On 29 September 2017, Wealth Venture Asia Limited ("Wealth Venture"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Macrolink Australia Investment Limited ("Macrolink Australia") in relation to the subscription of 104 redeemable preference shares of Macrolink Australia by Wealth Venture (the "Subscription"). The subscription price of approximately HK$222.53 million was paid by the Group on 20 December 2017.

At the same time of entering into the Subscription Agreement, Wealth Venture also entered into a loan agreement (the "Loan Agreement") as lender with Macrolink Australia as borrower in relation to the provision of a loan in the principal amount of approximately HK$461.33 million (the "Loan"). The Loan was drawn down by Macrolink Australia on 20 December 2017. Furthermore, Wealth Venture entered into a total return swap agreement (the 'TRS Agreement") with Macrolink Australia in relation to the swap arrangement for the interest payable under the Loan Agreement.

On the other hand, the Group would assume the remaining liabilities of Macrolink Australia and Macrolink & Landream Australia Land Pty Ltd, a company incorporated in Australia with limited liability and is owned as to 80% by Macrolink Australia (collectively, the "Target Group"), due to Macro-Link International Land Limited and Macrolink International Investment Co, Ltd. up to approximately HK$356.92 million (the "Debt Assumption").

As Macrolink Australia was a direct wholly-owned subsidiary of Macro-Link International Land Limited, which is the substantial shareholder of the Company interested in approximately 54.79% of the issued share capital of the Company as at the date of entering into each of the Subscription Agreement, the Loan Agreement and the TRS Agreement, each of the Subscription and the Loan constituted a connected transaction on the part of the Company. As the Target Group has become connected subsidiaries of the Group, the Debt Assumption also constituted a connected transaction under Chapter 14A of the Listing Rules.

Besides, as one or more of the applicable percentage ratios in respect of the Subscription, the Loan and the Debt Assumption in aggregate exceeds 25% but all are less than 100%, the transactions contemplated under the Subscription Agreement, the Loan Agreement, the TRS Agreement and the Debt Assumption were subject to reporting, announcement and independent shareholders' approval requirements. A special general meeting of the Company was held on 20 December 2017 and approvals of the Subscription Agreement, the Loan Agreement, the TRS Agreement and the Debt Assumption were given by the then independent shareholders of the Company.

Details of the transactions were set out in the announcement and the circular of the Company dated 29 September 2017 and 30 November 2017 respectively.

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 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 ultimately owned as to 78.13% 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 were sold by the Group to VATS Chain Store at a price which was no more than 20% discount to the average wholesale prices as VATS Chain Store agreed to purchase not less than 1,000 cartons of Shangri-la Wines and was solely responsible for all the costs and expenses incurred in relation to the sales and distribution of Shangri-la Wines. The terms of sales were of no more favourable than terms offered to other independent third parties who were willing to order similar quantity under similar conditions.

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

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 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 78.74% by Mr. Wu and thus, it is a connected person of the Company.

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

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

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

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 2017.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 39 to 55 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 control, risk management and financial reporting matters including a review of the Group's annual results for the year ended 31 December 2017. 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 53 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the 2018 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 2018 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, 26 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2017.

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 2017, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the deviations from code provisions A.6.7 and E.1.2 which are explained as follows:

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 16 June 2017 (the "2017 AGM") and the special general meeting of the Company held on 20 December 2017 (the "2017 SGM") due to his overseas business engagement. In addition, Mr. Tse Kwong Hon, being the independent non-executive Director, was unable to attend the 2017 SGM due to his overseas business engagement.

Code provision E.1.2 provides that the chairmen of the Board and board committees should attend the annual general meeting to be available to answer questions. Mr. Su Bo, who is the chairman of the Board and Nomination Committee, was unable to attend the 2017 AGM due to his overseas business engagement. However, Mr. Ng Kwong Chue, Paul, being the executive Director and company secretary of the Company, took the chair at the 2017 AGM, and the chairman of both the Audit Committee and Remuneration Committee, and the auditors attended the 2017 AGM. The Company considers that their presence is sufficient for effective communication with shareholders at the 2017 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

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

Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

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, the executive Directors and/or 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 2017, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code.

THE BOARD *(Continued)*

Composition

The Board currently comprises five 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 safeguarded.

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

As at 31 December 2017, 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	16/6/2017
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	16/6/2017
Mr. Liu Huaming	Executive Director	8/6/2015	16/6/2017
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 21 to 22 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 the senior management of Macro-Link International Land Limited and/or Macrolink Culturaltainment Development Co., Ltd. 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.

THE BOARD *(Continued)*

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.

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.

THE BOARD *(Continued)*

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 2017, the Board held 18 meetings. The attendance records of the Directors are set out below:

	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Su Bo	17/18
Mr. Ng Kwong Chue, Paul	18/18
Mr. Zhang Jian	17/18
Mr. Hang Guanyu	17/18
Mr. Liu Huaming	16/18
Mr. Yan Tao *(Resigned with effect from 28 September 2017)*	7/8
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	18/18
Mr. Tse Kwong Hon	17/18
Mr. Cao Kuangyu	18/18

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 meetings are structured to allow open discussion. All Directors participate in discussing the strategy, operational and financial performance, internal control and risk management of the Group.

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.

THE BOARD *(Continued)*

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 2017, no claim has been made against the Directors and officers of the Company.

Continuing Professional Development

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

Every newly appointed Director will be provided with 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 BOARD *(Continued)*

Continuing Professional Development *(Continued)*

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 2017. 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. 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

According to the code provision A.2.1 of the CG Code, the roles of the chairman of the Board and the chief executive should be segregated in order to reinforce their independence and accountability.

Mr. Su Bo has been appointed as the executive Director on 8 June 2015 and has become the chairman of the Board since 26 June 2015. He 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, he 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 Company does not have a position of chief executive since the resignation of Mr. Yan Tao, who was the then executive Director, vice-chairman and chief executive of the Company, with effect from 28 September 2017. Accordingly, the executive Directors and senior management undertake the day-to-day management of the Company's businesses and strategic planning of the Group. Under existing arrangement, the Board believes that the balance of power and authority is adequately ensured and such arrangement is for the benefits of the Group. However, the Group will also regularly review the board composition and appoint a chief executive if a suitable candidate is identified.

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. 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
Mr. Yan Tao [Note] *(resigned with effect from 28 September 2017)*			

Note: Mr. Yan Tao ceased to be a member of the Nomination Committee with effect from 28 September 2017.

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 one executive Director namely Mr. Su Bo (Chairman) 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 independent non-executive Directors' annual confirmations with respect to their independence; and make disclosure of its review results in the Corporate Governance Report;

BOARD COMMITTEES *(Continued)*

(1) Nomination Committee *(Continued)*

- to regularly review the time required for the Directors to perform their responsibilities and to assess if they are spending enough time to fulfill their duties;
- to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive; taking into consideration the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;
- to ensure that on appointment to the Board, Directors receive a formal letter of appointment setting out clearly the key terms and conditions of their appointment;
- to review the Board Diversity Policy as appropriate and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, the progress on achieving the objectives and make disclosure of its review results in the Corporate Governance Report annually;
- to do such things to enable the Nomination Committee to discharge its duties conferred on it by the Board; and
- to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or imposed by the Listing Rules or applicable laws.

The Nomination Committee met once during the year ended 31 December 2017. 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. Ting Leung Huel, Stephen	1/1
Mr. Tse Kwong Hon	1/1
Mr. Cao Kuangyu	1/1
Mr. Yan Tao *(Resigned with effect from 28 September 2017)*	0/1

BOARD COMMITTEES *(Continued)*

(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.

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.

BOARD COMMITTEES *(Continued)*

(2) Remuneration Committee *(Continued)*

Remuneration Paid to Members of Senior Management

Details of remuneration paid to members of senior management (excluding the Directors) fell within the following bands:

Remuneration bands	Number of individuals
Up to HK$1,000,000	3

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 12 to the consolidated financial statements as set out on pages 136 to 138 of this annual report.

The Remuneration Committee met twice during the year ended 31 December 2017. 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	1/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	2/2

BOARD COMMITTEES *(Continued)*

(3) Audit Committee

The Audit Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The terms of reference were revised on 30 December 2015. The Audit Committee comprises three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. 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.

The Audit Committee met twice during the year ended 31 December 2017. 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 effectiveness of the internal control system of the Company;
- reviewed the continuing connected transactions of the Company;
- considered the independence and re-appointment of the external auditors; and
- reviewed the financial reporting system, compliance procedures, internal control system and risk management of the Group.

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)	2/2
Mr. Tse Kwong Hon	1/2
Mr. Cao Kuangyu	2/2

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 2017 has been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, 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 major and connected transactions	HK$419,000
For services in respect of the disclosable transaction	HK$486,000

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 2017 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 84 to 89.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has an internal audit function and has established a risk management framework, which consists of the Board, the Audit Committee and the management. The Board is responsible for assessing and determining the nature and extent of risks that shall be taken in achieving the Group's strategic objectives so as to ensure an adequate and effective risk management and internal control systems have been established and maintained. The Board also has the overall responsibility for monitoring the management on the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted a risk management policy to provide directions in identifying, evaluating and managing significant risks effectively. At least on an annual basis, the management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee with ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis. Then, rectification plan and risk owners are established to ensure prompt remediation actions are taken.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness and adequacy of the Group's risk management and internal control systems, including but not limited to changes in the nature and severity of significant risks since last year's review, the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's onging review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications during the year; and the financial reporting and status of compliance with the Listing Rules by the Group.

During the year ended 31 December 2017, 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 that 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.

The above risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities and Futures Ordinance and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the Securities and Futures Ordinance. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of disclosure of inside information in a balanced, adequate and effective way. 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. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters.

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

During the year ended 31 December 2017, 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 pages 45 and 46 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 annual general meeting and the special general meeting were held on 16 June 2017 and 20 December 2017 respectively. The attendance records of the Directors are set out below:

Directors	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Su Bo	0/2
Mr. Ng Kwong Chue, Paul	2/2
Mr. Zhang Jian	1/2
Mr. Hang Guanyu	2/2
Mr. Liu Huaming	0/2
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	2/2
Mr. Tse Kwong Hon	1/2
Mr. Cao Kuangyu	0/2
Mr. Yan Tao *(Resigned with effect from 28 September 2017)*	0/2

Constitutional Documents

During the year ended 31 December 2017, 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 voting right 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:

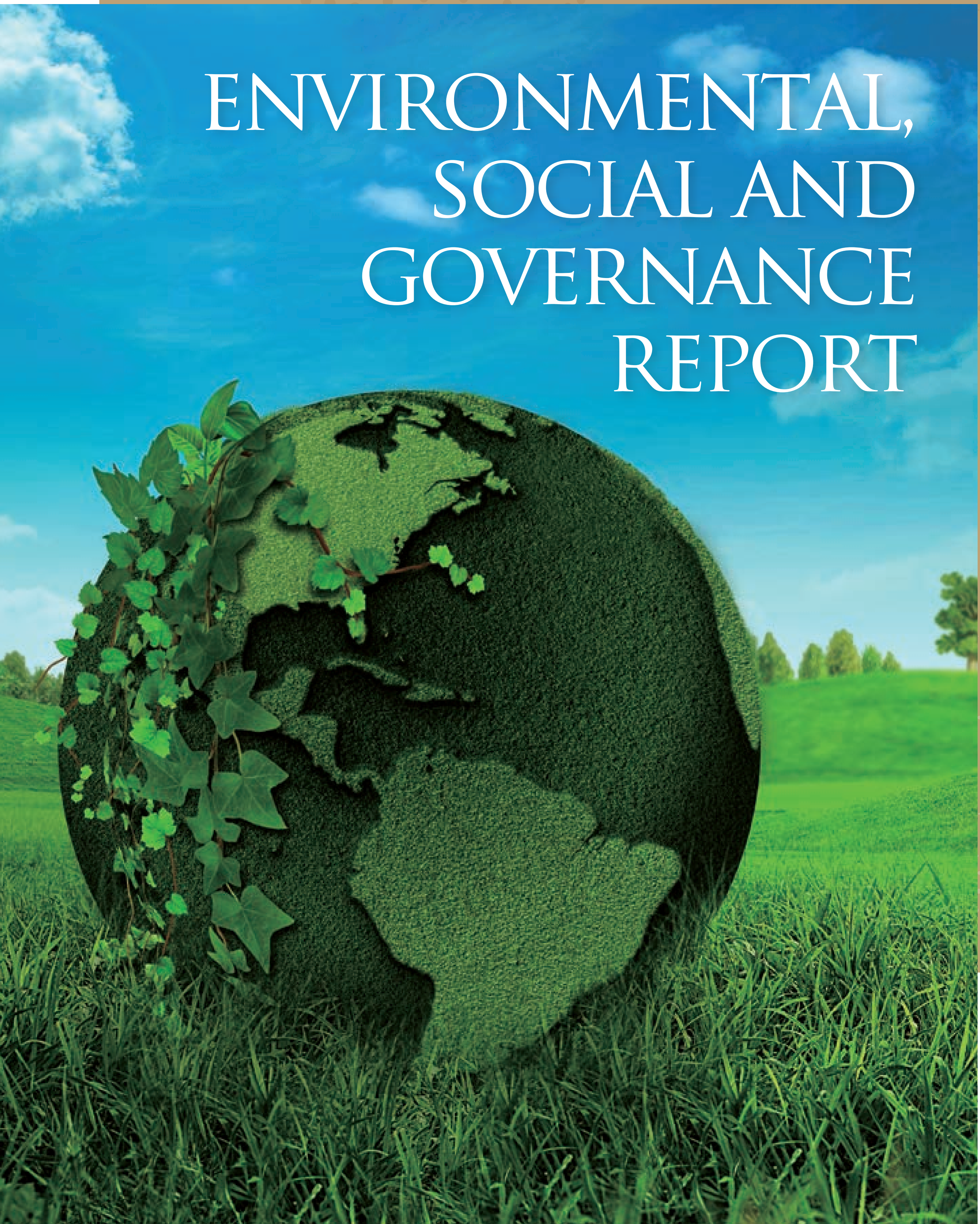
Address:	15/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Telephone:	(852) 2591 9919
Fax:	(852) 2575 0999
Email:	investor@newsilkroad472.com

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the third environmental, social and governance ("ESG") report since we established our ESG strategies and this report covers our ESG development from 1 January 2017 to 31 December 2017 (the "Reporting Year").

This ESG report is prepared pursuant to the "Environmental, Social and Governance Reporting Guide" in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. It covers all our businesses, including gaming, real estate, integrated resorts and cultural tourism businesses in South Korea, real estate business in Canada, and wine and Chinese baijiu businesses in the PRC. The real estate business in Australia is not covered as completion of the acquisition was on 20 December 2017 and we believe that the effect on the ESG aspects would be minimal during the Reporting Year. However, such business will be included in the coming year's ESG report.

Through the report, we hope to encourage suggestions from various stakeholders to further enhance the management standard and performance in all ESG aspects. For any comments or suggestions, please feel free to send by email to enquiry@newsilkroad472.com.

OUR SUSTAINABILITY APPROACH

The Group is devoted to fulfilling its social responsibilities and to creating a better society for the next generation. For this, we place emphasis on ESG management by formulating respective ESG strategies to alleviate the environmental impacts in our operations, to cultivate and protect our employees, and to contribute to the community whenever feasible.

Stakeholder Engagement

Long-term success depends greatly on the support of our stakeholders, therefore their valuable comments and feedback are indispensable in formulating and evaluating our sustainability approach. To ensure effective two-way communication, we proactively communicate by various means with both internal and external stakeholders, including employees, customers, investors/shareholders, media, business partners, and suppliers/contractors.

Stakeholder groups	Communication channels
Employees	• Team building activities
	• Employee handbook
	• Employee satisfaction survey
	• Annual congress, intranet, internal publications, bulletin board system, social media and seminars
	• Education and training
	• Annual and interim appraisal
Customers	• Customer service hotline
	• After-sales customer service
	• Regular visit to partners' retail outlets
	• Customer satisfaction survey
Investors/shareholders	• General meetings
	• Corporate communications, including but not limited to annual reports, interim reports, circulars, announcements, notices, etc.
	• Factory and site visits
	• Investor relations management and briefings
Media	• Product launches
	• Press conferences
	• Corporate operation interviews
	• Internet presence
	• Media press conference
Business partners	• Contractor conferences
	• Progress meetings
	• Audits, assessments and inspections
	• Information and experience sharing
	• Product briefing
Suppliers/contractors	• Supplier inspection
	• Strategic cooperation negotiations
	• Exchange visits

Materiality Assessment

Through active communication with the stakeholders and understanding their concerns and expectations, we identified and prioritised 22 material ESG aspects of the Group which are summarised in the below table:

List of material ESG issues

Social – Employment and labour practices

- Child labour and forced labour
- Occupational health and safety
- Talent retention
- Employee development and training
- Employment practices

Social – Operating practices

- Customer privacy
- Product and service quality
- Anti-corruption
- Intellectual property rights
- Research and development
- Mechanism for handling complaints
- Supply chain management

Social – Community

- Community investment
- Harmonious relationship building

Environmental

- Environmental laws
- Waste management
- Greenhouse gas emissions
- Energy consumption
- Sewage treatment
- Water consumption
- Potential impacts on operations
- Use of environmentally friendly materials and equipment

Ethic and Integrity

Corporate reputation is one of the core value of business success. To safeguard our corporate reputation, we strive to uphold high standards of business ethics and integrity in our day-to-day operations to ensure compliance with applicable laws and regulations, to protect our customers' privacy, and to respect intellectual property rights.

Compliance with laws and regulations

As a responsible corporate citizen, we ensure compliance with applicable laws and regulations in all areas of our businesses. To this end, a stringent internal control system has been established and regular internal audit reviews are conducted. In addition, our suppliers and customers have to sign the "Integrity Agreement" and are obliged to follow, which aims to reduce the likelihood of improprieties related to bribery, extortion, fraud and money laundering.

Customer privacy

To safeguard our customers' data and privacy, an integrated information management framework for customer information management, confidentiality and security is in place to prevent data breaches. During the Reporting Year, no complaints or prosecutions related to personal data were recorded.

Intellectual property rights

We respect intellectual property rights and have set up a management team to enforce anti-counterfeiting measures, to strengthen brand management and maintain our brand image. We have invested considerable resources in research and development on our products and have 'zero tolerance' on infringement of intellectual property. In 2017, the patent of our baijiu products were infringed by one of our competitors. The dispute has been dealt with by the related management team according to standardised procedures.

Anti-corruption

The Group has also established procedures and measures to fight against and prevent corruption in business activities. A telephone hotline has been set up for employees or external parties to report suspicious activities. Employees may also report any suspicious cases through whistle-blowing procedures. In addition, training is given to staff to raise their knowledge and awareness which is necessary for effective anti-corruption compliance.

During the Reporting Year, no cases regarding corrupt practices were recorded. This reflects the successful implementation of our anti-corruption strategy.

Product Responsibility

Customer relationship

Listening to our customers' needs and feedback is vital to shaping our business plans, boosting our development and sustaining our prosperity. We communicate with customers through various channels, such as customer service hotline, regular site visits to retail outlets and customer satisfaction surveys. Comments collected were responded to in a timely manner to cater for their needs and concerns.

Quality control

Our "Product Safety Policy" is in place to govern each steps related to the purchase of raw materials, production, storage, transport and sales. We have a quality assurance policy which is more stringent than compliance standards. It involves sample inspection, product certification checks, and quality and safety testing to ensure production quality.

The Group has measurement assurance, standardisation and quality control systems in place. We emphasise the product quality by a well-established quality responsibility system which defines the roles and responsibilities of each staff. The system has been recognised by both the local government and the broader food and beverage industry.

We also set up a policy named "Control for Non-conforming Products" which includes clear recall procedures for products with quality and food safety issues. In 2017, none of our products sold were subjected to recalls due to health and safety reasons.

Responsible business

(i) For our wine and baijiu businesses, food safety is integrated into our daily management and operations. The quality of our wine and baijiu products goes beyond regulatory standards. We attained ISO 9001:2008 Quality Management System certification since 2006 to safeguard food safety and integrity. In addition, since 2015, our food safety management system has been certified with HACCP (Hazard Analysis and Critical Control Point). We also advocate responsible and healthy drinking by putting warning messages on packaging and product labels.

We attained ISO 9001:2008 Quality Management System and HACCP System Certificate.

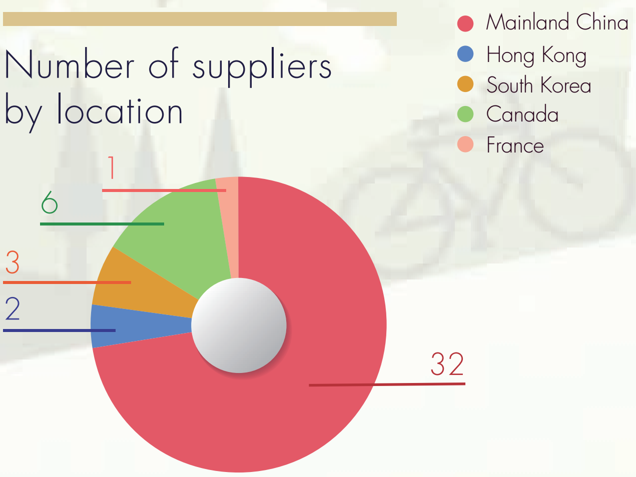
(ii) Our casino strictly prohibits the locals or people younger than 19 years old from entering the facility. Relevant messages are posted at the entrance and security guards are stationed in the area. Besides, we strive to prevent food safety incidents at the premise through monitoring the quality of food and beverage provided by our suppliers.

(iii) Recreational resorts require quality environment and services. We closely monitor the deliverables of suppliers and contractors, conduct quality assurance to maintain building safety and to ensure that the built environment is in line with the design. Profession-related and service-related trainings are given to relevant staff as well.

Supply Chain Management

Our businesses spread in various locations, therefore we rely on a number of global suppliers to provide different products and services. A mutually beneficial relationship with our reliable suppliers is the cornerstone for providing quality products and services to our customers. During the Reporting Year, we have engaged 44 suppliers from different locations.

Number of suppliers by location



To secure the standards of goods and services provided to customers, we strictly monitor the resources provided by the suppliers. To this end, evaluations and verifications of the supply chain are conducted. Our subsidiaries follow the Group's procurement policies and systems, at the same time ensuring compliance with all relevant local laws and regulations.

In evaluating our suppliers, in addition to comparing price, quality of raw materials, quality of goods or services and after-sales service, we also conduct investigation on their business reputation and check if the relevant food safety management certification has been attained. We require our existing and new suppliers to uphold high standards in control measures and management systems in terms of legal compliance, product quality, food safety and other relevant ESG issues.

OUR ENVIRONMENT

As a responsible wine-maker and the integrator of cultural-tourism-entertainment, in the process of extracting the good from the natural environment, we strongly believe in respecting Mother Nature and are willing to safeguard the environment. Understanding that we have businesses and subsidiaries in various industries, we integrate our environmental protection initiative into each business sector according to the respective business nature. We are obligated to protect the planet by measuring and controlling the environmental impact in our operations.

Being a responsible company, we strictly comply with all applicable environmental laws and regulations in our business operations including 《Environmental Protection Law of the People's Republic of China 中華人民共和國環境保護法》, 《Canadian Environmental Protection Law in Ontario》 and 《Korean Environmental Impact Assessment》.

Air Emissions Control

Regarding direct air emissions, pollution sources come from the combustion of coal for energy in our wineries. We comply with the 《Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution 中華人民共和國大氣污染防治法》. Besides, an environmental impact assessment was conducted during the Reporting Year. We have adopted the solution of building a chimney of height no less than 35m and installing a desulphurisation device for the coal-powered boiler to achieve the required emission standards.

Air emission performance in 2017 (tonnes)	
Sulphur oxides (SOx)	2.6
Nitrogen oxides (NOx)	11.5

Regarding the Mackenzie Creek Project in Canada, we have implemented stringent air quality management measures. For example, we have strictly controlled dust emission by using dust-proof netting at our construction site in Canada.

Energy and Water Usage

In addition to the direct combustion of coal, electricity is also used across all our businesses. During the Reporting Year, we had replaced the standard lighting with LED fixtures and regularly maintain the ventilation system in the casino to save energy. In 2017, our electricity consumption was 690,144,036 kWh.

Approximately 57,600 m^3 of water was used during the Reporting Year in producing winery products. We have installed drip irrigation system to increase irrigation efficiency. In order to further reduce water consumption, we use recycled water to wash the inner and outer walls of bottles. In conjunction with other water re-use measures, we save 30,000 tonnes of water annually.

The concept of sustainability has also been incorporated into the building design of the Mackenzie Creek Project in Canada. Green building features, such as well-insulated exterior wall, daylight harvesting system at roof level and rainwater harvesting system, are adopted to minimise energy and water consumption. Each unit has high efficiency rated furnace with all standard controls and programmable thermostat being included, which meets or exceeds the Ontario Building Code requirement for energy efficiency.

* These photos are not taken from the development and do not illustrate or show the development or any part thereof.

Wastewater Treatment

To fulfill the requirements as depicted in the 'Environmental Impact Assessment Report' and to comply with all applicable laws and regulations, all our winery production units have been provided with onsite wastewater treatment facilities before discharging effluents to the natural environment or municipal sewers. The concentration of pollutants in effluent has been controlled to reach the standard of 《Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry 發酵酒精和白酒工業水污染物排放標準》.

To spread awareness of environmental concerns and to encourage resources-saving behaviour, a portion of production cost saving from energy, water and raw materials is shared with employees as a staff bonus. The wastewater treatment plant in Yuquan Winery successfully recycled around 93% of used water and produced 10,210 tonnes of recycled water from 10,890 tonnes of sewage. In 2017, together with the Shangri-la Winery, 1,792 m^3 of treated water was released from our wineries.

Waste Management

Recycling has always been the first solution to waste problems. We sold organic wine production ingredient wastes, such as grape skins to farmers as fertiliser, to save it from landfill. We also recycled packaging waste where possible, and established a centralised recycling system for the handling of recyclables such as card boxes, bottles and bottle caps.

Hazardous chemical waste is handled in accordance with all relevant laws and regulations. Different waste materials are stored separately, and records and ledgers are kept detailing when, where and how the waste is disposed of.

Materials and Resource Usage

We also take steps to encourage ecology development in our facilities by incorporating increased areas of greenery and other ecologically-friendly features into the production site. We also promote organic and ecologically-friendly products through the use of domestic fertiliser, organic pest control and organic farming.

OUR PEOPLE

Talent is the most valuable asset of the Group and the foundation for ensuring our sustainable development. Skilled labour can provide quality service and delivery quality products to our customers, and thus is vital to the Group's success. As such, we are committed to providing competitive compensation and benefits, equal opportunities, ample career and personal development opportunities, and a safe workplace to attract, recruit, retain, and cultivate suitable and capable talent.

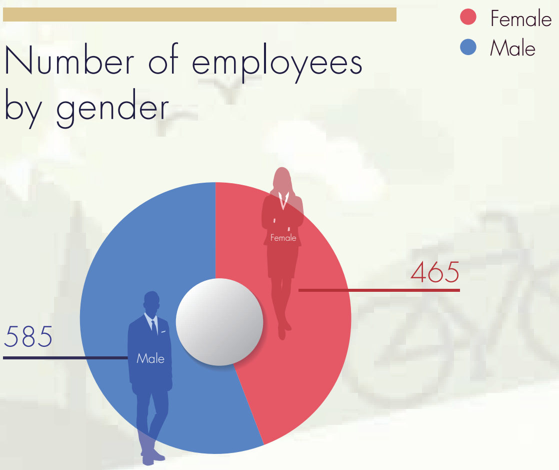
In 2017, the Group complied with all relevant laws and regulations related to employment and labour practices. We have established policies on employee recruitment, remuneration and benefits, attendance, training and development, performance appraisal, etc., in order to protect the basic interests of the employees while strictly prohibiting the hiring of child labour and oppose to any form of forced labour. No occurrence of such practice was recorded in 2017.

Talent Recruitment and Retention

We strive to safeguard our employees' rights. As such, employee guidelines have been established to protect their rights in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, anti-discrimination, other benefits, welfare and arrangements in case of work-related injuries.

As at 31 December 2017, we had 1,050 employees located in Hong Kong, the Mainland China, South Korea and Canada, 99.9% of which are the permanent staff. The overall employee turnover rate was about 8.9% in 2017. Statistics on the number of employees and the employee turnover rate by gender, age and geography are set out in the charts below.

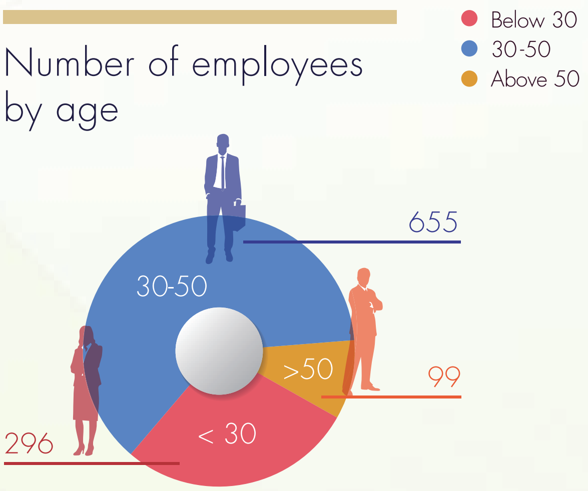
Number of employees by gender



Employee turnover rate (by gender)

	Unit	Data
Female	%	7.1
Male	%	10.3

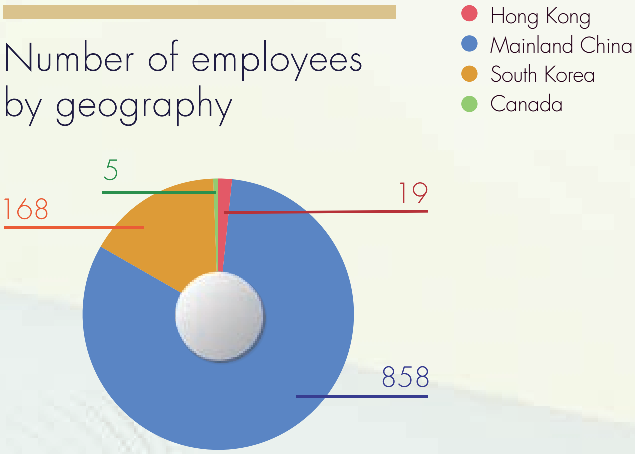
Number of employees by age



Employee turnover rate (by age)

	Unit	Data
<30	%	6.1
30-50	%	9.9
>50	%	10.1

Number of employees by geography



Employee turnover rate (by geography)

	Unit	Data
Hong Kong	%	5.3
Mainland China	%	5.7
Southh Korea	%	25.6
Canada	%	0

Equal Opportunity and Diversity

We have various business sites in different areas, including Hong Kong, Mainland China, South Korea and Canada. Therefore, embracing diversity in our workforce has always been important to us. Being an equal opportunity employer, we ensure our employees are not discriminated against due to their gender, age, nationality, sexual orientation, marriage status, religions, or race.

Employee Compensation and Benefits

Employees are provided with attractive compensation for their work. To stimulate our people to advance themselves and unleash their full potential, staff who achieve specific performance targets will be awarded with attractive bonuses, meanwhile capable employees with ample experience will be promoted or rotated to other departments to widen their horizons.

To show care to our employees, free medical checkup is provided to relevant staff. Female employees may also apply for one-day of menstrual leave once a month when necessary.

As a family-friendly employer, we offer initiatives such as lactation breaks for mothers with babies less than one year old. We also offer family leave or flexible working hours to employees to take care of their children or family members in need.

Being a caring employer, staff with financial difficulties can apply for accommodation subsidies. Management visit them periodically to offer necessary support and assistance.

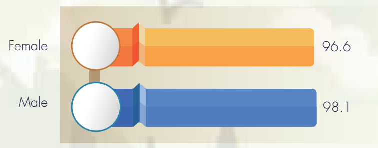
Employee Training and Development

We have adhered to the 'people-oriented' concept of talent and committed to providing a favourable development platform and a complete training system in order to achieve a joint development of the enterprise and our employees. We invest resources in nourishing them through different kinds of trainings and then assess their competence from time to time to understand the effectiveness of the training programs.

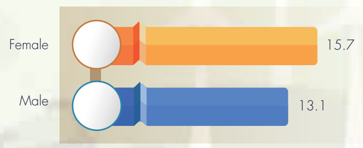
To equip our staffs with knowledge and skills relevant to their daily duties, a variety of on-the-job training is provided to foster their career development. In 2017, we provided trainings in areas such as corporate culture, administration, human resources and insurance in different subsidiaries. Specific training was given in different business sectors, for example, brewing, wine tasting, bartending, and sales service trainings are provided to staffs in the winery businesses; project cost management training is given to staffs in the real estate and resort businesses, and anti-corruption training is given to the casino staffs.

Training on special topics is also provided to facilitate all-round development. In 2017, topics such as leadership, time management and emotional management were included in the training programs.

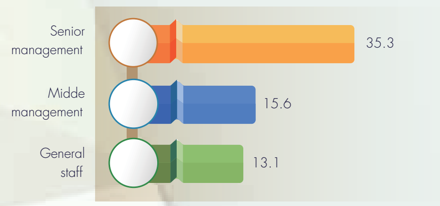
Percentage of employees trained by gender



Average training hours completed per employee by gender



Average training hours completed per employee by employment category



The Group has dedicated resources to training programs to ensure the continuous learning of our staff.

Occupational Health and Safety

We are committed to providing a healthy and safe workplace to our staff and have complied with all relevant laws and regulations relating to the safe working environment and protection of employees from occupational hazard. Safety inspections, supervisions and audits are conducted regularly to ensure that the working environments meet local and national standards.

In addition, training is also provided to employees to raise their awareness of workplace health and safety and to familiarise them with emergency procedures. For example, instructions on turning off electrical power after work, no indoor smoking and training on fire evacuation procedures.

Regular training was provided to staff to increase safety awareness.

Shangri-La Winery set up an "Occupational Disease Prevention Leading Group" to safeguard employees' health

In order to prevent, control and eliminate occupational injuries and diseases, protect workers' health, support employee rights, improve working environment, and promote the sustainable development, Shangri-la Winery has set up an "Occupational Disease Prevention Leading Group" since 2016.

In May 2017, our employees participated in a full-day training course organised by the "Occupational Disease Prevention Leading Group". The training included lectures on safety production, occupational health, 6S management, etc., to cultivate their safety awareness and enhance their resilience. In addition, a fire leader of Shangri-la Economic Development Zone was invited to provide fire safety training and actual drill.

Lecture on safety production was delivered to raise employees' safety awareness. The fire drill cum fire safety training was also provided to employees. At the end of the event, a written test was conducted to assess their safety knowledge and the effectiveness of the training. The average score of the test was 87 out of 100, indicating an excellent performance of both the speaker and our staff.

To support work-life balance and encourage our employees to take care of both their mental and physical health, a policy is in place to forbid overtime work of more than 12 hours per week. In our Korea subsidiaries, staff consent is required before overtime work is scheduled.

In 2017, no work-related injuries and work-related fatalities were recorded. We will continue to adopt effective measures to protect our staff and minimise work-related injuries.

OUR SOCIETY

As a pioneer of innovative cultural and tourism developer, we strive to give back to the society and are committed in the promotion of the joint development and progress of the enterprise and the society. We are obligated to enhance our contribution to sustainable development and public affairs by continuously building harmonious and mutual cooperation with local communities.

In supporting societal development, we contribute to local communities with generous donations and sponsorships. Our employees are also encouraged to participate in local community programs and bring energetic changes to target groups, including the underprivileged, the elderly, teenagers, employees and other groups in need.

Attributable to the dedication of our staffs and constant support from communities, we achieved another year of successful contributions, which serves to build our continuing motivation to promoting harmonious and mutually prosperous relations between our businesses and the society. In particular, it is the great honor for Shangri-la Winery to obtain the certificate of 'Neighborhood Economy Induction Enterprise 帶動群眾增收致富先進企業' in 2017.

Introduction of Local Vision to the World

Based on the initiative to promote local culture to visitors, we enhanced communication with communities by proactively supporting local events. We are honored to sponsor organisations and events which share the same vision as us and support local culture.

In 2017, on Jeju Island, where Glorious Hill and MegaLuck operate, we sponsored international sports events and donated to local communities to encourage the healthy living and well-being of locals and tourists. These events promoted tourism in Jeju Island and encouraged visitors from overseas as well as other parts of Korea and facilitated the conservation of distinctive scenery in Jeju Island.

Charity Engagement

We place great emphasis on effective and ongoing internal and external communications and engagement. In addition to direct donations and sponsorship of parties in need, we also encourage our employees to participate in various charity events and good causes.

In 2017, Shangri-la Winery led employees in a poverty alleviation program in rural areas of the Diqing Tibetan Autonomous Prefecture. Taking this opportunity to engage our positive momentum with different levels of the local community, we are dedicated to assisting the underprivileged and to advocating community inclusion within us.

Recognition of community development and contribution by the local authority of Jeju Island

The 42nd Geumak-ri Games were held in April 2017. Honored guests including Jeju council members, the chairman of the local Board of Education, Geumak-ri's leaders and the president of Glorious Hill attended the event. The Geumak-ri Youth Committee issued a certificate to Glorious Hill for expression of the gratitude to Geumak-ri residents in supporting of local development.

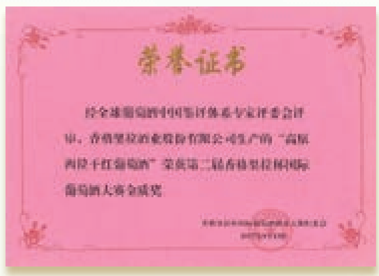
It is the great honor for Glorious Hill to be highly supported and recognised by local residents, such support may also bring a positive result in helping our business development in Jeju. We hope to maintain friendly relations to achieve mutual benefits and bring continuous social improvement to the neighborhood.

AWARDS AND RECOGNITION

Delivering quality products and services to our customers is our core mission. Our determination is demonstrated by the recognitions received over the years. These awards and certifications not only recognise our accomplishments, but also reaffirm our commitment to continuous improvement.

We are extremely proud of Shangri-la Winery and Yuquan Winery whose quality winery products have been widely known. We will continuously develop new winery products and assure exquisite quality. In 2017, we achieved another rewarding year with the following recognitions:

Shangri-la Winery

Awards Details	Certifications
Shangri-La International Wine Competition Award: Gold prize Plateau Shiraz cabernet sauvignon	
The Famous Yunnan Wine Competition Award: Gold prize Shangri-la AAA Plateau cabernet sauvignon	

Awards Details	Certifications
Ministry of Industry and Information Technology registration of scientific and technological achievements	
The Gold-Medal Winery in China	

Yuquan Winery

Awards Details	Certifications
2nd level Honor Work Safety Standardisation	
National Honest Wine Demonstration Corporation Award	

KEY ESG STATISTICS

Environmental	Unit	2017	2016
Greenhouse gas emissions			
Scope 1[1]	tonnes	6,565.4	7,536.6
Scope 2[2]	tonnes	342,377.6	297,397.8
Total	tonnes	348,943.0	304,934.4
Air emissions			
Nitrogen oxides (NOx)	tonnes	11.5	11.9
Sulphur oxides (SOx)	tonnes	2.6	2.5
Waste disposed (by types)			
Wastewater	m^3	1,792.0	1,152.0
Paper	tonnes	83.3	129.0
Plastic	tonnes	21.8	22.9
Cinder	tonnes	395.0	417.0
General waste	tonnes	0.5	0.4
Use of resources			
Electricity use	kWh	690,144,036.0	599,430,800.0
Coal use	tonnes	3,332.7	3,825.7
Water use	m^3	63,184.0	66,186.0
Packaging materials			
Wine bottle	tonnes	1,954.0	1,822.1
Carton box	tonnes	325.6	307.5
Cork	tonnes	12.7	11.0
Paper box	tonnes	52.0	84.1

Social	Unit	2017	2016
Total employees – by gender (full-time employees only)			
Female	number	465	402
Male	number	585	546
Total employees – by age (full-time employees only)			
< 30	number	296	266
30 – 50	number	655	591
> 50	number	99	91
Total employees – by category			
Senior	number	55	51
Middle	number	134	127
Junior	number	860	769
Temporary/contract/seasonal staff	number	1	51
Total employees – by geography (full-time employees only)			
Hong Kong	number	19	17
Mainland China	number	858	765
South Korea	number	168	166
Canada	number	5	N/A
Employee turnover rate – by gender			
Female	%	7.1	8.5
Male	%	10.3	13.2

Social	Unit	2017	2016
Employee turnover rate – by age			
< 30	%	6.1	15.0
30 – 50	%	9.9	8.8
> 50	%	10.1	15.4
Employee turnover rate – by geography			
Hong Kong	%	5.3	5.9
Mainland China	%	5.7	7.6
South Korea	%	25.6	28.3
Canada	%	0	N/A
Occupational safety and health			
Lost days due to work injuries	number	0	37
Number of injuries	number	0	3
Number of fatalities	number	0	0
Percentage of employees trained – by gender			
Female	%	96.6	97.0
Male	%	98.1	97.8
Percentage of employees trained – by category			
Senior management	%	78.2	82.4
Middle management	%	91.0	91.3
General staff	%	99.7	99.5
Average training hours completed per employee – by gender			
Female	hours	15.7	12.6
Male	hours	13.1	13.3
Average training hours completed per employee – by employee category			
Senior	hours	35.3	22.6
Middle	hours	15.6	16.1
Junior	hours	13.1	11.8

Social	Unit	2017	2016
Number of suppliers – by geography[3]			
Mainland China	number	32	24
Hong Kong	number	2	4
South Korea	number	3	1
Canada	number	6	N/A
France	number	1	N/A
Product and service quality			
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0	0
Number of complaints	number	0	0
Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Year	number	0	0

1 Scope 1 greenhouse gas emissions refer to direct emissions from combustion of fuels from stationary sources. The figure presented includes only the amount of coal used presented in carbon dioxide equivalent. The methodology used for calculation is drawn from the 'Specification and 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 indirect emissions for energy. The figure includes only electricity purchased from power companies presented in carbon dioxide equivalent. The methodology used for calculation is drawn from the 'CO2e 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 Digital Publishing Institute.

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

SEHK ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter in ESG Report 2017 (page numbers)
A. Environmental		
Aspect A1	**Emission**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Our Environment (pages 62 to 65) • Key ESG Statistics (pages 75 to 78)
KPI A1.1	The types of emissions and respective emissions data.	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter in ESG Report 2017 (page numbers)
A. Environmental *(Continued)*		
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	• Our Environment (pages 62 to 65) • Key ESG Statistics (pages 75 to 78)
KPI 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).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	• Our Environment (pages 62 to 65)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

B. Social		
Employment and Labour Practices		
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Our People (pages 65 to 70) • Key ESG Statistics (pages 75 to 78)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter in ESG Report 2017 (page numbers)
B. Social ***(Continued)***		
Employment and Labour Practices (Continued)		
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	• Our People (pages 65 to 70) • Key ESG Statistics (pages 75 to 78)
KPI B2.1	Number and rate of work-related fatalities.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	• Our People (pages 65 to 70) • Key ESG Statistics (pages 75 to 78)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	• Our People (pages 65 to 70)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter in ESG Report 2017 (page numbers)
Operating Practices		
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Our Sustainability Approach (pages 57 to 62) • Key ESG Statistics (pages 75 to 78)
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	• Our Sustainability Approach (pages 57 to 62) • Key ESG Statistics (pages 75 to 78)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter in ESG Report 2017 (page numbers)
Operating Practices *(Continued)*		
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	• Our Sustainability Approach (pages 57 to 62) • Key ESG Statistics (pages 75 to 78)
KPI 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.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Community		
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Our Society (pages 71 to 72)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

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

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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 90 to 178, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 address the key audit matter
Business combination	
Refer to Note 45 and the accounting policies in Note 4 to the consolidated financial statements.	
On 30 May 2017, the Group subscribed 51% interests in each of CIM Development (Markham) LP and CIM Commercial LP at total consideration of approximately CAD 31,720,000 (equivalent to approximately HK$184,008,000). The acquisition requires the identification of assets acquired and the liabilities assumed and the consideration measured at their acquisition-date fair values, which require significant management judgement. Independent external valuations were obtained in order to support management estimates.	Our procedures in relation to the management determination the fair values of net assets acquired included: • Evaluating of the independent external valuers' competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Checking, on sampling basis, the accuracy and relevance of the input data used. We found the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed and the consideration are supported by the available evidence.
Impairment assessment on the Group's casino business	
Refer to Notes 19 and 22 and the accounting policies in Note 4 to the consolidated financial statements.	
As at 31 December 2017, the Group had goodwill of approximately HK$75,221,000 and casino license of approximately HK$482,624,000 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 assessments, 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 businesses included: • Evaluating of the independent external valuers' 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 the 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 address the key audit matter
Carrying value of properties under development and stock of properties Refer to Notes 18 and 25 and the accounting policies in Note 4 to the consolidated financial statements. As at 31 December 2017, the carrying values of properties under development and stock of properties were approximately HK$421,100,000 and HK$1,735,767,000 respectively. The management determined the net realizable 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 and stock of properties were appropriate.	Our procedures in relation to management's assessment of the carrying values of properties under development and stock of properties included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of properties under development and stock of properties; and • Comparing the management's estimates of selling price for similar properties to market data used in the assessment. We found the carrying value of the properties under development and stock of properties were supported by the available evidence.
Valuation of inventories Refer to Note 24 and the accounting policies in Note 4 to the consolidated financial statements. As at 31 December 2017 the carrying values of inventories was approximately HK$253,599,000. The management estimated the net realizable 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 2017.	Our procedures in relation to assessing the appropriateness of the valuation of the inventories, included: • Assessing the appropriateness of the methodologies used by the management for the assessment of the net realizable 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 realizable 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 the 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. Our report is made solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, 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.

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

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.

- 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, 26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 2)*
Revenue	8	**325,858**	273,710
Sales of wines and Chinese baijiu		**202,893**	200,664
Cost of sales of wines and Chinese baijiu		**(118,546)**	(116,469)
Gross profit of wines and Chinese baijiu		**84,347**	84,195
Gaming revenue		**122,965**	73,046
Cost of gaming operation		**(110,161)**	(33,952)
Gross profit of gaming operation		**12,804**	39,094
Gross profit		**97,151**	123,289
Other revenue	10	**29,337**	44,263
Selling and distribution expenses		**(66,020)**	(70,156)
Administrative and other operating expenses		**(142,340)**	(125,070)
Share-based payment expenses	48	**(1,468)**	(59,479)
Loss from operating activities	11	**(83,340)**	(87,153)
Finance costs	13	**(2,885)**	(10,778)
Loss before taxation		**(86,225)**	(97,931)
Taxation	14	**(3,087)**	(1,211)
Loss for the year		**(89,312)**	(99,142)
Attributable to:			
Owners of the Company		**(70,986)**	(92,482)
Non-controlling interests		**(18,326)**	(6,660)
		(89,312)	(99,142)
Loss per share attributable to owners of the Company			
Basic and diluted	16	**HK(2.23) cents**	HK(3.95) cents

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated) *(Note 2)*
Loss for the year	**(89,312)**	(99,142)
Other comprehensive income/(loss), net of income tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**(141)**	130
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**146,547**	(96,772)
Total comprehensive income/(loss) for the year	**57,094**	(195,784)
Attributable to:		
Owners of the Company	**42,699**	(168,822)
Non-controlling interests	**14,395**	(26,962)
	57,094	(195,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 2)*
ASSETS			
Non-current assets			
Land use rights	17	**31,552**	26,345
Property, plant and equipment	18	**1,021,766**	902,009
Intangible assets	19	**489,288**	430,651
Interest in an associate	21	**–**	–
Available-for-sale investment	20	**1,719**	1,598
Goodwill	22	**75,221**	75,221
Deferred tax assets	32	**1,462**	761
		1,621,008	1,436,585
Current assets			
Inventories	24	**253,599**	220,819
Stock of properties	25	**1,735,767**	984,257
Trade and bills receivables	26	**4,926**	9,375
Prepayments, deposits paid and other receivables	27	**300,840**	189,612
Short-term loans receivables	28	**2,927**	3,226
Cash and cash equivalents	29	**334,206**	1,669,194
		2,632,265	3,076,483
Total assets		**4,253,273**	4,513,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 2)*
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	30	**32,076**	22,911
Reserves	31	**1,906,555**	411,881
		1,938,631	434,792
Non-controlling interests		**671,481**	480,294
Total equity		**2,610,112**	915,086
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	32	**169,831**	106,936
Loans from an immediate holding company	33	**721,011**	1,344,001
Loan from a non-controlling shareholder of a subsidiary	34	**114,053**	105,338
Net defined benefits liabilities	35	**7,266**	4,021
Bank and other borrowings — due after one year	39	**162,062**	—
		1,174,223	1,560,296
Current liabilities			
Trade payables	36	**57,268**	31,236
Accruals, deposits received and other payables	37	**333,159**	1,613,895
Amounts due to related parties	38	**18,918**	151,957
Loans from immediate holding companies	33	**56,561**	175,465
Bank borrowing — due within one year	39	**—**	55,795
Deferred revenue	40	**346**	5,996
Tax payables		**2,686**	3,342
		468,938	2,037,686
Total liabilities		**1,643,161**	3,597,982
Total equity and liabilities		**4,253,273**	4,513,068
Net current assets		**2,163,327**	1,038,797
Total assets less current liabilities		**3,784,335**	2,475,382

Approved and authorised for issue by the Board of Directors on 26 March 2018 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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$'000	Retained earnings/ (Accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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 (restated)	–	–	–	–	–	–	–	(92,482)	(92,482)	(6,660)	(99,142)
Other comprehensive income/(loss)											
Remeasurement of defined benefit plan	–	–	–	–	–	–	–	166	166	(36)	130
Exchange differences arising from translation of foreign operations (restated)	–	–	–	(76,506)	–	–	–	–	(76,506)	(20,266)	(96,772)
Total comprehensive loss for the year (restated)	–	–	–	(76,506)	–	–	–	(92,316)	(168,822)	(26,962)	(195,784)
Effect of business combination under common control (note 2)	–	–	–	–	–	(213,799)	–	–	(213,799)	213,799	–
Acquisition of additional interest in a subsidiary (note 44)	–	–	–	–	–	–	(28,199)	–	(28,199)	(73,655)	(101,854)
Issuance of consideration shares (note 30)	226	38,202	–	–	–	–	–	–	38,428	–	38,428
Recognition of equity-settled share-based payments (note 48)	–	–	59,479	–	–	–	–	–	59,479	–	59,479
Appropriation to the statutory reserve	–	–	–	–	611	–	–	(611)	–	–	–
At 31 December 2016 and 1 January 2017 (restated)	**22,911**	**836,063**	**59,479**	**(23,141)**	**35,949**	**(203,631)**	**(27,843)**	**(264,995)**	**434,792**	**480,294**	**915,086**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(70,986)**	**(70,986)**	**(18,326)**	**(89,312)**
Other comprehensive income/(loss)											
Remeasurement of defined benefit plan	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(232)**	**(232)**	**91**	**(141)**
Exchange differences arising from translation of foreign operation	**–**	**–**	**–**	**113,917**	**–**	**–**	**–**	**–**	**113,917**	**32,630**	**146,547**
Total comprehensive loss for the year	**–**	**–**	**–**	**113,917**	**–**	**–**	**–**	**(71,218)**	**42,699**	**14,395**	**57,094**
Issuance of offer shares (note 30)	**9,165**	**1,457,162**	**–**	**–**	**–**	**–**	**–**	**–**	**1,466,327**	**–**	**1,466,327**
Transaction costs attributable to issue of offer shares	**–**	**(6,655)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,655)**	**–**	**(6,655)**
Acquisition of subsidiaries (note 45)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**176,792**	**176,792**
Lapse of share options	**–**	**–**	**(3,939)**	**–**	**–**	**–**	**–**	**3,939**	**–**	**–**	**–**
Recognition of equity-settled share-based payments (note 48)	**–**	**–**	**1,468**	**–**	**–**	**–**	**–**	**–**	**1,468**	**–**	**1,468**
At 31 December 2017	**32,076**	**2,286,570***	**57,008***	**90,776***	**35,949***	**(203,631)***	**(27,843)***	**(332,274)***	**1,938,631**	**671,481**	**2,610,112**

* These reserve accounts comprise the consolidated reserve of approximately HK$1,906,555,000 (2016: HK$411,881,000) in the consolidated statement of financial position.

For the year ended 31 December 2017

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 4.

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 (i) 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 acquired; and (ii) the difference between the consideration paid by the Company for the subscription of 104 redeemable preference shares of Macrolink Australia Investment Limited ("MAI") and the carrying amounts of its net assets acquired. As the Company, Glorious Hill and MAI are under common control of Macro-Link International Land Limited ("MIL") before and after the subscriptions, the subscriptions have been accounted for using merger accounting.

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 2)*
Cash flows from operating activities			
Loss before taxation		**(86,225)**	(97,931)
Adjustments for:			
Bank Interest income	10	**(2,510)**	(458)
Dividend income from unlisted securities	10	**–**	(290)
Impairment loss of trade receivables	11,26	**–**	187
Impairment loss of short-term loans receivables	11,28	**–**	409
Reversal of impairment loss of trade receivables	26	**(116)**	(66)
Reversal of impairment loss of other receivables	27	**–**	(166)
Reversal of impairment loss of short-term loans receivables	28	**–**	(7,026)
Depreciation of property, plant and equipment	11,18	**26,625**	25,285
Amortisation of intangible assets	11,19	**662**	670
Amortisation of land use rights	11,17	**820**	830
Loss on disposal of property, plant and equipment	11	**1,397**	314
Interest expenses	13	**2,885**	10,778
Share-based payment expenses	48	**1,468**	59,479
Operating cash flows before movements in working capital		**(54,994)**	(7,985)
Decrease in trade and bills receivables		**5,271**	22,452
Increase in prepayments, deposits paid and other receivables		**(51,392)**	(69,655)
Decrease in short-term loans receivables		**747**	10,246
Increase in inventories		**(16,145)**	(8,771)
(Decrease)/increase in amounts due to related parties		**(150,339)**	121,853
Increase/(decrease) in trade payables		**17,267**	(14,463)
Decrease in accruals, deposits received and other payable		**(55,948)**	(8,924)
(Decrease)/increase in deferred revenue		**(6,101)**	1,022
Increase/(decrease) in net define benefits liabilities		**2,664**	(758)
Increase in stock of properties		**(225,550)**	(984,257)
Cash used in operations		**(534,520)**	(939,240)
Taxation paid		**(5,058)**	(729)
Interest paid		**(4,549)**	(3,399)
Net cash generated from (used in) operating activities		**(544,127)**	(943,368)
Cash flows from investing activities			
Bank interest received		**2,510**	458
Dividend received from unlisted securities		**–**	290
Purchase of property, plant and equipment	18	**(42,805)**	(131,439)
Acquisition of additional interests in a subsidiary	44	**–**	(101,854)
Net cash outflow arising from acquisition of subsidiaries	45	**(281)**	–
Addition of land use rights	17	**(4,170)**	–
Net cash used in investing activities		**(50,377)**	(232,545)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 2)*
Cash flows from financing activities			
Proceeds from bank and other borrowings		**162,062**	–
Repayment of bank and other borrowings		**(190,977)**	(5,846)
Advance from immediate holding companies		**441,216**	1,119,667
Advance from a non-controlling shareholder of a subsidiary		**–**	101,237
Repayment of loan from immediate holding companies		**(1,279,322)**	(111,590)
Proceeds from application for the open offer	37	**–**	1,466,327
Net cash (used in)/generated from financing activities		**(867,021)**	2,569,795
Net (decrease) increase in cash and cash equivalents		**(1,461,525)**	1,393,882
Cash and cash equivalents at the beginning of the year		**1,669,194**	305,867
Effect of exchange rate changes on the balance of cash held in foreign currency		**126,537**	(30,555)
Cash and cash equivalents at the end of the year		**334,206**	1,669,194
Analysis of the balances of cash and cash equivalents			
Banks balances and cash		**304,743**	1,669,194
Restricted bank deposits		**29,463**	–
		334,206	1,669,194

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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) operation of casino business in South Korea; (ii) development and operation of integrated resort and cultural tourism in South Korea; (iii) development and operation of real estate in South Korea, Canada and Australia; and (iv) production and distribution of wine and Chinese baijiu in the PRC.

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. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

On 29 September 2017 (as supplemented), Wealth Venture Asia Limited ("Wealth Venture"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for 104 redeemable preference shares of MAI at the consideration of approximately HK$ 222,525,000, which was fully settled by the Company in cash on 20 December 2017 (the "Subscription").

Since the Company and MAI are under common control of MIL before and after the Subscription, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the common control combination had been effected since 29 December 2015, the date when MAI was incorporated by MIL and thereby the Group and MAI first came under common control of MIL.

On 5 January 2016, MAI and an Australian property developer, an independent third party, established an Australia company, Macrolink & Landream Australia Land Pty Ltd ("MLAL") which is owned as to 80% by MAI and as to 20% by the Australian property developer. MLAL is principally engaged in development and sales of property. Since the principal activity of MAI is investment holding which had not commenced any business and had no assets and liabilities as at 31 December 2015 and accordingly, no restatement for the consolidated financial statement of the Group as at 1 January 2016 is presented.

The consolidated statements of financial position of the Group as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2016 have been restated to include the assets, liabilities, results and cash flows of MAI and MLAL as MAI and the Group were under common control of MIL since 29 December 2015.

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 are as follows:

	For the year ended 31 December 2016 as previously reported HK$'000	Adjustment for the Subscription using merger accounting HK$'000	For the year ended 31 December 2016 as restated HK$'000
Revenue	273,710	–	273,710
Sales of wines and Chinese baijiu	200,664	–	200,664
Cost of sales of wines and Chinese baijiu	(116,469)	–	(116,469)
Gross profit of wines and Chinese baijiu	84,195	–	84,195
Gaming revenue	73,046	–	73,046
Cost of gaming operation	(33,952)	–	(33,952)
Gross profit of gaming operation	39,094	–	39,094
Gross profit	123,289	–	123,289
Other revenue	34,727	9,536	44,263
Selling and distribution expenses	(57,513)	(12,643)	(70,156)
Administrative expenses	(112,655)	(12,415)	(125,070)
Share-based payment expenses	(59,479)	–	(59,479)
Loss from operating activities	(71,631)	(15,522)	(87,153)
Finance costs	(10,778)	–	(10,778)
Loss before taxation	(82,409)	(15,522)	(97,931)
Taxation	(1,211)	–	(1,211)
Loss for the year	(83,620)	(15,522)	(99,142)
Attributable to:			
Owners of the Company	(80,064)	(12,418)	(92,482)
Non-controlling interests	(3,556)	(3,104)	(6,660)
	(83,620)	(15,522)	(99,142)
Loss per share attributable to owners of the Company			
Basic and diluted	(HK3.42) cents		HK(3.95) cents
Total comprehensive loss attributable to:			
Owners of the Company	(144,369)	(24,453)	(168,822)
Non-controlling interests	(20,850)	(6,112)	(26,962)
	(165,219)	(30,565)	(195,784)

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statement of financial position as a 31 December 2016 are summarised below:

	As at 31 December 2016 as previously reported HK$'000	Adjustment for the Subscription using merger accounting HK$'000	As at 31 December 2016 as restated HK$'000
ASSETS			
Non-current assets			
Land use rights	26,345	–	26,345
Property, plant and equipment	899,555	2,454	902,009
Intangible assets	430,651	–	430,651
Available-for-sale investment	1,598	–	1,598
Goodwill	75,221	–	75,221
Deferred tax assets	761	–	761
	1,434,131	2,454	1,436,585
Current assets			
Inventories	220,819	–	220,819
Stock of properties	–	984,257	984,257
Trade and bills receivables	9,375	–	9,375
Prepayments, deposits paid and other receivables	117,252	72,360	189,612
Short-term loans receivables	3,226	–	3,226
Cash and cash equivalents	1,584,897	84,297	1,669,194
	1,935,569	1,140,914	3,076,483
Total assets	3,369,700	1,143,368	4,513,068
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22,911	–	22,911
Reserves	650,133	(238,252)	411,881
	673,044	(238,252)	434,792
Non-controlling interests	272,607	207,687	480,294
Total equity	945,651	(30,565)	915,086

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

	As at 31 December 2016 as previously reported HK$'000	Adjustment for the Subscription using merger accounting HK$'000	As at 31 December 2016 as restated HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	106,936	–	106,936
Loan from an immediate holding company	342,422	1,001,579	1,344,001
Loan from a non-controlling shareholder of a subsidiary	–	105,338	105,338
Net defined benefits liabilities	4,021	–	4,021
	453,379	1,106,917	1,560,296
Current liabilities			
Trade payables	31,236	–	31,236
Accruals, deposits received and other payables	1,611,153	2,742	1,613,895
Amounts due to related parties	87,683	64,274	151,957
Loans from immediate holding companies	175,465	–	175,465
Bank borrowing – due within one year	55,795	–	55,795
Deferred revenue	5,996	–	5,996
Tax payables	3,342	–	3,342
	1,970,670	67,016	2,037,686
Total liabilities	2,424,049	1,173,933	3,597,982
Total equity and liabilities	3,369,700	1,143,368	4,513,068
Net current (liabilities)/assets	(35,101)	1,073,898	1,038,797
Total assets less current liabilities	1,399,030	1,076,352	2,475,382

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statement of cash flows for the year ended 31 December 2016 are summarised below:

	For the year ended 31 December 2016 as previously reported HK$'000	**Adjustment for the Subscription using merger accounting** HK$'000	**For the year ended 31 December 2016 as restated** HK$'000
Net cash generated from/(used in) operating activities	57,511	(1,000,879)	(943,368)
Net cash used in investing activities	(229,825)	(2,720)	(232,545)
Net cash generated from financing activities	1,466,977	1,102,818	2,569,795
Net increase in cash and cash equivalents	1,294,663	99,219	1,393,882
Cash and cash equivalents at the beginning of the year	305,867	–	305,867
Effect of exchange rate changes on the balance of cash held in foreign currency	(15,633)	(14,922)	(30,555)
Cash and cash equivalents at the end of the year	1,584,897	84,297	1,669,194

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 2017:

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

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.

Disclosure has been made in note 49 to the consolidated financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017

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]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

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 1 January 2021

4 Effective for annual periods beginning on or after a date to be determined

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017 *(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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017 *(Continued)*

HKFRS 9 Financial Instruments (Continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impacts on initial application of HKFRS 9:

- The financial assets held by the Group include equity instruments that are currently classified as available-for-sale financial assets carried at cost less impairment. This investment qualified for designation as measured at financial assets at fair value through other comprehensive income ("FVOCI") under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Upon initial application of HKFRS 9, the differences between the carrying amount at cost less impairment and fair value (net of deferred tax impact) relating to this investment would be adjusted to investments revaluation reserve as at 1 January 2018.

- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to the Group's financial assets classified at amortised cost. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade debtors.

- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017 *(Continued)*

HKFRS 15 Revenue from Contracts with Customers (Continued)

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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impacts on initial application of HKFRS 15:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognized at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(ii) New and amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017 *(Continued)*

HKFRS 16 Leases (Continued)

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 2017, the Group has non-cancellable operating lease commitments of approximately HK$81,009,000 as disclosed in note 42. 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.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. 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.

4. 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.

4. 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.

4. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants *(Continued)*

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

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:

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% – $33^{1}/_{3}$%
Facilities appliances	20%

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.

4. 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.

4. 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.

4. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

Employee benefits

(i) Retirement benefits costs

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(i) Retirement benefits costs (Continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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.

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 acquisition, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

	2017 HK$'000	2016 HK$'000 (Restated)
Financial assets		
Available-for-sale investment	**1,719**	1,598
Loan and receivables (including cash and cash equivalents)	**423,836**	1,697,140
Financial liabilities		
Amortised cost	**1,242,561**	3,421,487

5.2 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 of directors of the Company (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, South Korea Canada and Australia and is exposed to foreign currency risk arising from fluctuation in Renminbi ("RMB"), South Korean Won ("KRW"), Canadian Dollar ("CAD") and Australian Dollars ("AUD"). 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, South Korea, Canada and Australia with most of the operating assets and transactions denominated and settled in RMB, KRW, CAD and AUD which are the functional currencies of the Group's subsidiaries.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(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 2017 would increase/decrease by approximately HK$810,000 (2016: loss would increase/decrease by HK$279,000).

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.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management

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

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

Liquidity risk tables

	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 2017					
Non-derivative financial liabilities					
Trade payables	**57,268**	**–**	**–**	**57,268**	**57,268**
Accruals and other payables	**112,688**	**–**	**–**	**112,688**	**112,688**
Amounts due to related parties	**18,918**	**–**	**–**	**18,918**	**18,918**
Loan from an immediate holding company	**56,561**	**888,802**	**–**	**945,363**	**777,572**
Loan from a non-controlling shareholder of a subsidiary	**–**	**114,053**	**–**	**114,053**	**114,053**
Bank and other borrowings	**–**	**181,207**	**–**	**181,207**	**162,062**
	245,435	**1,184,062**	**–**	**1,429,497**	**1,242,561**
At 31 December 2016 (Restated)					
Non-derivative financial liabilities					
Trade payables	31,236	–	–	31,236	31,236
Accruals and other payables	1,557,695	–	–	1,557,695	1,557,695
Amounts due to related parties	151,957	–	–	151,957	151,957
Loans from immediate holding companies	175,465	1,653,142	–	1,828,607	1,519,466
Loan from a non-controlling shareholder of a subsidiary	–	105,338	–	105,338	105,338
Bank borrowing	55,795	–	–	55,795	55,795
	1,972,148	1,758,480	–	3,730,628	3,421,487

5. FINANCIAL INSTRUMENTS *(Continued)*

5.3 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 2017 and 2016, there were no transfers between the levels of fair value hierarchy.

6. 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 2017.

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 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Total borrowings	**1,053,687**	1,680,599
Total equity	**2,610,112**	915,086
Gearing ratio	**40.37%**	183.65%

7. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 4. 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 2017 was approximately HKHK 75,221,000 (2016: HK$ 75,221,000). Details of the impairment test of goodwill are set out in note 22.

(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.

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

Key sources of estimation uncertainty *(Continued)*

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

The aged debt profile of trade receivables, short-term loans 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 collectability 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.

(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.

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

Key sources of estimation uncertainty *(Continued)*

(h) Write-down of inventories

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

(i) Current taxation and deferred taxation

The Group is subject to Hong Kong Profits Tax, PRC Corporate Income Tax and Corporate Income Tax under various overseas jurisdictions. 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.

8. REVENUE

	2017 HK$'000	2016 HK$'000
Casino business	**122,965**	73,046
Production and distribution of wine	**124,666**	124,882
Production and distribution of Chinese baijiu	**78,227**	75,782
	325,858	273,710

9. 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) operation of casino business in South Korea; (ii) development and operation of real estate, integrated resort and cultural tourism in South Korea, Canada and Australia; (iii) production and distribution of wine in the PRC; and (iv) production and distribution of Chinese baijiu in the PRC. 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:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)
Segment revenue										
Revenue from external customers	**122,965**	73,046	**–**	–	**124,666**	124,882	**78,227**	75,782	**325,858**	273,710
Segment (loss) profit	**(26,855)**	3,638	**(27,561)**	(24,357)	**(1,004)**	10,201	**(6,196)**	(3,225)	**(61,616)**	(13,743)
Unallocated corporate income									**4,403**	1,205
Unallocated corporate expenses									**(26,127)**	(74,615)
Finance costs									**(2,885)**	(10,778)
Loss before taxation									**(86,225)**	(97,931)
Taxation									**(3,087)**	(1,211)
Loss for the year									**(89,312)**	(99,142)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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 (loss incurred) profit earned by each segment without allocation of central administration costs including directors' emoluments, share-based payment expense, 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 2017

9. 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:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)
Segment assets	**609,993**	562,297	**2,951,572**	1,815,183	**426,860**	409,054	**217,303**	203,571	**4,205,728**	2,990,105
Unallocated									**47,545**	1,522,963
									4,253,273	4,513,068
Segment liabilities	**39,487**	49,845	**1,285,948**	1,588,224	**71,312**	170,634	**78,985**	54,662	**1,475,732**	1,863,365
Unallocated									**167,429**	1,734,617
									1,643,161	3,597,982

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.

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Unallocated		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)	**2017 HK$'000**	2016 HK$'000 (Restated)
Additions to non-current assets	**5,309**	1,629	**2,031**	102,544	**31,337**	15,166	**4,128**	10,268	**–**	1,832	**42,805**	131,439
Depreciation of property, plant and equipment	**5,263**	3,946	**1,026**	6,650	**12,735**	12,420	**7,208**	2,212	**393**	57	**26,625**	25,285
Amortisation of land use rights	**–**	–	**–**	–	**212**	215	**608**	615	**–**	–	**820**	830
Amortisation of intangible assets	**–**	–	**–**	–	**662**	670	**–**	–	**–**	–	**662**	670
Recovery of impairment loss in respect of trade receivables and short-term loan receivabless	**–**	(7,092)	**–**	–	**(116)**	(166)	**–**	–	**–**	–	**(116)**	(7,258)
Impairment loss of trade receivables	**–**	187	**–**	–	**–**	–	**–**	–	**–**	–	**–**	187
Impairment loss of short-term loans receivables	**–**	409	**–**	–	**–**	–	**–**	–	–	–	**–**	409

9. 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 2017 (2016: Nil).

Geographical information

The Group's operations are located in the PRC (including Hong Kong), South Korea, Australia and Canada.

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	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)
The PRC (including Hong Kong)	**202,893**	200,664	**337,498**	297,418
South Korea	**122,965**	73,046	**1,280,417**	1,136,713
Australia	**—**	—	**3,093**	2,454
Canada	**—**	—	**—**	—
	325,858	273,710	**1,621,008**	1,436,585

10. OTHER REVENUE

	2017 HK$'000	2016 HK$'000 (Restated)
Government grants (note 51)	**14,186**	19,046
Bank interest income	**2,510**	458
Dividend income	**—**	290
Service income (note 50)	**2,017**	1,152
Catering and related services income	**2,040**	4,060
Sales of wasted materials	**96**	1,380
Recovery of impairment loss with respect to trade receivables, other receivables and short-term loans receivables (notes 26, 27 and 28)	**116**	7,258
Rental income	**3,983**	9,493
Net foreign exchange gain	**3,477**	—
Others	**912**	1,126
	29,337	44,263

For the year ended 31 December 2017

11. LOSS FROM OPERATING ACTIVITIES

	2017 HK$'000	2016 HK$'000 (Restated)
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	94,795	75,806
– Retirement benefits scheme contributions	13,354	5,501
– Share-based payments to directors	–	18,513
– Share-based payments to other employees	–	10,241
Total staff costs	108,149	110,061
Auditors' remuneration	2,105	1,650
Amortisation of intangible assets	662	670
Amortisation of land use rights	820	830
Cost of inventories recognised as expenses	96,626	95,454
Loss on disposal of property, plant and equipment	1,397	314
Depreciation of property, plant and equipment	26,625	25,285
Impairment loss of trade receivables	–	187
Impairment loss of short-term loans receivables	–	409
Research and development costs	1,095	878
Minimum lease payments under operating leases:		
– Land and building	2,839	2,839
Share-based payments to other participants	1,468	30,725

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

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2017, the emoluments paid or payable to each of the nine (2016: nine) directors and the chief executive of the Company were as follows:

For the years ended 31 December 2017 and 2016:

	Fees		Salaries, allowance and benefits in kind		Retirement benefits scheme contributions		Share-based payments		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Su Bo	–	–	120	120	–	–	–	4,727	120	4,847
Ng Kwong Chue, Paul	–	–	1,546	1,750	18	18	–	3,151	1,564	4,919
Zhang Jian	–	–	120	120	–	–	–	3,151	120	3,271
Hang Guangyu	–	–	120	120	–	–	–	3,151	120	3,271
Liu Huaming	–	–	120	120	–	–	–	3,151	120	3,271
Ting Leung Huel, Stephen	360	360	–	–	–	–	–	–	360	360
Tse Kwong Hon	180	180	–	–	–	–	–	–	180	180
Cao Kuangyu	180	180	–	–	–	–	–	–	180	180
Yan Tao [note]	–	–	218	120	3	–	–	1,182	221	1,302
	720	720	2,244	2,350	21	18	–	18,513	2,985	21,601

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

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

Note: Mr. Yan Tao resigned as the chief executive and executive director of the Company with effect from 28 September 2017.

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2017 (2016: 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 (2016: None).

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2016: five) were directors of the Company whose emoluments are set out in note (a) above. For the year ended 31 December 2017, the emoluments of the remaining three (2016: Nil) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**1,444**	–
Retirement benefits scheme contribution	**73**	–
	1,517	–

The emoluments of the remaining three (2016: Nil) individuals with the highest emoluments are within the following band:

	2017 Number of individuals	2016 Number of individual
Up to HK$1,000,000	**3**	–
	3	–

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

(c) Emoluments of senior management

The emoluments of senior management (excluding the directors as disclosed in note 12(a) above) fell within the following bands:

	2017 Number of individuals	2016 Number of individual
Up to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	1
	3	3

13. FINANCE COSTS

	2017 HK$'000	2016 HK$'000 (Restated)
Interest expenses on bank borrowings	**8,556**	3,399
Interest expenses on loan from immediate holding companies	**40,281**	89,295
	48,837	92,694
Less: Amounts capitalised in the cost of qualifying assets	**(45,952)**	(81,916)
	2,885	10,778

Borrowing costs capitalised to properties under development at a rate of 4.36% (restated in 2016: 4.87%) per annum.

14. TAXATION

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
The PRC Corporate Income Tax		
– current year	**2,365**	3,444
– under-provision in prior year	**1,796**	–
Other than Hong Kong and the PRC	**–**	–
Deferred tax	**(1,074)**	(2,233)
	3,087	1,211

14. TAXATION *(Continued)*

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2016: 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 2017, the Group had estimated unused tax losses of approximately HK$134,088,000 (restated in 2016: HK$113,639,000) 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 reduction had expired in year 2016.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2016: 25%).

Other Jurisdictions

Taxation arising in each of the other jurisdictions including South Korea, Canada and Australia is calculated at the rate prevailing in the relevant jurisdictions.

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:

	2017 HK$'000	**%**	2016 HK$'000 (Restated)	%
Loss before taxation	**(86,225)**		(97,931)	
Tax at the Hong Kong Tax rate of 16.5% (2016: 16.5%)	**(14,227)**	**16.5**	(16,159)	16.5
Effect of different tax rates of subsidiaries operating in other countries	**534**	**(6.2)**	860	(0.8)
Tax effect of tax losses not recognised	**16,351**	**(19.0)**	9,415	(9.6)
Tax effect of income not taxable for tax purpose	**(9,001)**	**10.4**	(585)	0.6
Tax effect of expenses not deductible for tax purpose	**8,708**	**(10.1)**	10,371	(10.6)
Effect of tax exemptions granted to the overseas subsidiaries	**—**	**—**	(458)	0.5
Tax effect of temporary difference not recognised	**(1,074)**	**1.2**	(2,233)	2.3
Under provision in prior year	**1,796**	**(2.1)**	—	—
Tax charge (credit) for the year	**3,087**	**(3.6%)**	1,211	(1.2%)

15. DIVIDEND

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

16. LOSS PER SHARE

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

	2017 **HK$'000**	2016 HK$'000 (Restated)
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(70,986)**	(92,482)

	Number of shares	
	2017	2016
Weighted average number of shares for the purpose of basic and diluted loss per ordinary share	**3,184,932,078**	2,342,515,905

For the year ended 31 December 2017 and 2016, the computations of diluted loss per share assume that the Company's share options would not be exercised as the exercise prices of these options were higher than the average market price of the Company's shares.

The number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year ended 31 December 2016 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 the offer price of HK$1.60 per share as announced by the Company on 18 October 2016 (the "Open Offer").

17. LAND USE RIGHTS

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

	2017 HK$'000	2016 HK$'000
Outside Hong Kong, held on:		
Lease period between 30 to 50 years	**31,552**	26,345
Cost		
At 1 January	**33,342**	36,042
Exchange alignment	**2,687**	(2,700)
Additions	**4,170**	—
At 31 December	**40,199**	33,342
Accumulated amortisation		
At 1 January	**6,997**	6,704
Exchange alignment	**830**	(537)
Charge for the year	**820**	830
At 31 December	**8,647**	6,997
Carrying amounts		
At 31 December	**31,552**	26,345

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 2017, the Group's land use rights with carrying amount of approximately HK$4,446,000 (2016: HK$362,000) were pledged as security for the Group's bank borrowing.

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18. 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 (Restated)	Furniture and fixtures HK$'000 (Restated)	Motor vehicles HK$'000 (Restated)	Facilities appliances HK$'000	Total HK$'000 (Restated)
Cost												
At 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)	(38)	(588)	(916)	(463)	(79,113)
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	2,223	3,682	615	–	131,439
Elimination upon disposals	(8)	–	–	–	(8)	(166)	(1,352)	(5)	(105)	(1,973)	–	(3,617)
At 31 December 2016 and 1 January 2017	106,634	355,730	178,995	92,812	328	154,626	120,733	2,828	9,255	11,202	7,309	1,040,452
Exchange alignment	8,885	62,746	13,484	6,992	68	11,862	9,272	113	874	940	1,020	116,256
Transfer to plant and building and machinery	(7,876)	–	–	–	–	5,342	2,496	–	38	–	–	–
Additions	28,147	2,624	–	–	1,029	79	6,185	1,222	1,825	1,595	99	42,805
Elimination upon disposals	(17)	–	–	–	(3)	(334)	(2,562)	(181)	(1,892)	(2,520)	–	(7,509)
At 31 December 2017	135,773	421,100	192,479	99,804	1,422	171,575	136,124	3,982	10,100	11,217	8,428	1,192,004
Accumulated depreciation												
At 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)	(6)	(225)	(463)	(73)	(9,966)
Reallocation	–	–	–	–	–	(128)	141	–	(13)	–	–	–
Charge for the year	–	–	–	1,090	134	7,304	10,825	204	1,469	2,202	2,057	25,285
Elimination upon disposals	–	–	–	–	–	(38)	(1,284)	(1)	(80)	(1,900)	–	(3,303)
At 31 December 2016 and 1 January 2017	–	–	–	1,566	225	45,424	79,476	530	3,441	5,779	2,002	138,443
Exchange alignment	–	–	–	163	23	3,731	6,197	15	291	463	399	11,282
Charge for the year	–	–	–	1,077	154	7,521	11,055	571	1,944	2,143	2,160	26,625
Elimination upon disposals	–	–	–	–	(1)	(173)	(2,251)	(181)	(1,868)	(1,638)	–	(6,112)
At 31 December 2017	–	–	–	2,806	401	56,503	94,477	935	3,808	6,747	4,561	170,238
Carrying amounts												
At 31 December 2017	135,773	421,100	192,479	96,998	1,021	115,072	41,647	3,047	6,292	4,470	3,867	1,021,766
At 31 December 2016	106,634	355,730	178,995	91,246	103	109,202	41,257	2,298	5,814	5,423	5,307	902,009

Assets pledged as securities

As at 31 December 2017, the Group's building with carrying amount of approximately HK$24,381,000 (2016: building: HK$22,673,000) 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.

19. 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 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 and 1 January 2017	423,812	14,325	1,700	23,834	463,671
Exchange alignment	58,812	999	128	1,799	61,738
At 31 December 2017	482,624	15,324	1,828	25,633	525,409
Accumulated amortisation and impairment					
At 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 and 1 January 2017	–	7,486	1,700	23,834	33,020
Exchange alignment	–	512	128	1,799	2,439
Charge for the year	–	662	–	–	662
At 31 December 2017	–	8,660	1,828	25,633	36,121
Carrying amounts					
At 31 December 2017	**482,624**	**6,664**	**–**	**–**	**489,288**
At 31 December 2016	423,812	6,839	–	–	430,651

Casino license

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.

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19. 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$662,000 (2016: HK$670,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of approximately HK$6,664,000 (2016: HK$6,839,000) 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 5 to 13 years (2016: 6 to 14 years).

The trademark acquired in the business combination is classified as an intangible asset with 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$482,624,000 (2016: HK$423,812,000) 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 11.1% per annum (2016: 11.0%). 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 2017 and 2016, management of the Group determines that there is no impairment of casino license with indefinite useful life.

Trademark

Trademark with indefinite useful life has been allocated to the Group's CGU of Chinese baijiu business and has been fully impaired in previous years.

20. AVAILABLE-FOR-SALE INVESTMENT

	2017 HK$'000	2016 HK$'000
Unlisted securities, at cost	**1,719**	1,598

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.

21. INTEREST IN AN ASSOCIATE

On 30 May 2017 (Toronto time), NSR Toronto Holdings Ltd. ("NSR Toronto"), a wholly-owned subsidiary of the Company, acquired 49 shares in CIM Global Development Inc. ("CIM Global") at consideration of CAD 49 (equivalent to approximately HK$ 298), representing 49% interests in CIM Global.

	2017 HK$'000	2016 HK$'000
Cost of investment in associate *	**–**	–
Share of post-acquisition loss, net of dividends received *	**–**	–
	–	–

* Both cost of investment in an associate and share of post-acquisition loss, net of dividends were HK$298.

Particulars of the Group's associate as at 31 December 2017 are as follows:

Name	Particulars of Issued shares	Place of registration and business	Percent of owner interest	Principal activity
CIM Global	100 ordinary shares	Canada	49%	Property development and management

The Group's associate is accounted for using the equity method in these consolidated financial statements.

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21. INTEREST IN AN ASSOCIATE *(Continued)*

Set out below is the summarised financial information of associate of the Group at 31 December 2017.

	2017 HK$'000
Current assets	80,787
Non-current assets	219
Current liabilities	(81,286)
Non-current liabilities	(84)
Net liabilities	(364)

	2017 HK$'000
Revenue	759
Loss for the year	(352)
Other comprehensive gain	(12)
Total comprehensive loss	(364)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 HK$'000
Net liabilities of CIM Global	(364)
Proportion of the Group's interest in CIM Global	49%
The carrying amount of the Group's interest in CIM Global	(178)

Set out below is the unrecognised share of loss of CIM Global for the year ended 31 December 2017:

	2017 HK$'000
The unrecognised share of loss of CIM Global for the year	(172)
The cumulative share of loss of CIM Global	(172)

22. GOODWILL

	HK$'000
Cost	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	253,180
Accumulated impairment losses	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	177,959
Carrying amounts	
At 31 December 2017	**75,221**
At 31 December 2016	75,221

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

	2017 **HK$'000**	2016 HK$'000
Casino business	**75,221**	75,221

Impairment test of goodwill

Casino business

For the years end 31 December 2017 and 2016, 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 11.1% per annum (2016: 11.0%). 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.

For the year ended 31 December 2017

23. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2017 and 2016 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
			2017 %	2016 %	**2017 %**	2016 %	
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

23. 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
			2017 %	2016 %	**2017 %**	2016 %	
Heilongjiang Province YuQuan Winery Company Limited	The PRC	RMB4,060,000	**–**	–	**66.5**	66.5	Production of Chinese baijiu products
Harbin City Xinlong Winery Company Limited	The PRC	RMB500,000	**–**	–	**66.5**	66.5	Distribution of Chinese baijiu products
Harbin City Longshen Winery Company Limited	The PRC	RMB500,000	**–**	–	**66.5**	66.5	Distribution of Chinese baijiu products
MegaLuck	South Korea	KRW 2,000,000,000	**72.0**	72.0	**–**	–	Operation of casino business
Glorious Hill	South Korea	KRW 44,792,729,280	**55.0**	55.0	**–**	–	Development and operation of real estate and cultural tourism
CIM Mackenzie Creek Inc.*	Canada	CAD100	**–**	–	**51.0**	–	Development and operation of real estate
CIM Development (Markham) LP ("Residential LP")*	Canada	CAD23,790,000	**–**	–	**51.0**	–	Development and operation of real estate
CIM Commercial LP ("Commercial LP")*	Canada	CAD7,930,000	**–**	–	**51.0**	–	Development and operation of real estate
Macrolink Australia Development Pty Limited	Australia	AUD100	**–**	–	**100.0**	100.0	Development and operation of real estate
Macrolink & Landream Australia Pty Limited ("MLAL")*	Australia	AUD100	**–**	–	**80.0**	–	Development and operation of real estate

* These subsidiaries were acquired during the year ended 31 December 2017.

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

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	
		2017 HK$'000	2016 HK$'000 (Restated)	**2017 HK$'000**	2016 HK$'000 (Restated)	**2017 HK$'000**	2016 HK$'000 (Restated)
YuQuan Investment	The PRC	**33.5%**	33.5%	**(2,217)**	(132)	**20,794**	21,486
MegaLuck	South Korea	**28.0%**	28.0%	**(7,525)**	163	**103,640**	95,121
Glorious Hill	South Korea	**45.0%**	45.0%	**(3,267)**	(3,913)	**121,663**	115,991
Residential LP	Canada	**49.0%**	–	**(2,279)**	–	**135,186**	–
Commercial LP	Canada	**49.0%**	–	**(78)**	–	**46,207**	–
MLAL	Australia	**20.0%**	20.0%	**(2,640)**	(3,104)	**204,051**	207,685
Individually immaterial subsidiaries with non-controlling interests				**(320)**	326	**39,940**	40,011
				(18,326)	(6,660)	**671,481**	480,294

23. PARTICULARS OF SUBSIDIARIES *(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

	2017 HK$'000	2016 HK$'000
Current assets	**82,556**	74,691
Non-current assets	**134,746**	128,880
Current liabilities	**(148,066)**	(132,286)
Non-current liabilities	**(7,164)**	(7,148)
Equity attributable to owners of the company	**41,278**	42,651
Non-controlling interests	**20,794**	21,486
Revenue	**79,241**	80,081
Expenses	**(85,860)**	(80,474)
Loss for the year	**(6,619)**	(393)
Loss attributable to owners of the company	**(4,402)**	(261)
Loss attributable to non-controlling interests	**(2,217)**	(132)
Loss for the year	**(6,619)**	(393)
Other comprehensive income/(loss) attributable to owners of the company	**1,183**	(1,470)
Other comprehensive income/(loss) attributable to non-controlling interests	**596**	(741)
Other comprehensive income/(loss) for the year	**1,779**	(2,211)
Total comprehensive loss attributable to owners of the company	**(3,219)**	(1,731)
Total comprehensive loss attributable to non-controlling interests	**(1,621)**	(873)
Total comprehensive loss for the year	**(4,840)**	(2,604)
Dividend paid to non-controlling interests	**—**	—
Net cash generated from operating activities	**2,955**	17,370
Net cash generated from financing activities	**—**	—
Net cash used in investing activities	**(3,518)**	(9,978)
Net (decrease)/increase in cash and cash equivalents	**(563)**	7,392

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

MegaLuck

	2017 HK$'000	2016 HK$'000
Current assets	**41,916**	52,594
Non-current assets	**492,855**	434,482
Current liabilities	**(60,119)**	(47,089)
Non-current liabilities	**(103,952)**	(100,268)
Equity attributable to owners of the company	**267,060**	244,598
Non-controlling interests	**103,640**	95,121
Revenue	**124,622**	84,626
Expenses	**(151,499)**	(84,044)
(Loss)/profit for the year	**(26,877)**	582
(Loss)/profit attributable to owners of the company	**(19,352)**	419
(Loss)/profit attributable to non-controlling interests	**(7,525)**	163
(Loss)/profit for the year	**(26,877)**	582
Other comprehensive income/(loss) attributable to owners of the company	**41,258**	(14,513)
Other comprehensive income/(loss) attributable to non-controlling interests	**16,045**	(5,645)
Other comprehensive income/(loss) for the year	**57,303**	(20,158)
Total comprehensive income/(loss) attributable to owners of the company	**21,906**	(14,094)
Total comprehensive income/(loss) attributable to non-controlling interests	**8,520**	(5,482)
Total comprehensive income/(loss) for the year	**30,426**	(19,576)
Dividend paid to non-controlling interests	**–**	–
Net cash (used in)/generated from operating activities	**(15,883)**	25,054
Net cash generated from financing activities	**13,675**	–
Net cash (used in)/generated from investing activities	**(5,309)**	1,539
Net (decrease)/increase in cash and cash equivalents	**(7,517)**	26,593

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glorious Hill

	2017 HK$'000	2016 HK$'000
Current assets	**59,287**	44,805
Non-current assets	**712,340**	627,010
Current liabilities	**(500,295)**	(70,603)
Non-current liabilities	**(1,397)**	(343,687)
Equity attributable to owners of the company	**148,272**	141,534
Non-controlling interests	**121,663**	115,991
Revenue	**1,971**	676
Expenses	**(9,230)**	(9,372)
Loss for the year	**(7,259)**	(8,696)
Loss attributable to owners of the company	**(3,992)**	(4,783)
Loss attributable to non-controlling interests	**(3,267)**	(3,913)
Loss for the year	**(7,259)**	(8,696)
Other comprehensive income/(loss) attributable to owners of the company	**10,590**	(11,767)
Other comprehensive income/(loss) attributable to non-controlling interests	**9,044**	(9,628)
Other comprehensive income/(loss) for the year	**19,634**	(21,395)
Total comprehensive income/(loss) attributable to owners of the company	**6,598**	(16,550)
Total comprehensive income/(loss) attributable to non-controlling interests	**5,777**	(13,541)
Total comprehensive income/(loss) for the year	**12,375**	(30,091)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(50,670)**	(442,222)
Net cash generated from financing activities	**56,292**	366,404
Net cash used in investing activities	**(984)**	(99,661)
Net increase/(decrease) in cash and cash equivalents	**4,638**	(175,479)

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23. PARTICULARS OF SUBSIDIARIES *(Continued)*

Residential LP

	2017 HK$'000
Current assets	556,700
Non-current assets	–
Current liabilities	(144,299)
Non-current liabilities	(136,511)
Equity attributable to owners of the company	140,704
Non-controlling interests	135,186
Revenue Expenses	7 (4,658)
Loss for the period	(4,651)
Loss attributable to owners of the company Loss attributable to non-controlling interests	(2,372) (2,279)
Loss for the period	(4,651)
Other comprehensive income attributable to owners of the company Other comprehensive income attributable to non-controlling interests	5,070 4,871
Other comprehensive income for the period	9,941
Total comprehensive income attributable to owners of the company Total comprehensive income attributable to non-controlling interests	2,698 2,592
Total comprehensive income for the period	5,290
Dividend paid to non-controlling interests	–
Net cash used in operating activities	(105,204)
Net cash used in financing activities	(25,421)
Net cash used in investing activities	–
Net decrease in cash and cash equivalents	(130,625)

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

Commercial LP

	2017 HK$'000
Current assets	**148,950**
Non-current assets	**–**
Current liabilities	**(63,952)**
Non-current liabilities	**(24,901)**
Equity attributable to owners of the company	**13,890**
Non-controlling interests	**46,207**
Revenue Expenses	**–** **(159)**
Loss for the period	**(159)**
Loss attributable to owners of the company Loss attributable to non-controlling interests	**(81)** **(78)**
Loss for the period	**(159)**
Other comprehensive income attributable to owners of the company Other comprehensive income attrib utable to non-controlling interests	**2,172** **2,087**
Other comprehensive income for the period	**4,259**
Total comprehensive income attributable to owners of the company Total comprehensive income attributable to non-controlling interests	**2,091** **2,009**
Total comprehensive income for the period	**4,100**
Dividend paid to non-controlling interests	**–**
Net cash used in operating activities	**(36,825)**
Net cash generated from financing activities	**1,762**
Net cash used in investing activities	**–**
Net decrease in cash and cash equivalents	**(35,063)**

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23. PARTICULARS OF SUBSIDIARIES *(Continued)*

MLAL

	2017 **HK$'000**	2016 HK$'000
Current assets	**1,484,306**	1,140,914
Non-current assets	**3,093**	2,454
Current liabilities	**(17,214)**	(67,015)
Non-current liabilities	**(1,518,921)**	(1,106,919)
Equity attributable to owners of the company	**(252,787)**	(238,251)
Non-controlling interests	**204,051**	207,685
Revenue	**6,267**	9,535
Expenses	**(19,466)**	(25,058)
Loss for the year/period	**(13,199)**	(15,523)
Loss attributable to owners of the company	**(10,559)**	(12,418)
Loss attributable to non-controlling interests	**(2,640)**	(3,104)
Loss for the year/period	**(13,199)**	(15,522)
Other comprehensive loss attributable to owners of the company	**(3,976)**	(12,035)
Other comprehensive loss attributable to non-controlling interests	**(994)**	(3,009)
Other comprehensive loss for the year/period	**(4,970)**	(15,044)
Total comprehensive loss attributable to owners of the company	**(14,535)**	(24,453)
Total comprehensive loss attributable to non-controlling interests	**(3,634)**	(6,113)
Total comprehensive loss for the year/period	**(18,170)**	(30,566)
Dividend paid to non-controlling interests	**—**	—
Net cash used in operating activities	**(32,215)**	(36,475)
Net cash generated from financing activities	**347,729**	1,106,919
Net cash used in investing activities	**(210,740)**	(986,147)
Net increase in cash and cash equivalents	**104,774**	84,297

24. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**141,991**	139,878
Work in progress	**41,771**	30,954
Finished goods	**69,837**	49,987
	253,599	220,819

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2017 and have considered no write-down of obsolete inventories to be made (2016: Nil).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$96,626,000 (2016: HK$95,454,000).

Included in raw materials of approximately HK$131,308,000 (2016: HK$102,828,000) were unprocessed wines.

25. STOCK OF PROPERTIES

	2017 HK$'000	2016 HK$'000 (Restated)
Properties under development	**1,735,767**	984,257

Properties under development represented the project cost, land acquisition cost, finance cost and other preliminary infrastructure costs in relation to the Group's property development projects situated in Australia and Canada. As at 31 December 2017, the Group's freehold lands in Canada and Australia as included in the above properties under development were pledged as securities for the Group's borrowings.

26. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2016: 30 to 90 days) to its trade customers.

	2017 HK$'000	2016 HK$'000
Trade and bills receivables	**5,084**	9,626
Less: Allowance for doubtful debts of trade receivables	**(158)**	(251)
	4,926	9,375

26. 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:

	2017 HK$'000	2016 HK$'000
Within 30 days	**4,762**	9,251
More than 30 days and within 60 days	**98**	98
More than 60 days and within 90 days	**66**	26
At 31 December	**4,926**	9,375
Represented by:		
Receivables from related parties	**–**	1,415
Receivables from third parties	**4,926**	7,960
	4,926	9,375

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

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

	2017 HK$'000	2016 HK$'000
At 1 January	**251**	3,801
Exchange alignment	**23**	(231)
Recognised during the year	**–**	187
Written off during the year as uncollectible	**–**	(3,440)
Amounts recovered during the year	**(116)**	(66)
At 31 December	**158**	251

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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**4,926**	9,375
One to six months past due	**–**	–
Six months to one year past due	**–**	–
	4,926	9,375

27. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000 (Restated)
Prepayments (notes (i), (ii) and (iii))	**140,282**	106,667
Deposit paid (note (iv))	**78,781**	67,600
Other receivables (note (v))	**91,319**	24,219
	310,382	198,486
Less: Allowance for doubtful debts of other receivables	**(9,542)**	(8,874)
	300,840	189,612
Represented by:		
Amounts due from related parties	**99,444**	37,094
Amounts due from third parties	**201,396**	152,518
	300,840	189,612

Notes:

(i) Prepayment of commission made to sales agent for the pre-sales of properties amounted to approximately HK$43,429,000 (restated in 2016: HK$6,347,000).

(ii) Prepayment made to a non-controlling shareholder of a subsidiary amounted to approximately HK$37,622,000 (2016: HK$34,986,000) and locals amounted to approximately HK$8,139,000 (2016: HK$7,373,000) 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 (2016: HK$38,428,000) for the provision of technical services by Melco Korea to the Group's casino operation in South Korea. The prepayment was made by allotment and issuance of the Company's shares which was non-cash in nature, details of which were set out in the announcements of the Company dated 10 May 2016 and 11 May 2016 respectively.

(iv) Deposit paid of approximately HK$65,272,000 (restated in 2016: HK$56,026,000) was guarantee deposits denominated in AUD for construction of the property placed in designated accounts in accordance with relevant government requirements.

(v) Other receivables of approximately HK$61,366,000 (2016: Nil) was amount due from the associate, CIM Global. The amount was unsecured, interest free and repayable on demand.

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

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

	2017 HK$'000	2016 HK$'000
At the beginning of the year	**8,874**	9,809
Exchange alignment	**668**	(769)
Amount recovered during the year	**–**	(166)
	9,542	8,874

Included in the allowance for doubtful debts above with an aggregate balance of approximately HK$9,542,000 (2016: HK$8,874,000) were individual impaired other receivables. The individual impaired other receivables related to other debtors that were past due over one year or in default of payments. The Group's 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 related to other debtors for whom there were no recent history of default.

28. SHORT-TERM LOANS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loans receivables		
Unsecured	**7,390**	7,145
Less: Impairment loss recognised	**(4,463)**	(3,919)
	2,927	3,226
The movement on impairment of short-term loans receivables were as follows:		
At the beginning of the year	**3,919**	18,527
Exchange alignment	**544**	(616)
Recognised during the year	**–**	409
Amount recovered during the year	**–**	(7,026)
Written off during the year	**–**	(7,375)
	4,463	3,919

The loans were interest free and recoverable on demand.

No impairment recognised during the year (2016: HK$409,000).

The remaining balance of short-term loans 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.

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29 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000 (Restated)
Bank balances and cash	**304,743**	1,669,194
Restricted bank deposits	**29,463**	—
	334,206	1,669,194

The restricted bank deposits are denominated in CAD. The effective interest rate of these deposits as at 31 December 2017 was 0.5% per annum.

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately HK$55,350,000 (2016: HK$71,845,000). 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.

30. SHARE CAPITAL

	Number of shares		Nominal Amount	
	2017 '000	2016 '000	**2017 HK$'000**	2016 HK$'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	**2,291,137**	2,268,532	**22,911**	22,685
Issuance of consideration shares (Note i)	**—**	22,605	**—**	226
Issuance of offer shares (Note ii)	**916,455**	—	**9,165**	—
At the end of the year	**3,207,592**	2,291,137	**32,076**	22,911

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 January 2017, the Company issued and allotted 916,454,764 ordinary shares of HK$0.01 each by way of the Open Offer at a subscription price of HK$1.60 per offer share.

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31. 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 94.

32. 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 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 and 1 January 2017	16	745	761
Exchange alignment	2	126	128
Credited to consolidated statement of profit or loss	—	573	573
At 31 December 2017	**18**	**1,444**	**1,462**

Deferred tax liabilities

	Intangible assets HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 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 and 1 January 2017	(97,513)	(9,423)	(106,936)
Exchange alignment	(571)	(745)	(1,316)
Acquisition of subsidiaries (Note 45)	—	(62,080)	(62,080)
Credited to consolidated statement of profit or loss	—	501	501
At 31 December 2017	**(98,084)**	**(71,747)**	**(169,831)**

32. DEFERRED TAXATION *(Continued)*

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:

	2017 **HK$'000**	2016 HK$'000
Deferred tax assets	**1,462**	761
Deferred tax liabilities	**(169,831)**	(106,936)
	(168,369)	(106,175)

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.

33. LOANS FROM AN IMMEDIATE HOLDING COMPANY

	2017 **HK$'000**	2016 HK$'000 (Restated)
Unsecured loans from MIL		
– due within one year (Note (i))	**56,561**	76,484
– due after one year (Note (ii))	**721,011**	1,344,001
	777,572	1,420,480
Unsecured loans from MARCO-LINK International Investment Co., Ltd.		
– due within one year	**–**	98,981
– due after one year	**–**	–
	–	98,981

Notes:

(i) The amounts is unsecured, interest-free and repayable on demand.

(ii) The amounts are unsecured and repayable within 5 years with effective interest rate of 6.16% (2016: 6.63%) per annum.

34. LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable within 5 years.

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35. 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 years ended 31 December 2017 and 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:

	2017	2016
Discount rate	**2.96%-2.97%**	2.60% - 2.61%
Expected rate of salary increase	**2.00%-5.00%**	2.00% - 5.00%
Expected return on plan assets	**3.96%**	3.96%

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:

	2017 HK$'000	2016 HK$'000
Present value of funded defined benefit obligation	**12,925**	10,890
Fair value of plan assets	**(5,659)**	(6,869)
Net Liability arising from defined benefit obligation	**7,266**	4,021

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

	2017 HK$'000	2016 HK$'000
At 1 January	**10,890**	9,497
Current service costs	**3,780**	3,715
Interest cost on benefit obligations	**268**	206
Benefits paid during the year	**(3,700)**	(2,300)
Re-measurement losses/(gain) recognised In other comprehensive income	**141**	(130)
Exchange alignment	**1,546**	(98)
At 31 December	**12,925**	10,890

35. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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

	2017 HK$'000	2016 HK$'000
At 1 January	**(6,869)**	(4,415)
Interest income	**(163)**	—
Return on plan asset	**112**	—
Contributions by the Group	**(2,942)**	(2,814)
Benefit paid by plan asset	**5,041**	—
Exchange alignment	**(838)**	360
At 31 December	**(5,659)**	(6,869)

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.

- for the year ended 31 December 2017, if the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by approximately HK$2,216,000 (2016: HK$1,967,000) (increase by approximately HK$2,515,000) (2016: HK$2,270,000).

- for the year ended 31 December 2017, if the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by approximately HK$2,514,000 (2016: HK$2,265,000) (decrease by approximately HK$2,234,000 (2016: 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 2017 is 8.50 years for MegaLuck and 8.19 years for Glorious Hill (2016: 8.61 years for MegaLuck and 8.66 years for Glorious Hill).

For the year ended 31 December 2017, the Group expects to make a contribution of approximately HK$1,318,000 to the defined benefit plan during the next financial year (2016: HK$1,623,000).

36. 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:

	2017 HK$'000	2016 HK$'000
Within 90 days	**42,921**	19,555
More than 90 days and within 180 days	**3,005**	2,166
More than 180 days and within 360 days	**11,342**	9,515
	57,268	31,236

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

37. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000 (Restated)
Accruals	**48,875**	39,235
Deposits received (note (i))	**220,471**	56,200
Other payables (note (ii))	**63,813**	1,518,460
	333,159	1,613,895

Notes:

(i) Included in deposits received of approximately HK$127,907,000 (2016: Nil) was receipt in advance from customers on pre-sale of properties.

(ii) 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. The Open Offer was completed on 10 January 2017.

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.

38. AMOUNTS DUE TO RELATED PARTIES

The amounts are unsecured, interest free and repayable on demand. They comprise amounts due to the following related parties:

	2017 HK$'000	2016 HK$'000 (Restated)
Beijing Macrolink Land Limited (note (i))	**2,317**	100,210
Macrolink Culturaltainment Development Co., Ltd (note (i))	**181**	31,632
Yunnan Jinliufu Trading Limited ("Yunnan JLF Trading") (note (ii))	**10,403**	20,115
Others	**6,017**	—
	18,918	151,957

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.

(iii) Others represented amounts due to several companies controlled by the non-controlling shareholders of certain subsidiaries.

39. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank and other borrowings comprised of:		
Bank loan – secured (Notes (i) and (ii))	**50,398**	55,795
Mortgage loan – secured (Note (iii))	**111,664**	—
	162,062	55,795
The borrowings are repayable as follows:		
Within one year or on demand	**—**	55,795
More than one year, but not exceeding two years	**162,062**	—
Total bank and other borrowings	**162,062**	55,795

39. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

The borrowings are secured by the followings:

(i) The Group's building and land use rights located in the PRC with carrying amounts of approximately HK$24,381,000 and HK$4,446,000 respectively (2016: building HK$22,673,000 and land use rights: HK$362,000).

(ii) Personal guarantee from Mr. Wu Shui Lin (2016: Shu Shi Ping), a director of certain subsidiaries of the Group.

(iii) The Group's properties under development located in Markham, Ontario, Canada with carrying amounts of approximately HK$541,819,000.

The Group's bank loan and mortgage loan are denominated in RMB and CAD respectively.

The Group's bank loan and mortgage loan bear interest at floating rates. The effective interest rate is 6.71% (2016: 6.09%) per annum.

40. 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.

41. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to secure the borrowings granted to the Group:

	2017 HK$'000	2016 HK$'000
Land use rights (note 17)	**4,446**	362
Building (note 18)	**24,381**	22,673
Properties under development (note 25)	**1,735,767**	—
	1,764,594	23,035

42. 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:

	2017 HK$'000	2016 HK$'000
Within one year	**5,299**	3,340
In the second to fifth year inclusive	**20,854**	9,360
Over five years	**54,856**	52,438
	81,009	65,138

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.

43. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000 (Restated)
Contracted but not provided for:		
In connection with the property development expenditure	**887,437**	27,405
In connection with acquisition of plant and equipment	**1,724**	1,396
	889,161	28,801

44. 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 MGL 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.

45. BUSINESS COMBINATION

On 30 May 2017 (Toronto time), NSR Toronto, entered into subscription agreements to subscribe for 51 units in each of the Residential LP and the Commercial LP, representing 51% interests in the Residential LP and the Commercial LP respectively. The total subscription price was CAD31,720,000 (equivalent to approximately HK$184,008,000) which has been fully settled in cash. The subscriptions were completed on 30 May 2017 (Toronto time).

Consideration transferred

	HK$'000
Cash	184,008

Fair value of assets and liabilities recognised at the date of completion of the subscriptions are as follows:

	HK$'000
Stock of properties	450,148
Prepayment, deposits paid and other receivables	40,914
Amounts due from related parties	4,638
Cash and cash equivalents	183,727
Trade payables	(6,412)
Accruals, deposits received and other payables	(113,303)
Amounts due to related parties	(5,853)
Other borrowing – due with one year	(130,979)
Deferred tax liabilities	(62,080)
	360,800
Goodwill arising on acquisition:	
Consideration transferred	184,008
Plus: non-controlling interest	176,792
Less: fair value of net assets acquired	(360,800)
Goodwill arising on acquisition	–
Net cash outflow arising on acquisition:	
Cash consideration paid	184,008
Cash and cash equivalents acquired of	(183,727)
	281

The Group incurred transaction costs of approximately HK$8,095,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

45. BUSINESS COMBINATION *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2017 approximately with loss of HK$4,810,000 was attributable to the business generated by the Residential LP and the Commercial LP.

Had these business combinations been effected on 1 January 2017, the loss for the year ended 31 December 2017 would have been approximately HK$119,782,000.

46. CONTINGENT LIABILITIES

	2017 HK$'000	2016 HK$'000
Guarantee given to a financial institution in connection with a mortgage loan	**221,406**	–

The Group provided guarantees to secure obligations of CIM Mackenzie Creek Inc. (the "Borrower"), which is the bare trustee for the land situated in Markham, Ontario, Canada (the "Land") and the non-wholly owned subsidiary of the Company, under a mortgage loan from a financial institution in Canada. Pursuant to the terms of the guarantee arrangements, in case of default on payments of the debt by the Borrower, the Group is liable to repay limited to 50% of the debt. The mortgage loan was secured by the Land.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to the Borrower. The directors of the Company consider that the likelihood of default on payments by the Borrower is minimal and, in case of default on payments, the net realisable value of the Land can cover the repayment of the outstanding mortgage loan together with any accrued interest and penalty. Therefore, no provision has been made.

47. 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.

47. RETIREMENT BENEFIT PLANS *(Continued)*

(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 35).

The provident fund schemes for the Group's staff in other regions follow local requirements.

48. 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 (the "Scheme Mandate Limit"). As approved by the shareholders of the Company at the annual general meeting held on 16 June 2017 (the "2017 AGM"), the total number of shares in respect of which options may be granted under the Scheme Mandate Limit was refreshed to 320,759,167 shares, representing 10% of the issued share capital of the Company as at the date of the 2017 AGM. 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. 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.

48. SHARE OPTION SCHEME *(Continued)*

On 31 March 2017, a total of 13,000,000 share options were granted to eligible participants at an exercise price of HK$ 2.00 per share under the terms of the 2012 Scheme.

Name and category of participants	Date of grant	Exercise period	Exercise price per share *(Note (i))*	Number of share options: Outstanding at 31.12.2016	Adjustment made upon completion of the Open Offer *(Note (i))*	Granted in 2017	Exercised in 2017	Lapsed in 2017	Outstanding at 31.12.2017
Directors									
Mr. Su Bo	4.7.2016	4.7.2016 to 3.7.2026	2.0381	12,000,000	(224,400)	–	–	–	11,775,600
Mr. Ng Kwong Chue, Paul	4.7.2016	4.7.2016 to 3.7.2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Zhang Jian	4.7.2016	4.7.2016 to 3.7.2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Hang Guanyu	4.7.2016	4.7.2016 to 3.7.2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Liu Huaming	4.7.2016	4.7.2016 to 3.7.2026	2.0381	8,000,000	(149,600)	–	–	–	7,850,400
Mr. Yan Tao (resigned with effect from 28 September 2017)	4.7.2016	4.7.2016 to 3.7.2026	2.0381	3,000,000	(56,100)	–	–	(2,943,900)	–
Other employees or participants	4.7.2016	4.7.2016 to 3.7.2026	2.0381	104,000,000	(1,944,800)	–	–	(6,869,100)	95,186,000
	31.3.2017	31.3.2017 to 30.3.2027	2.0000	–	–	3,000,000	–	–	3,000,000
Substantial shareholder									
Mr. Fu Kwan	31.3.2017	31.3.2017 to 30.3.2027	2.0000	–	–	10,000,000 *(Note (ii))*	–	–	10,000,000
Total				151,000,000	(2,823,700)	13,000,000	–	(9,813,000)	151,363,200

Notes:

(i) As disclosed in the announcement of the Company dated 9 January 2017, upon completion of the Open Offer on 10 January 2017, the number of outstanding share options and the exercise price in respect of the share options granted on 4 July 2016 have been adjusted effective on 10 January 2017.

(ii) The grant of 10,000,000 share options to Mr. Fu Kwan, who is the substantial shareholder of the Company within the meaning of the Listing Rules, was approved by the independent shareholders of the Company at the annual general meeting held on 16 June 2017.

48. SHARE OPTION SCHEME *(Continued)*

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:

	2017	2016
Date of grant	**31 March 2017**	4 July 2016
Number of share options	**13,000,000**	151,000,000
Exercise price per share	**HK$2.00**	HK$2.00
Closing price at date of grant	**HK$1.14**	HK$1.63
Expected life	**10**	10
Expected volatility	**75.00%**	23.195%
Risk-free interest rate	**1.587%**	0.93%
Expected dividend yield	**0.00%**	0.00%

As the Trinomial model requires 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 2017, the Group recognised total expenses of approximately HK$1,468,000 (2016: HK$59,479,000) in relation to share options granted by the Company.

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Bank and other borrowings HK$'000	**Loans from immediate holding companies** HK$'000	**Loan from a non-controlling shareholder of a subsidiary** HK$'000	**Total** HK$'000
At 1 January 2017	55,795	1,519,466	105,338	1,680,599
Exchange alignment	4,203	96,212	8,715	109,130
Acquisition of a subsidiary	130,979	–	–	130,979
Proceeds from borrowings	162,062	441,216	–	603,278
Repayment of borrowings	(190,977)	(1,279,322)	–	(1,470,299)
At 31 December 2017	**162,062**	**777,572**	**114,053**	**1,053,687**

50. 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.

	2017 HK$'000	2016 HK$'000
Sales of goods		
Yunnan JLF Trading (Note i)	**9,213**	8,488
VATS Chain Liquor Store Management Company Limited ("VATS Chain Store") (Note i)	**990**	1,095
Service income		
MACRO-LINK International Investment Co., Ltd. (Note ii)	**2,116**	1,152
Loan interest		
MACRO-LINK International Investment Co, Ltd. (Note iii)	**337**	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 2017, approximately HK$9,213,000 and HK$990,000 respectively (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 of 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.

50. RELATED PARTY TRANSACTIONS *(Continued)*

(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 12, is as follows:

	2017 HK$'000	2016 HK$'000
Short-term benefit	**2,964**	3,070
Post-employment benefits	**21**	18
Share-based payments	**–**	18,513
	2,985	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 33, 34 and 38.

(d) Personal guarantee is provided by Mr. Shu Shi Ping, a director of the subsidiaries of the Company for the bank borrowings disclosed in note 39.

51. GOVERNMENT GRANTS

During the year ended 31 December 2017, the Group recognised of approximately HK$14,186,000 (2016: HK$19,046,000) 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.

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

	2017 **HK$'000**	2016 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,436**	1,829
Interests in subsidiaries	**2,278,765**	933,405
	2,280,201	935,234
Current assets		
Prepayments, deposits paid and other receivables	**1,981**	2,759
Cash and cash equivalents	**5,531**	1,479,774
	7,512	1,482,533
Total assets	**2,287,713**	2,417,767
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**32,076**	22,911
Reserves	**2,191,399**	746,486
Total equity	**2,223,475**	769,397
LIABILITIES		
Current liabilities		
Accruals and other payables	**2,468**	1,472,905
Amount due to an intermediate holding company	**170**	—
Loans from immediate holding companies	**61,600**	175,465
Total liabilities	**64,238**	1,648,370
Total equity and liabilities	**2,287,713**	2,417,767
Net current liabilities	**(56,726)**	(165,837)
Total assets less current liabilities	**2,223,475**	769,397

Approved and authorised for issue by the Board of Directors on 26 March 2018 and signed on its behalf by:

Su Bo
Director

Ng Kwong Chue, Paul
Director

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

	Share premium HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2017	836,063	59,479	(149,056)	746,486
Issuance of offer shares	1,457,162	—	—	1,457,162
Transaction costs attributable to issue of offer shares	(6,655)	—	—	(6,655)
Lapse of share options	—	(3,939)	3,939	—
Recognition of equity-settled share based payments	—	1,468	—	1,468
Loss for the year	—	—	(7,062)	(7,062)
At 31 December 2017	**2,286,570**	**57,008**	**(152,179)**	**2,191,399**

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

53. EVENTS AFTER THE REPORTING PERIOD

On 13 October 2017, the Company entered into a sale and purchase agreement (as supplemented) (the "Sale and Purchase Agreement") with Paison Technology Group Inc. ("Paison Technology"), pursuant to which, among other things, the Company has conditionally agreed to acquire and Paison Technology has conditionally agreed to sell the controlling right and the entire economic benefits of Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial"), for a consideration of HK$1,411,800,000, which shall be satisfied by allotment and issuance of 1,086,000,000 shares at the issue price of HK$1.30 per share by the Company subject to the terms and conditions of the Sale and Purchase Agreement.

The proposed transaction is yet to complete and is subject to certain conditions precedent as stated in the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement are set out in the announcements of the Company dated 18 October 2017, 3 November 2017 and 28 March 2018 respectively.

54. COMPARATIVE FIGURES

Certain comparative figures of prior years have been restated as a result of adoption of merger accounting, as if the business combinations had been occurred from the beginning of the earliest financial years presented. Details of relevant statements for the common control combinations of the Group's financial position as at 31 December 2016 and the Group's results for the year ended 31 December 2016 are set out in note 2.

55. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 26 March 2018.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000 (Restated)	**2017 HK$'000**
Revenue	336,563	255,379	241,225	273,710	**325,858**
Loss from operating activities	(68,187)	(223,866)	(34,500)	(87,153)	**(83,340)**
Finance costs	(3,918)	(3,947)	(3,544)	(10,778)	**(2,885)**
Loss before taxation	(72,105)	(227,813)	(38,044)	(97,931)	**(86,225)**
Taxation	(7,660)	1,911	(2,846)	(1,211)	**(3,087)**
Loss for the year	(79,765)	(225,902)	(40,890)	(99,142)	**(89,312)**
Attributable to:					
Owners of the Company	(81,975)	(193,044)	(35,336)	(92,482)	**(70,986)**
Non-controlling interests	2,210	(32,858)	(5,554)	(6,660)	**(18,326)**
Loss for the year	(79,765)	(225,902)	(40,890)	(99,142)	**(89,312)**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000 (Restated)	**2017 HK$'000**
Total assets	1,017,389	743,692	2,091,820	4,513,068	**4,253,273**
Total liabilities	(319,325)	(282,243)	(977,003)	(3,597,982)	**(1,643,161)**
Non-controlling interests	(102,004)	(66,039)	(367,112)	(480,294)	**(671,481)**
Shareholders' funds	596,060	395,410	747,705	434,792	**1,938,631**

MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	Stage of completion	Expected date of completion	Site area (sq.m.)	Gross Floor area (sq.m.)	Group's interest
Zone A, Hallim Eup, Kumak-ri Jejusi, Jejudo, Korea	Integrated resort, Residential and commercial	Under development	2021	1,242,774	215,448	55%
Nos. 71-79, Macquaire Street, Sydney, New South Wales, Australia	Residential and commercial	Under development	2020	1,207	13,337	80%
9900 Markham Road, 5899 Major Mackenzie Drive East, Markham, Ontario, Canada	Residential and commercial	Under development	Phase I: 2019 Phase II: 2022	65,964	91,794	51%