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 2018 to 31 December 2018

ANNUAL REPORT 2018

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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

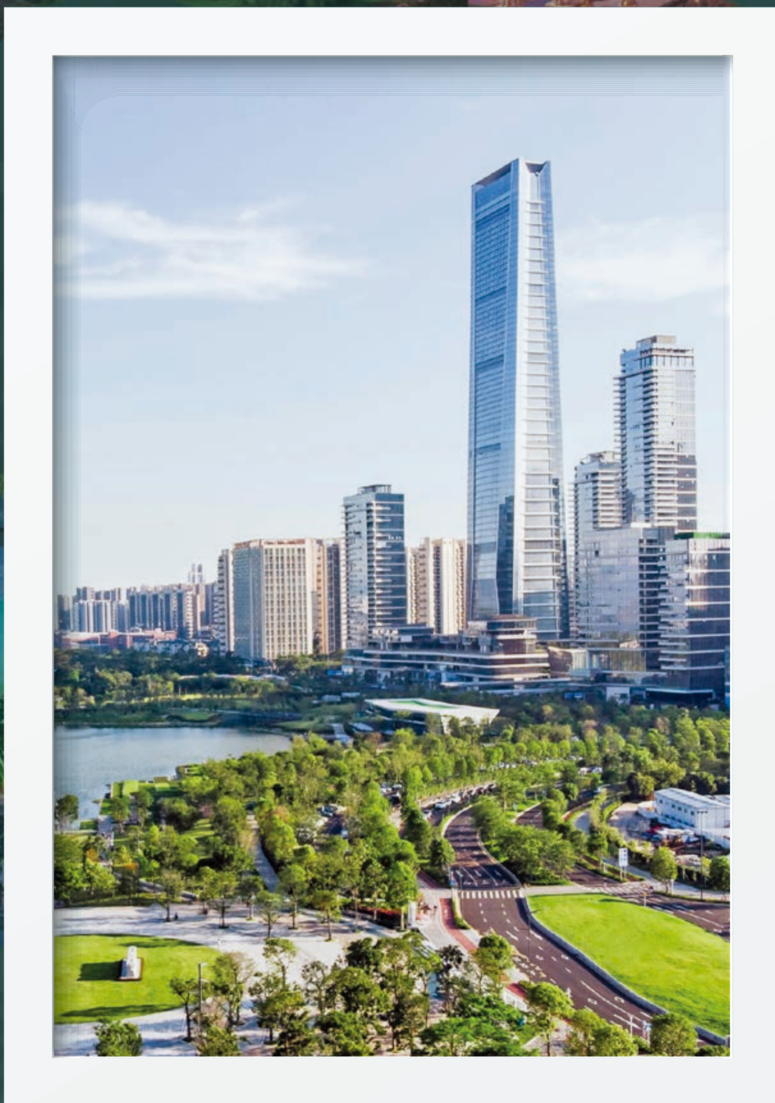
Tricor Progressive Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTORS AND MEDIA RELATIONS

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

STOCK CODE

00472



CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

On behalf of the board of directors (the "Board") of New Silkroad Culturaltainment Limited ("New Silkroad" or the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present to you the Group's annual report and financial results for the year ended 31 December 2018.

Although the economic environment in 2018 was complicated and challenging, with the foresight to pursue breakthroughs via active business transformation since 2015, the Group achieved a sharp profit turnaround. For the year ended 31 December 2018, the Group's revenue grew by a notable 55.9% to HK$460.8 million year-on-year, and profit attributable to shareholders of the Company reached HK$64.4 million (2017: loss of HK$71.0 million). Basic earnings per share was HK1.76 cents (2017: loss of HK2.23 cents). As at 31 December 2018, the Group had total assets valued at HK$5,340.4 million and net assets at HK$3,332.3 million.

ECONOMIC OVERVIEW

In 2018, the global economy was ridden with uncertainties. The US Federal Reserve raised interest rate four times undermining stable global economic growth, and the European economy was overshadowed by issues such as the Brexit proposal still hanging in the balance and the huge Italian government debt. These factors resulted in gradual global economic slowdown, which peaked in certain major economies. Bearing on us most was the Sino-US trade dispute which was a growing concern to the market. Last but not least, China's de-leveraging policies aiming to prevent credit risks had squeezed liquidity and made it more and more difficult to secure approval for overseas investment and financing. Affected by the aforementioned, financing costs climbed rocket high and GDP growth of the country kept sliding quarter by quarter and ended in an annual GDP growth of only 6.6%.

OUTSTANDING ACHIEVEMENTS OF NEW SILKROAD

During the year, New Silkroad pushed on with implementing its "Cultural Tourism + Real Estate + Fintech" business development strategy, stepping up related efforts. The Group acquired Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial"), which marked its foray into the huge Fintech market in China, an important milestone in business diversification for New Silkroad.

On 13 November 2018, New Silkroad was made constituent of the MSCI Hong Kong Micro Cap Index. As the MSCI indexes are highly influential and worthy of reference to capital markets worldwide, being included as a constituent is testament of the capital market recognition for the Group's positioning and development strategy.

BUSINESS REVIEW

Niiwoo Financial

On 1 August 2018, New Silkroad completed the acquisition of Niiwoo Financial, a subsidiary of Paison Technology Group Ltd., by the issuance of 1,086,000,000 shares at an issue price of HK$1.3 per share.

During the year, financial authorities in China has tightened market control, introducing new policies that pinpoint online financing with the objective to reduce credit default risk. As a result, non-compliant online financing companies were ousted. On the bright side, those policies will see the entire online financing market better regulated and operating more effectively in time.

The financial regulatory authority in Shenzhen has issued an assessment and approval plan for online financing operations. Niiwoo Financial, having completed filing of rectifications according to relevant laws and regulations in China, is preparing to seek verification by the Shenzhen Municipal Financial Services Office. Niiwoo Financial is a leading online loan financing platform in China. Once the new policies have been fully implemented, Niiwoo Financial will be operating in a healthier market and see its online financing business thrive, and in turn present the Group with long term growth impetus.

Gaming Business in Jeju – MegaLuck

The Group's gaming business "MegaLuck Casino" in Jeju, South Korea has benefited from the improving Sino-Korea relationship. The launch of new major tourism sites has also drawn more visitors to Jeju, as reflected in the continuous rise in tourist arrivals, in particular by the end of 2018. At the same time, through active marketing and efforts to raise service standard and to enhance customers' gaming and overall travel experience, MegaLuck has effectively pushed up patronage as well as its gaming gains. In the year under review, the Group's gaming revenue has increased by 11.9% year-on-year to approximately HK$103.6 million. In terms of gaming revenue, MegaLuck was ranked among the top casinos in Jeju.

Resort Business in Jeju -Glorious Hill

The Group is pleased to have received the formal development approval from the Governor of Jeju Special Self-Governing Province in March 2019 to kick off phase one development of its large integrated resort project, Glorious Hill. The project will feature five-star hotels, commercial and residential real estates, boutique shopping centre, theme park, golf course and academy, and so forth, and is expected to bring impressive tourism and property revenues to the Group. With land property of the Glorious Hill site being changed, the embedded value of the Group's asset in Korea shall be substantially increased accordingly.

Real Estate – Opera Residence and Mackenzie Creek Projects

The Group's landmark project Opera Residence at Circular Quay, deemed the world's most beautiful harbour in Sydney, Australia, is progressing smoothly and on schedule. The 20-storey project, standing on an approximately 1,207 square metres site, will have a total floor area of approximately 26,308 square metres. Sales of the project have been encouraging and repeatedly setting apartment price records in Australia. To date, 95% of the residential units and all the commercial spaces of the project were sold, generating total contract sales of AUD553.9 million (equivalent to approximately HK$3,049.7 million). Sales revenue from the project is expected to be booked after delivery in 2021.

The Mackenzie Creek Project in Canada has two phases, with the first phase comprising 195 townhouses and the second phase of no less than 500 residential condominiums and a commercial shopping centre. Given a weak real estate market sentiment in Canada, sales of phase one has not been progressing as well as expected. The Group will seek to reach consensus with its partner and timely adjust its sales strategy to rally sales for the project.

Wine and Chinese Baijiu Operations

With economic growth slowing down in China, consumers are spending less on wine and baijiu. That coupled with the saturating wine and baijiu market and the competition brought by imported wine resulted in fierce competition in the industry. It remains difficult for our wine and Chinese baijiu operations at Shangri-la Winery and Yuquan Winery. Although the divisions showed a slight improvement in revenue, they have been operating at losses for a few years. Having considered the difficulties faced by the businesses and the continual losses, the Group is looking into various scenario to rectify the situation including but not limited to modification of the operations or a possible disposal such that resources can be reallocated to other profitable areas to optimise returns to shareholders.

OUTLOOK

2018 marked an important turning point – profitability returning – for New Silkroad, thanks to the effective adjustments of our strategic development. Given the uncertain market in the imminent future, with risks from potential downward revision of economic forecasts and difficulty in obtaining financing possibly becoming a new economic norm, the Group will exercise special caution in every step of its operation. Nonetheless, to cope with the economic challenges, the Group will be more prudent and pragmatic in fine-tuning its investment mix. We will also actively explore suitable investment as well as divestment opportunities that can reap lucrative returns in the long run. At the same time, the Group will work hard to enhance our financial strengths in order to countering market fluctuation. In the future, we will also continue to explore innovative business opportunities with promising strong growth potential to give new growth vigour to the Group.

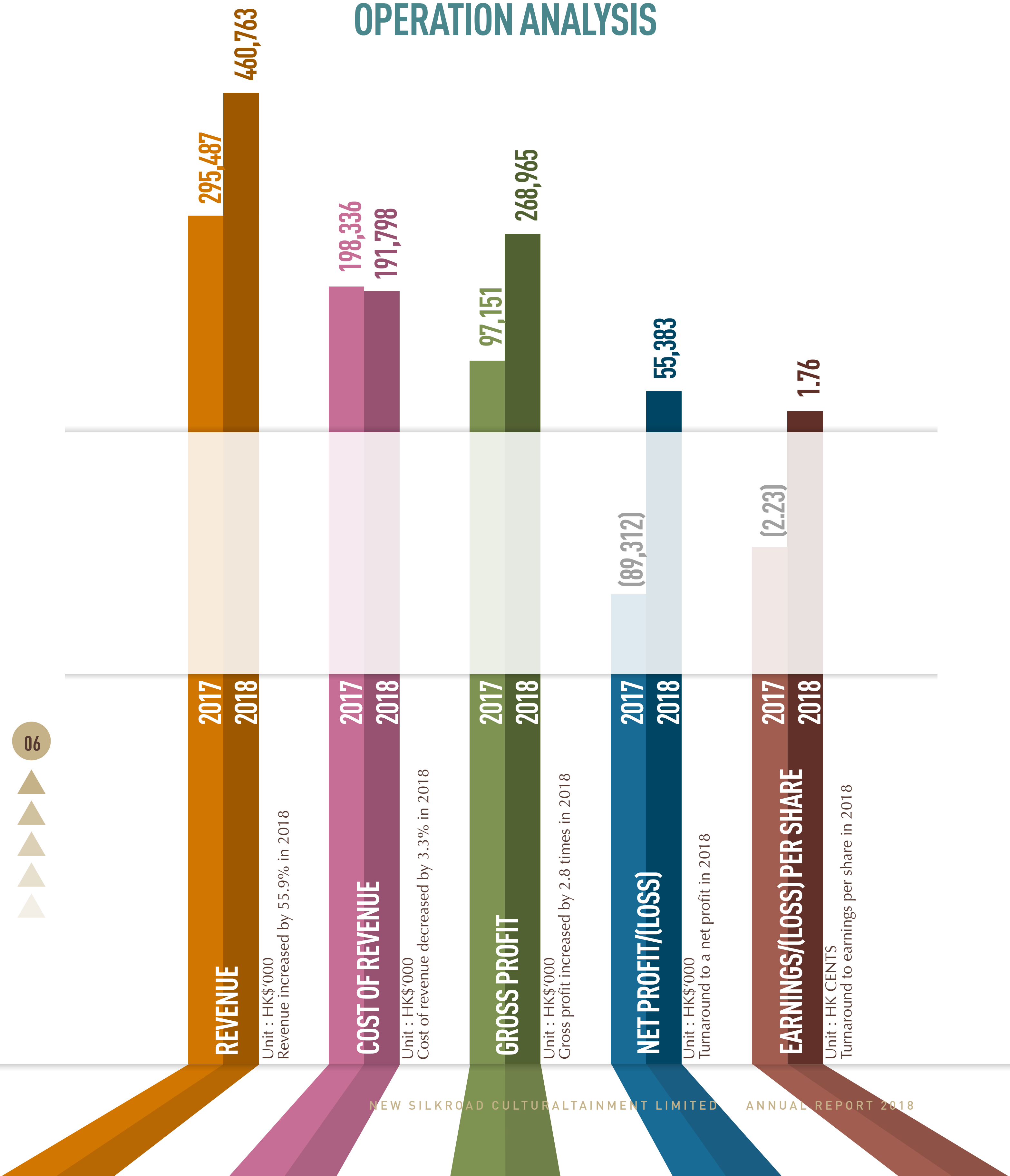
APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all staff members and management team for their dedication and contribution, and to our shareholders and business partners for their support. Looking forward, New Silkroad will keep a closer watch on changes in the market and seize development opportunities that can generate maximum value for the Company and its shareholders.

Su Bo
Chairman

Hong Kong, 26 March 2019

OPERATION ANALYSIS

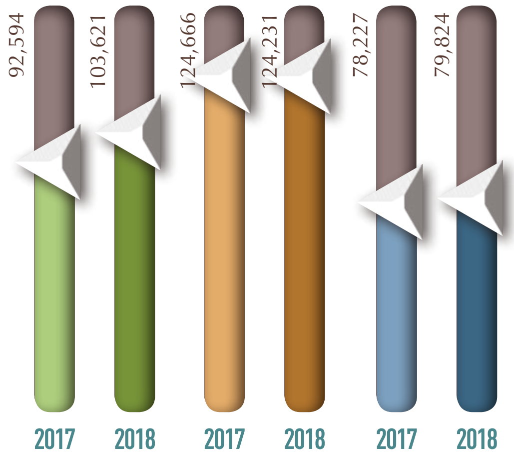


BUSINESS SEGMENTS ANALYSIS

REVENUE

Unit : HK$'000

- Gaming increased by 11.9% in 2018
- Wine decreased by 0.3% in 2018
- Baijiu increased by 2.0% in 2018



COST OF REVENUE

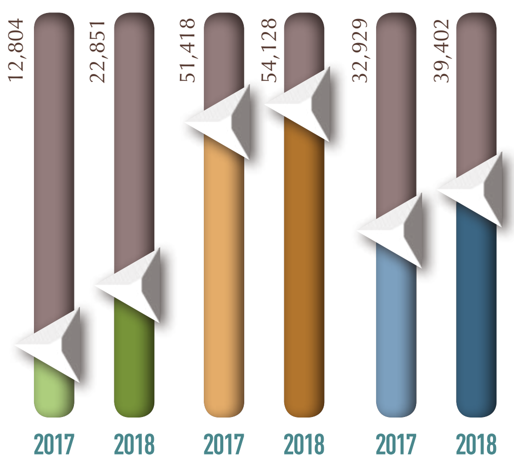
Unit : HK$'000

- Gaming increased by 1.2% in 2018
- Wine decreased by 4.3% in 2018
- Baijiu decreased by 10.8% in 2018

GROSS PROFIT

Unit : HK$'000

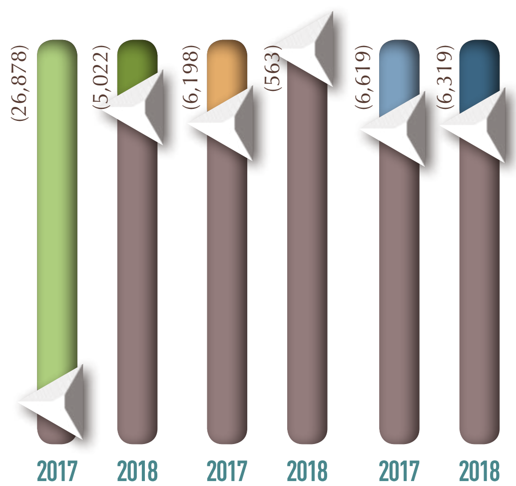
- Gaming increased by 78.5% in 2018
- Wine increased by 5.3% in 2018
- Baijiu increased by 19.7% in 2018

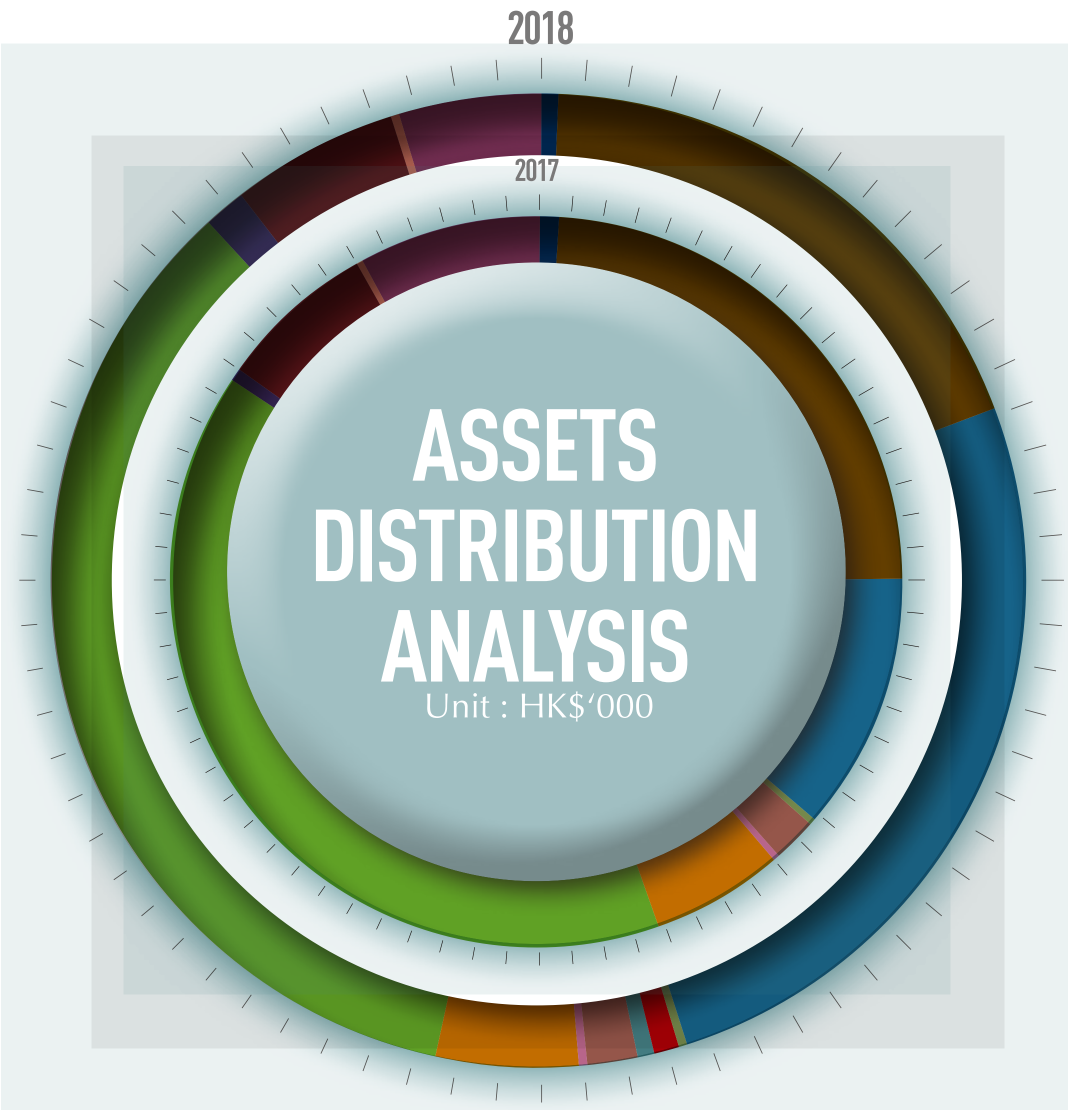


NET LOSS

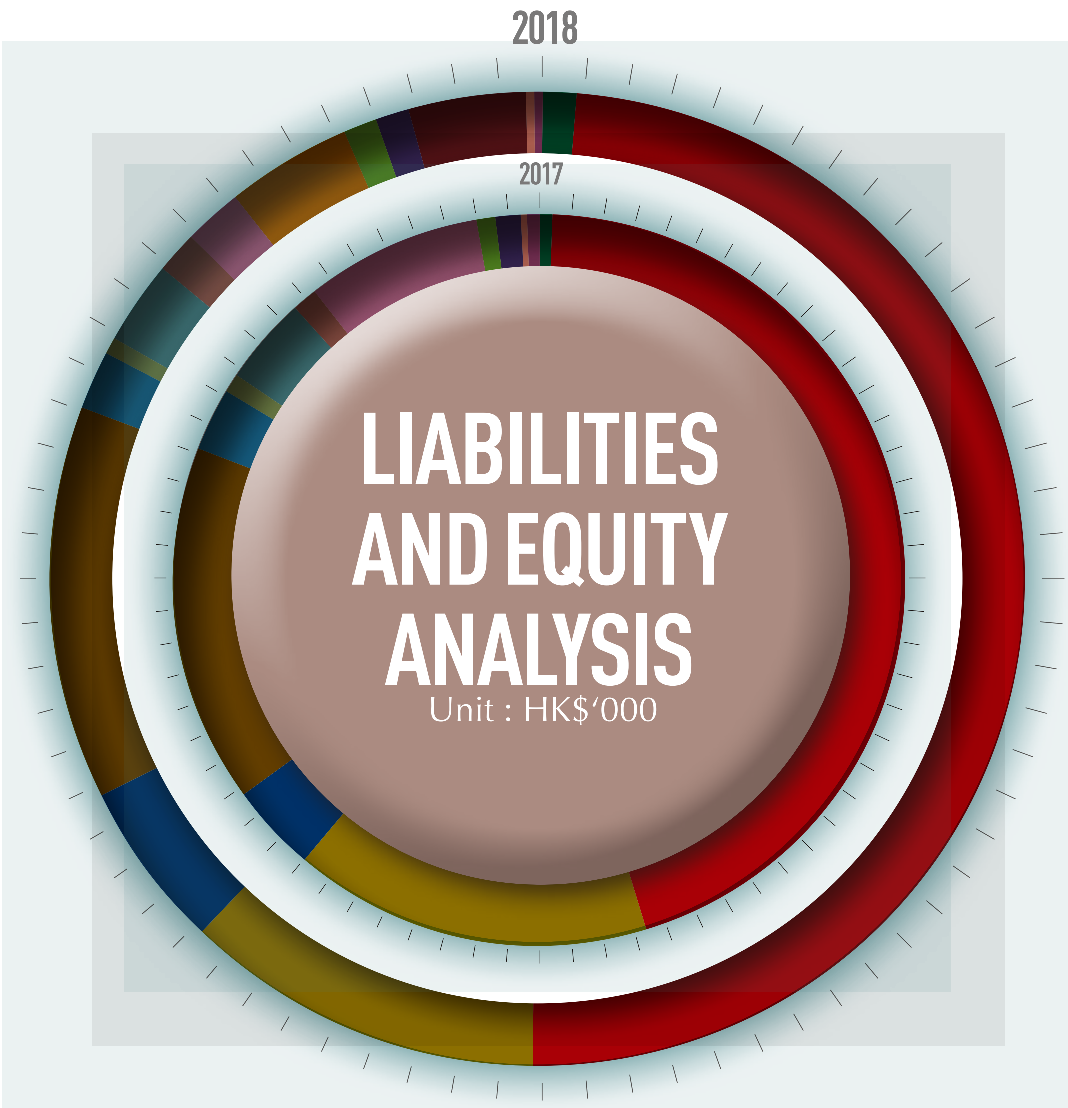
Unit : HK$'000

- Net loss of gaming decreased by 81.3% in 2018
- Net loss of wine decreased by 90.9% in 2018
- Net loss of baijiu decreased by 4.5% in 2018





	2018	2017
Land use rights	30,491 (0.57%)	31,552 (0.74%)
Property, plant and equipment	975,688 (18.27%)	1,021,766 (24.02%)
Intangible assets	1,398,694 (26.19%)	489,288 (11.50%)
Financial asset at fair value through other comprehensive income/Available-for-sale investment	4,211 (0.08%)	1,719 (0.04%)
Contract costs	45,106 (0.84%)	– (0%)
Contingent consideration receivable	10,374 (0.19%)	– (0%)
Goodwill	75,221 (1.41%)	75,221 (1.77%)
Deferred tax assets	2,172 (0.04%)	1,462 (0.03%)
Inventories	264,885 (4.96%)	253,599 (5.96%)
Stock of properties	1,900,707 (35.59%)	1,735,767 (40.82%)
Trade and bills receivables	70,220 (1.31%)	4,926 (0.12%)
Prepayments, deposits paid and other receivables	312,876 (5.86%)	300,840 (7.07%)
Short-term loan receivables	2,593 (0.06%)	2,927 (0.07%)
Cash and cash equivalents	247,168 (4.63%)	334,206 (7.86%)



	2018	2017
Share capital	42,936 (0.81%)	32,076 (0.75%)
Reserves	2,661,306 (49.83%)	1,906,555 (44.83%)
Non-controlling interests	628,010 (11.76%)	671,481 (15.79%)
Deferred tax liabilities	308,356 (5.77%)	169,831 (3.99%)
Loan from an immediate holding company	717,222 (13.43%)	721,011 (16.95%)
Loan from a non-controlling shareholder of a subsidiary	104,376 (1.95%)	114,053 (2.68%)
Net defined benefits liabilities	6,911 (0.13%)	7,266 (0.17%)
Bank and other borrowings – due after one year	144,690 (2.71%)	162,062 (3.81%)
Trade payables	69,192 (1.30%)	57,268 (1.35%)
Accruals and other payables	109,931 (2.06%)	333,159 (7.83%)
Contract liabilities	219,716 (4.11%)	– (0%)
Amounts due to related parties	50,642 (0.95%)	18,918 (0.44%)
Loan from an immediate holding company	66,401 (1.24%)	56,561 (1.33%)
Bank and other borrowings – due within one year	204,876 (3.84%)	– (0%)
Deferred revenue	1,372 (0.03%)	346 (0.01%)
Tax payables	4,469 (0.08%)	2,686 (0.06%)

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL INFORMATION

The Group has adopted the new revenue recognition accounting standard HKFRS 15 (the "Standard") with effect from 1 January 2018. Upon the adoption of the Standard, commissions paid to gaming promoters are recorded as deduction from gaming revenue. Accordingly, the prior year amounts of gaming revenue and cost have been restated.

Revenue

For the year ended 31 December 2018 (the "Year"), the Group has revenue generated from casino business in South Korea, sales and distribution of wine and Chinese baijiu, and the newly acquired internet P2P financing platform business in the PRC (i.e. Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial")). After the contribution of Niiwoo Financial of approximately HK$153.1 million been recognised, the Group's revenue increased significantly by 55.9% to approximately HK$460.8 million (restated in 2017: HK$295.5 million).

As a result of the improving Sino-Korea relationship and the opening of a new tourist complex, the numbers of visitors to Jeju had reached a record high. With effective promotion campaigns implemented, our casino seized the growth of the VIP gaming market. Gaming revenue, which represented approximately 22.5% (restated in 2017: 31.3%) of the Group's revenue, grew by 11.9% to approximately HK$103.6 million (restated in 2017: HK$92.6 million).

The revenue from both wine and Chinese baijiu segments remained quite stable. The wine business, which accounted for approximately 27.0% (restated in 2017: 42.2%) of the Group's revenue, showed a slight decrease of 0.3% to approximately HK$124.2 million (2017: HK$124.7 million). The Chinese baijiu business, which accounted for approximately 17.3% (restated in 2017:26.5%) of the Group's revenue, increased slightly by 2.0% to approximately HK$79.8 million (2017: HK$78.2 million).

Gross Profit

The Group's gross profit grew more than double to approximately HK$269.0 million (2017: HK$97.2 million) and the gross profit margin surged to approximately 58.4% (restated in 2017: 32.9%). The significant increase was mainly attributable to the contribution from the newly acquired internet P2P financing platform business.

Gross profit of the casino business increased significantly by 78.5% to approximately HK$22.9 million (2017: HK$12.8 million) with gross profit margin growing by 8.3 points to 22.1% (restated in 2017: 13.8%). Such increases were mainly driven by the growth of VIP gaming operation managed by our house team which operated at a higher gross profit margin than that of those agent teams.

With effective manufacturing costs control, the gross profits on wine and Chinese baijiu operations were improved. The gross profits of wine and Chinese baijiu segments increased by 5.3% to approximately HK$54.1 million (2017: HK$51.4 million) and by 19.7% to approximately HK$39.4 million (2017: HK$32.9 million) respectively. Meanwhile, the gross profit margin of wine and Chinese baijiu segments also improved by 2.4 points to 43.6% (2017: 41.2%) and by 7.3 points to 49.4% (2017: 42.1%) respectively.

Other Revenue

Other revenue decreased by 13.1% to approximately HK$25.5 million (2017: HK$29.3 million) mainly due to reduction of government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 20.3% to approximately HK$79.4 million (2017: HK$66.0 million). Such increase was mainly due to consolidation of Niiwoo Financial's expenses of similar nature and the increase in promotional efforts of the winery business. Selling and distribution expenses as a percentage of revenue decreased by 5.1 points to 17.2% (restated in 2017: 22.3%).

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and casino business's operating expenses. During the Year, administrative and other operating expenses increased by 6.3% to approximately HK$151.3 million (2017: HK$142.3 million) due to consolidation of Niiwoo Financial's administrative expenses.

Profit before Tax

During the Year, the Group recorded a turnaround of profit before tax of approximately HK$60.8 million (2017: loss of HK$86.2 million).

Taxation

Taxation increased significantly by 76.3% to approximately HK$5.4 million (2017: HK$3.1 million) which was in line with the revenue growth.

Profit Attributable to Owners

Taking into consideration the abovementioned factors, profit after tax for the Year was approximately HK$55.4 million (2017: loss of HK$89.3 million). Profit attributable to owners of the Company was approximately HK$64.4 million (2017: loss of HK$71.0 million). Basic earnings per share attributable to owners of the Company was HK1.76 cents (2017: loss of HK2.23 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were generated from operating activities, advances from immediate holding companies as well as loan facilities provided by financial institutions. During the Year, the Group recorded a decline in cash and cash equivalents by 26.0% to approximately HK$247.2 million (2017: HK$334.2 million) mainly due to capital expenditure on the development of real estate projects.

As at 31 December 2018, total borrowings increased by 17.5% to approximately HK$1,237.6 million (2017: HK$1,053.7 million) mainly due to new loans of approximately HK$198.8 million drawn for real estate development.

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$182.2 million (2017: HK$344.2 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate projects. For year 2019, we have budgeted HK$943.0 million for capital expenditure mainly on the 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 4.5% to approximately HK$264.9 million (2017: HK$253.6 million). Finished goods also increased by 21.3% to approximately HK$84.7 million (2017: HK$69.8 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 252 days for the Year (2017: 182 days).

Balance Sheet Analysis

As at 31 December 2018, total assets of the Group increased by 25.6% to approximately HK$5,340.4 million (2017: HK$4,253.3 million) which were composed of current assets of approximately HK$2,798.4 million (2017:HK$2,632.3 million) and non-current assets of approximately HK$2,542.0 million (2017: HK$1,621.0 million). The increase in total assets was mainly due to recognition of the newly acquired internet P2P financing platform business at fair value.

Total liabilities, which included current liabilities of approximately HK$726.6 million (2017: HK$469.0 million) and non-current liabilities of approximately HK$1,281.6 million (2017: HK$1,174.2 million), increased by 22.2% to approximately HK$2,008.2 million (2017: HK$1,643.2 million). Such increase was mainly due to new real estate development loans obtained during the Year.

As at 31 December 2018, our total equity was composed of owners' equity of approximately HK$2,704.2 million (2017: HK$1,938.6 million) and non-controlling interests of approximately HK$628.0 million (2017: HK$671.5 million).

The Group's current ratio as at 31 December 2018 lowered to 3.9 (2017: 5.6) as current liabilities increased. Gearing ratio, representing total borrowings divided by total equity, was 37.1% (2017: 40.4%). About 63.3% of borrowings are from the immediate holding company, the borrowings of which are unsecured and repayable within a 5-year period.

Trade receivables turnover (being average trade receivables divided by revenue) for the Year was 30 days (2017: 9 days). The increase was due to consolidation of Niiwoo Financial's trade receivables and new addition of gaming VIP's receivables. The Group did not experience any material doubtful debts that were required to be written off in the Year.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 19.7% (2017: 26.0%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 5.5% (2017: 6.9%). Excluding Yunnan Jinliufu Trading Limited which is a connected person 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 14.1% (2017: 6.0%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 10.1% (2017: 1.6%).

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$8.8 million (2017: HK$14.2 million) from the respective local finance department for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2017: Nil).

PLEDGE OF ASSETS

At 31 December 2018, the Group pledged its land, property, plant and equipment with net book value amounted to approximately HK$28.7 million (2017: HK$28.8 million) to secure general bank facilities granted. In addition, the Group pledged several parcels of lands located in Markham, Ontario, Canada and Sydney, Australia in favour of the financial institutions which in aggregate amounted to approximately HK$1,900.7 million (2017: HK$1,735.8 million) to obtain loans for real estate development.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had provided guarantees in an aggregate amount of approximately HK$204.2 million (2017: 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 real estate located 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

In October 2017, the Company announced the proposed acquisition of the controlling right and the entire economic benefits of Niiwoo Financial via a set of variable interest entity contracts at a consideration of HK$1,411.8 million to be satisfied by the allotment and issuance of 1,086,000,000 new shares of the Company at an issue price of HK$1.30 per share.

The acquisition was completed on 1 August 2018 and Niiwoo Financial has become the wholly-owned subsidiary of the Company. Details of the transaction were set out in the circular of the Company dated 29 June 2018.

Save as disclosed above, there was no material acquisition or disposal of subsidiary, associated company or joint venture by the Group during the Year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2018, the Group employed a total of 1,148 (2017: 1,059) 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 regulations.

LITIGATION

MegaLuck Co., Ltd. ("MegaLuck") has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office for outsourcing management of slot machines related to a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd. ("Global Game"), allegedly in violation of the Tourism Promotion Act in Korea (the "First Case"). Global Game also filed a civil lawsuit against MegaLuck in 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.

The court hearing for the First Case has 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 is still pending.

The court ruled in the Second Case that MegaLuck shall pay a damage of approximately KRW89 million (equivalent to about HK$630,000) to Global Game. However, Global Game has filed an appeal against the judgement with the Jeju District Court to request MegaLuck to pay a damage of approximately KRW495 million (equivalent to about HK$3.5 million). The Second Case is still pending for adjudication as at the date of this report.

USE OF PROCEEDS FROM THE OPEN OFFER

In January 2017, the Company completed the open offer on the basis of two offer shares for every five shares of the Company held and raised net proceeds of approximately HK$1,446.0 million (the "Proceeds").

As stated in the prospectus of the Company dated 14 December 2016, the Company intended to use the Proceeds (i) as to about HK$576.5 million to repay the indebtedness of the Group due to Macro-Link International Land Limited ("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 on 31 May 2017 and 29 September 2017, the use of Proceeds was re-allocated to cater for investments in the Mackenzie Creek project and the Opera Residence project.

Approximately HK$1,325.1 million from the Proceeds was utilised in 2017, 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 CIM Development (Markham) LP and CIM Commercial LP in relation to the Mackenzie Creek project in Markham, Ontario, Canada; and (iii) approximately HK$546.0 million was used for the payment of the subscription of 104 redeemable preference shares of Macrolink Australia Investment Limited and the provision of a loan in relation to the Opera Residence project in Sydney, Australia.

As at 1 January 2018, the balance of unutilised Proceeds was approximately HK$120.9 million. During the Year, the Group has further utilised approximately HK$37.0 million for the general working capital purpose and the remaining balance of approximately HK$83.9 million for repayment of other indebtedness of the Group. As at the date of this report, the Proceeds was fully utilised.

SU BO

Chairman and Executive Director

Mr. Su Bo, aged 51, 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. Mr. Su is now the chairman 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. He 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 48, was appointed as an executive director of the Company on 28 March 2011. He is the authorised representative, company secretary and acting chief executive 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 Longhui International Holdings Limited (formerly known as 'Daqing Dairy Holdings Limited') (stock code: 1007) from September 2013 to February 2016. Mr. Ng was also the co-founder of China Innovation Investment Limited (stock code: 1217) and had acted as the executive director and non-executive director of the company from April 2003 to May 2006 and from May 2006 to May 2013 respectively. 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 45, was appointed as an executive director of the Company on 25 February 2004. He serves as the senior vice-president of Macro-Link Holding Company Limited. Mr. Zhang is now the executive director of Dongyue Group Limited (stock code: 189) and Macrolink Capital Holdings Limited (formerly known as 'Junefield Department Store Group Limited') (stock code: 758), the director of Macrolink Culturaltainment and the vice-chairman of Keda Clean Energy Co., Ltd. which is a company listed on the Shanghai Stock Exchange (stock code: 600499). He 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 52, 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 has been the vice-president of Beijing Macrolink Land Ltd. 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.

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 47, 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. He worked as vice-general manager and financial controller in Beijing Macrolink Gas Ltd. and Beijing Macrolink Industrial Investment Co. Ltd. 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 65, 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 Group Holdings Limited (stock code:1966) and Dongyue Group Limited (stock code: 189).

TSE KWONG HON

Independent Non-executive Director

Mr. Tse Kwong Hon, aged 64, 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 68, 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 Macrolink Capital Holdings Limited (formerly known as '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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) operation of an internet P2P financing platform in the PRC; (ii) operation of gaming business in Jeju, South Korea; (iii) development and operation of real estate in South Korea, Canada and Australia; (iv) development and operation of integrated resort and cultural tourism in South Korea; and (v) production and distribution of its own brand 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 22 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 2018 is set out in the section headed "Chairman's Statement" on pages 3 to 5 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 6 to 9 and pages 10 to 15 of this annual report respectively.

Environmental policies and performance

The Group is committed to sustainable future development. We assess the materiality of various environmental, social and governance ("ESG") issues and take measures to control the environmental and social impacts on operations. All our businesses are required to comply with all applicable ESG laws and regulations strictly. The Group strives to minimise its environmental impacts through effective air emissions control, superior water and energy efficiency, proper waste management and wastewater treatment. We also put effort into creating positive social impacts by protecting labour right and maintaining integrity. Discussion on the Group's ESG initiatives, performance and applicable ESG laws and regulations can be found in the section headed "Environmental, Social and Governance Report" on pages 54 to 76 of this annual report.

BUSINESS REVIEW *(Continued)*

Compliance with laws and regulations

The Group recognises the importance of 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, Australia, 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 are 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 (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange, 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 relating to gaming, real estate and cultural tourism businesses in South Korea, real estate business in Australia and Canada, and wine and baijiu businesses in the PRC on compliance with applicable laws and regulations are set out in the section headed "Environmental, Social and Governance Report" on pages 54 to 76 of this annual report. Details regarding the regulations relating to value-added telecommunications business in the PRC is set out in the sub-section headed "Contractual Arrangements" on page 30 to page 34 as set out in this Directors' 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) Global economy

The Group is exposed to the fluctuation of the global economy as well as the industries and geographical markets in which it operates. Any significant change in the level of economic growth in the global or regional economy could adversely affect the Group's financial conditions or results of operations.

(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 currencies fluctuations in those countries in which the Group operates. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries and associates may receive revenue and incur expenses in other currencies. Any currencies fluctuations on translation of the accounts of these subsidiaries and associates may therefore impact on the Group's financial position or potential income, asset value and liabilities. The Group has not yet engaged in any financial instruments for hedging purposes. Instead, the Group will closely monitor potential currencies and interest rates exposures in order to implement suitable foreign exchange hedging policy where necessary to minimise 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/or associates in which the Group shares control with other strategic or business partners. There can be no assurance that any of these strategic or business partner will continue their relationship 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/or associates and the markets in which they operate. Furthermore, the strategic or business partner may (a) have economic or business interests or goals that might be 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 overall 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 will be conducted before the Company proceeds with an acquisition, there can be no assurance that all hidden problems, potential liabilities and unresolved disputes of the target company could be fully exposed. 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 P2P business in the PRC

(i) Industry Policies

In August 2016, the Interim Measures for Administration of the Business Activities of Online Lending Information Intermediary Institutions (the "Interim Measures") was promulgated to regulate the business activities of the online P2P finance industry. Under the Interim Measures, it is required to conform with the regulatory requirements and obtain the clearance on certain improvements to the business operations before the value-added telecommunication business operation license to be granted. As at the date of this report, we have carried out all improvements as required by the Nanshan District, Shenzhen Internet Financial Risk Special Treatment Work Leadership Group Office (the "District Office"). However, we have not received any clearance from the District Office that our rectification efforts were sufficient, and there can be no assurance that we will be able to receive such clearance. We might, from time to time, need to adjust our product and business mode according to the regulatory requirements and might face unexpected, force majeure risks concerning these policies.

(ii) Business Risk

Since the current overall credit system is not comprehensive, there is a default risk from the borrowers. As the loan size is relatively small and distribution is fragmented, there is in-built risk diversification mechanism. In order to reduce and avoid the occurrence, we have continuously enhanced the risk control capability and level, as well as strictly implemented relevant risk managing and control measures, so as to protect the interest of lenders to the greatest extent.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks related to our P2P business in the PRC (Continued)

(iii) Technical Risk

Being an internet loan information technology service provider, we might face certain internet technical issues when providing online services. These include unexpected factors like power failure, equipment failure, internet failure, attack from hacker or other force majeure events, which might encounter problems such as inaccessible site, system breakdown, display error, charging and withdrawal error to the users.

(iv) Industrial Risk

In order to maximise profit, certain players in the market might carry out actions that might be illegal or could harm their clients, thus bringing adverse effect to the industry.

(v) Contractual Arrangements

We rely on contractual arrangements with the PRC Operating Entity (as defined below) and its shareholder for the operation of our P2P business, which may not be as effective as direct ownership. If the PRC Operating Entity and its shareholder fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation. For details, please refer to the sub-section headed "Contractual Arrangements" on page 30 to page 34 as set out in this Directors' Report.

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 reduce demand for our services, which could adversely affect our revenue, results of operations 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, 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.

(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 conditions and results in our gaming operation.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks related to our gaming business in Jeju, South Korea (Continued)

(iv) Fraud and cheating

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

(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 purchased valuable lands and acquired two property development projects in 2017. The real estate business 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 or reserves for project development could adversely affect the Group's business, results of operations and financial conditions.

(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, leading to higher development costs and development risk.

(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.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks related to our wine and baijiu business in the PRC

(i) Macroeconomic environment

Our wine and baijiu 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 government 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 effect of such policies.

(iii) Intense competition

With fierce competition brought by e-commerce and imported products, challenges in wine and Chinese baijiu industry remain. By enhancing brand awareness and producing better quality products, 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.

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 54 to 76 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 3 to 5 of this annual report.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 84.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: 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 181.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 May 2019 to Friday, 10 May 2019 (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 "2019 AGM") to be held on Friday, 10 May 2019. In order to qualify for attending and voting at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 6 May 2019.

SHARES ISSUED

Consideration issue

On 1 August 2018, 1,086,000,000 ordinary shares were allotted and issued at the issue price of HK$1.30 per share in accordance with the terms and conditions of the sale and purchase agreement dated 13 October 2017 (as supplemented) entered into between the Company and Paison Technology Group Ltd. Details of the consideration issue were set out in the circular of the Company dated 29 June 2018 and the announcement of the Company dated 1 August 2018.

Details of movements in the share capital of the Company during the year 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 the consolidated statement of changes in equity on pages 88 to 89 and note 53 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company did not have any distributable reserves.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive Directors:

Mr. Su Bo (Chairman)
Mr. Ng Kwong Chue, Paul
Mr. Zhang Jian
Mr. Hang Guanyu
Mr. Liu Huaming

Independent non-executive Directors:

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

In accordance with bye-law 87(1) of the Company's bye-laws (the "Bye-laws"), Mr. Ng Kwong Chue, Paul, Mr. Liu Huaming and Mr. Cao Kuangyu will retire by rotation and, being eligible, offer themselves for re-election at the 2019 AGM. None of the Directors proposed for re-election at the 2019 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 16 to 17 of this annual report.

MANAGEMENT CONTRACTS

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

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in notes 39 and 51 to the consolidated financial statements, no transaction, arrangement or contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with 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 2018.

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.

DIRECTORS' INTEREST IN COMPETING BUSINESS *(Continued)*

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 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise 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, were as follows:

(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	0.27%
Mr. Ng Kwong Chue, Paul	Beneficial owner	3,000,000	7,850,400	10,850,400	0.25%
Mr. Zhang Jian	Beneficial owner	–	7,850,400	7,850,400	0.18%
Mr. Hang Guanyu	Beneficial owner	–	7,850,400	7,850,400	0.18%
Mr. Liu Huaming	Beneficial owner	–	7,850,400	7,850,400	0.18%

(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 2018, 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 any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS *(Continued)*

(b) Interests of substantial shareholders

As at 31 December 2018, so far as is known to the Directors, 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 were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be 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	40.93%	*1,2*
Macrolink Culturaltainment Development Co., Ltd.	Controlled corporation	1,757,450,743	40.93%	*2*
MACRO-LINK International Investment Co, Ltd.	Beneficial owner	215,988,336	5.03%	*3*
Macro-Link Industrial Investment Limited	Controlled corporation	215,988,336	5.03%	*4*
Macro-Link Holding Company Limited	Controlled corporation	1,973,439,079	45.96%	*2,4*
Mr. Fu Kwan	Controlled corporation	1,973,439,079	45.96%	*4,5*
	Beneficial owner	10,000,000	0.23%	
Cheung Shek Investment Company Limited	Controlled corporation	1,973,439,079	45.96%	*5*
Ms. Xiao Wenhui	Controlled corporation	1,973,439,079	45.96%	*5*
	Beneficial owner	6,010,000	0.14%	
PAISHENG International Technology Co., Ltd	Beneficial owner	1,086,000,000	25.29%	*6*
Paison Technology Group Ltd.	Controlled corporation	1,086,000,000	25.29%	*6,7*
Mr. Tang Jun	Controlled corporation	1,086,000,000	25.29%	*7*

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 61.17% by Macro-Link Holding Company Limited.

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

4. Macro-Link Industrial Investment Limited is wholly owned by Macro-Link Holding Company Limited which in turn is owned as to 93.40% by Cheung Shek Investment Company Limited, as to 2.83% by Mr. Fu Kwan and as to the remaining 3.77% by five 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.

6. These shares were allotted and issued to PAISHENG International Technology Co., Ltd which is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Paison Technology Group Ltd., pursuant to the terms and conditions of the sales and purchase agreement dated 13 October 2017 (as supplemented) entered into between the Company and Paison Technology Group Ltd.

7. Paison Technology Group Ltd. is owned as to 68.08% by Mr. Tang Jun.

DISCLOSURE OF INTERESTS *(Continued)*

(b) Interests of substantial shareholders *(Continued)*

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

Save as disclosed above, as at 31 December 2018, the Directors 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 and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in note 49 to the consolidated financial statements.

Movements in the share options during the year ended 31 December 2018 are as follows:

	Options to subscribe for shares							
Name and category of participants	**Date of grant**	**Exercise period**	**Exercise price per share HK$**	**Balance as at 01/01/2018**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31/12/2018**
Directors								
Mr. Su Bo	04/07/2016	04/07/2016 to 03/07/2026	2.0381	11,775,600	–	–	–	11,775,600
Mr. Ng Kwong Chue, Paul	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Mr. Zhang Jian	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Mr. Hang Guanyu	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Mr. Liu Huaming	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Other employees or participants	04/07/2016	04/07/2016 to 03/07/2026	2.0381	95,186,100	–	–	(12,756,900)	82,429,200
	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	–	–	–	10,000,000
Total				**151,363,300**	**–**	**–**	**(12,756,900)**	**138,606,400**

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 2018.

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.

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

On 28 September 2018, Shangri-la Winery Company Limited ("Shangri-la") entered into a master sales agreement (the "Jinliufu Agreement") with Yunnan Jinliufu Trading Limited ("Yunnan JLF Trading") pursuant to which Shangri-la Winery agreed to sell grape wine and Tibetan naked barley wine (the "Shangri-la Wines") produced and provided by Shangri-la Winery, to Yunnan JLF Trading with an annual cap of no more than RMB12 million for the year ended 31 December 2018.

Under the Jinliufu Agreement, the selling price of Shangri-la Wines was based on the normal price list of Shangri-la Winery with reference to the prevailing market price offered to the independent customers for the same or similar products. The terms of which would be no more favourable than terms offered to other independent third parties who were willing to order similar quantity.

As Yunnan JLF Trading is ultimately owned as to 78.65% by Mr. Wu Xiangdong ("Mr. Wu") and Mr. Fu Kwan, who is the ultimate controlling shareholder of the Company, is the brother-in-law of Mr. Wu. Accordingly, Yunnan JLF Trading is a connected person of the Company.

None of the Directors has a material interest in the transactions contemplated thereunder and therefore no Director was required to abstain from voting on the board resolution in relation thereto. The transactions were exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules. Details of the transactions are set out in the announcement of the Company dated 28 September 2018.

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 the Jinliufu Agreement governing them 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 as disclosed above 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 the Jinliufu Agreement governing the transactions; and (iv) have not exceeded the annual cap under the Jinliufu Agreement.

CONTRACTUAL ARRANGEMENTS

The Company, through NSR Internet Investment Consulting (Shenzhen) Ltd. ("WFOE"), a wholly-owned subsidiary of the Company, is engaged in the operation of an internet P2P financing platform under the "你我金融(Niiwoo Financial)" brand (the "Platform") through a mobile application (the "P2P Business"), which is considered to be value-added telecommunication services, a sector which is subject to foreign investment restrictions under PRC laws and regulations. Accordingly, we, as foreign investors, cannot hold more than 50% equity interests in Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial" or "PRC Operating Entity"), which operates the P2P Business via the Platform. As such, the Company, through the WFOE, has entered into a series of variable interest entity contracts ("VIE Contracts") with the PRC Operating Entity and its registered owner, i.e. Paison Technology Group Ltd. ("Paison Technology") in order to conduct the P2P Business under which the Company gained management control over the operation of, and received the entire economic benefits of the PRC Operating Entity. The VIE Contracts allow the financial results of the PRC Operating Entity to be consolidated and accounted for as if it were a subsidiary of the Company.

CONTRACTUAL ARRANGEMENTS *(Continued)*

The VIE Contracts which were in place during the year ended 31 December 2018 and a brief description of their major terms are as follows:

a. Exclusive Service Agreement

Each of the WFOE and Niiwoo Financial entered into an exclusive service agreement on 25 July 2018, pursuant to which Niiwoo Financial agreed to engage the WFOE to provide management consultancy services and other services in connection with the P2P Business, in exchange for a service fee. Under these arrangements, the service fee is equal to Niiwoo Financial's audited profits before taxation after deducting its related operating costs and reasonable expenses as calculated in accordance with the Hong Kong Financial Reporting Standards. The exclusive service agreement has a term of 10 years and shall be automatically renewed for further terms of 10 years each upon the expiry of each 10-year term unless otherwise notified by the WFOE.

b. Entrustment Agreement

Each of the WFOE, Niiwoo Financial and Paison Technology entered into an entrustment agreement on 25 July 2018, pursuant to which Paison Technology irrevocably and unconditionally undertakes to authorise any person designated by the WFOE to exercise on its behalf all rights and powers as a shareholder of Niiwoo Financial, including but not limited to the rights: (i) to vote in a shareholder's meeting, sign minutes and any other rights and powers as stipulated under the articles of association of Niiwoo Financial; (ii) to deal with all the assets of Niiwoo Financial; and (iii) to represent Niiwoo Financial's shareholder to make decisions on the dissolution and liquidation of Niiwoo Financial, and to represent Niiwoo Financial's shareholder to exercise the duties and powers during the liquidation period.

c. Exclusive Option Agreement

Each of the WFOE, Niiwoo Financial and Paison Technology entered into an exclusive option agreement on 25 July 2018, pursuant to which the WFOE was granted an exclusive option to purchase at any time, from Paison Technology all or any part of the equity interests and the assets of Niiwoo Financial at a minimum purchase price permitted under PRC laws. Subject to relevant PRC laws and regulations, Paison Technology shall return in full the consideration received to the WFOE.

d. Equity Pledge Agreement

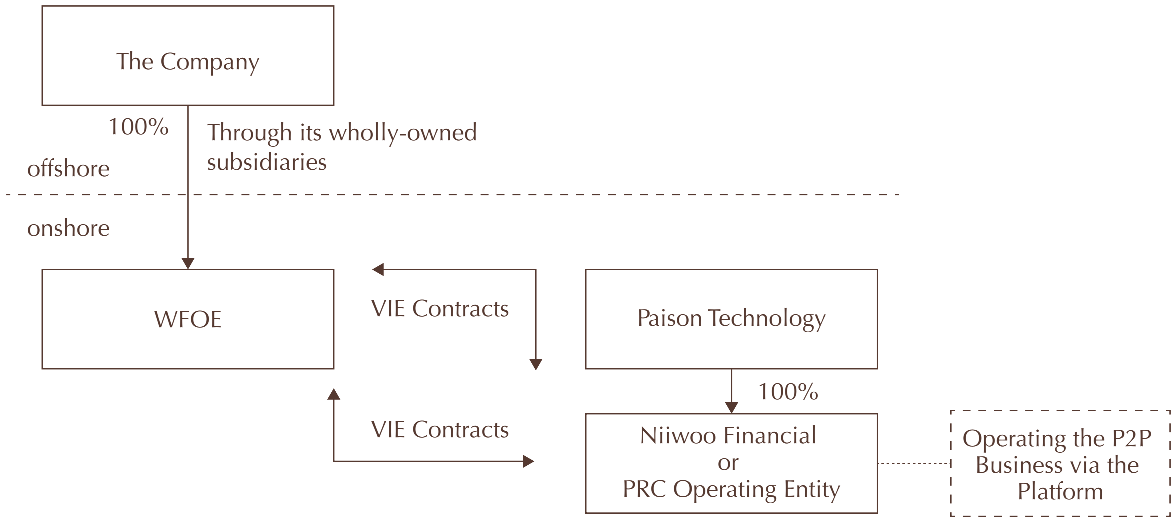
Each of the WFOE, Niiwoo Financial and Paison Technology entered into an equity pledge agreement on 25 July 2018, pursuant to which Paison Technology agreed to pledge all equity interests in Niiwoo Financial held to the WFOE, as continuing security for the performance of all its obligations and that of Niiwoo Financial under the VIE Contracts.

e. Deed of Non-Competition Undertaking

Each of Paison Technology and its controlling shareholder undertakes to the Group that it/he, its/his associates, relatives, companies under its/his control or joint ventures which it/he is a party shall not engaged in any business which is similar to or in competition with or may be in competition with the business of Niiwoo Financial or its associated companies from time to time. Each of Paison Technology and its controlling shareholder undertakes to the Group that if it/he is presented with the opportunity to participate in any business which may be similar to the P2P Business, it/he shall first offer the business opportunity to the Company for consideration and it/he will only engage in such business after the Company has decided not to proceed with these business opportunities.

CONTRACTUAL ARRANGEMENTS *(Continued)*

The following simplified diagram illustrates the flow of economic benefits from Niiwoo Financial to the Group stipulated under the VIE Contracts:



There has been no material change in the VIE Contracts and/or the circumstances under which they were adopted for the year ended 31 December 2018.

For the year ended 31 December 2018, none of the VIE Contracts have been unwound as none of the restrictions that led to the adoption of the VIE Contracts have been removed.

Although the Company does not have any equity interest in Niiwoo Financial, it is able to exercise effective control over Niiwoo Financial and receive substantially all of the economic benefits of its operation through the VIE Contracts. The current operation of the P2P Business is dependent on Niiwoo Financial. In addition, Niiwoo Financial holds all the intellectual property rights, computer software copyrights and certificates that are essential to the operation of the P2P Business.

For the period ended from 1 August 2018 (being the completion date of the acquisition of Niiwoo Financial) to 31 December 2018, the revenue of Niiwoo Financial subject to the VIE Contracts amounted to approximately HK$153.1 million and its total asset value amounted to approximately HK$143.9 million as at 31 December 2018.

CONTRACTUAL ARRANGEMENTS *(Continued)*

Risks relating to the VIE Contracts

As advised by the Company's PRC legal advisers, the following risks are associated with the VIE Contracts:

- If the PRC government finds that the agreements that establish the structure for operating the P2P Business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the PRC Operating Entity.
- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Law (as defined below) and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- The VIE Contracts may not be as effective in providing operational control as direct ownership. The PRC Operating Entity or its shareholder may fail to perform their obligations under the VIE Contracts and certain terms of the VIE Contracts may not be enforceable under PRC laws.
- The VIE Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net profit.
- Shareholder of the PRC Operating Entity may potentially have a conflict of interest with us, and it may breach the contracts with us or cause such contracts to be amended in a manner contrary to our interests.
- We conduct the P2P Business in the PRC through the PRC Operating Entity by way of the VIE Contracts, but certain terms of which may not be enforceable under the PRC laws.
- If we exercise the option to acquire equity ownership of the PRC Operating Entity, the ownership transfer may subject us to certain limitations and substantial costs.

Mitigation actions taken by the Company

Our management works closely with the Company's PRC legal advisers to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the VIE Contracts.

Requirements related to VIE Contracts (other than relevant foreign ownership restrictions)

Based on the legal advice from the Company's PRC legal advisers, requirements related to the VIE Contracts (other than relevant foreign ownership restrictions) include:

1. Legality, validity and binding effect – The VIE Contracts as a whole and each of the agreements comprising the VIE Contracts are legal, valid and binding on parties thereto, and do not individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the VIE Contracts would not violate the provisions of the PRC Contract Law, including "concealing an illegitimate purpose under the guise of legitimate acts" under the PRC Contract Law and other applicable PRC laws and regulations.

2. Enforceability – The VIE Contracts are in full compliance with and enforceable under applicable PRC laws and regulations, except that the VIE Contracts provide that the arbitral body may award remedies over the equity interest or assets of the PRC Operating Entity and to grant injunctive relief against the PRC Operating Entity, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitration, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets or equity interests in the PRC Operating Entity in case of dispute. In addition, interim remedies granted by courts in an overseas jurisdiction, may not be recognised or enforceable in the PRC.

CONTRACTUAL ARRANGEMENTS *(Continued)*

Qualification Requirements

On 11 December 2001, the State Council promulgated Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), which were subsequently amended on 10 September 2008 and 6 February 2016. Under the FITE Regulations, foreign ownership of companies that provide value-added telecommunication services is limited to 50%. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "Qualification Requirement"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. As at the date of this report, the Company has no further update to disclose in relation to the Qualification Requirement.

On 19 January 2015, the Ministry of Commerce of the PRC published the PRC Foreign Investment Law (Draft for Comments) (the "Draft Law") proposing to amend the legal system on foreign investment in the PRC and the treatment of the entity with variable interests. The Draft Law clearly defines a VIE arrangement as a form of foreign investment. After the Draft Law enters into force, if the investment is made through a VIE arrangement, the PRC Foreign Investment Law will apply. As at the date of this report, the Draft Law has not been promulgated. We will closely monitor the progress of the Draft Law and inform the public in due course if there are any updates or material changes to the Draft Law.

On 13 July 2006, the Circular (the "MIIT Circular") on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Services issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") provides that a domestic company that holds a value-added telecommunication business license is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to operate telecommunication business illegally in the PRC. Due to a lack of interpretative materials from the authorities, the Group cannot assure that the MIIT will not consider the corporate structure and contractual arrangements as a kind of foreign investment in telecommunication services, in which case the PRC Operating Entity may be found in violation of the MIIT Circular and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on the PRC Operating Entity's operations.

As outlined above, foreign investment in certain areas of the industry in which we currently operate the P2P Business is subject to restrictions under current PRC laws and regulations. As advised by the Company's legal advisers, we determined that it was not viable for the Company to hold Niiwoo Financial directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain management control over, and receive all the economic benefits generated by Niiwoo Financial through the VIE Contracts. The VIE Contracts allow the results of operation and assets and liabilities of Niiwoo Financial to be consolidated into the Group.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 36 to 53 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 and risk management systems of the Group, and financial reporting matters including a review of the Group's annual results for the year ended 31 December 2018. 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.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2018 to the date of this annual report, save as disclosed herein, the Board is not aware of any significant events that have occurred which require disclosure herein.

AUDITORS

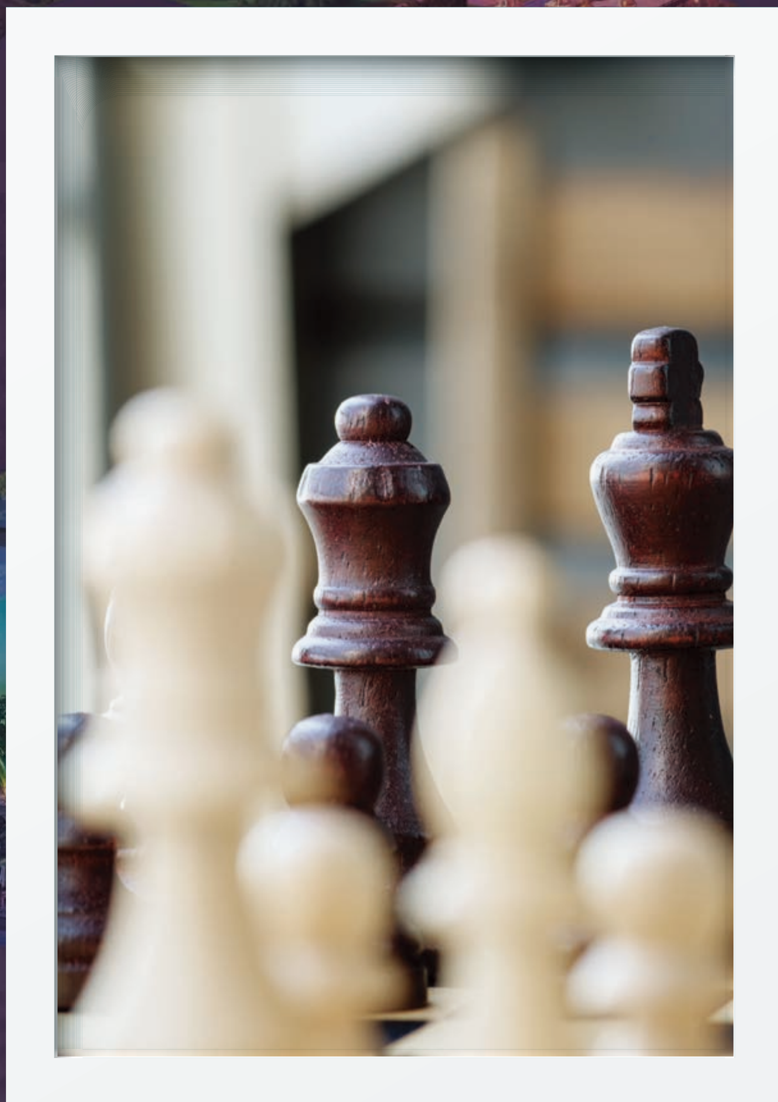
The consolidated financial statements for the year ended 31 December 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the 2019 AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the 2019 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 2019



CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2018.

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out principles of good corporate governance.

Throughout the year ended 31 December 2018, 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 an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 4 June 2018 (the "2018 AGM") and the special general meeting of the Company held on 30 July 2018 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 2018 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 2018 AGM, and the chairman of both the Audit Committee and Remuneration Committee, and the auditors attended the 2018 AGM. The Company considers that their presence was sufficient for effective communication with shareholders at the 2018 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 2018.

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 which 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 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 2018, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code.

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.

THE BOARD *(Continued)*

Composition *(Continued)*

As at 31 December 2018, 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	28/3/2011	6/6/2016
Mr. Zhang Jian	Executive Director	25/2/2004	4/6/2018
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	4/6/2018
Mr. Tse Kwong Hon	Independent non-executive Director	24/11/2015	4/6/2018
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 and business fields. Biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 16 to 17 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.

Appointment and Re-election

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

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

THE BOARD *(Continued)*

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013 which sets out its approach to achieve and maintain diversity on the Board. The Board Diversity Policy has been published on the Company's website for public information.

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.

During the year under review, the Nomination Committee has reviewed the diversity of the Board and considered that the Group has achieved the measurable objectives of the Board Diversity Policy in terms of age, educational background, professional experience, skills, knowledge and length of services.

Nomination Policy

The Board adopted a nomination policy (the "Nomination Policy") in December 2018 which sets out the process and criteria for identifying and recommending candidates for election to the Board. The Nomination Policy has been published on the Company's website for public information.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) to the Board, the Nomination Committee shall consider (including but not limited to) the following criteria (the "Criteria") in assessing the suitability of the proposed candidate:

a. Character and integrity;

b. Qualifications including professional qualifications, skills, knowledge, accomplishment and experience that are relevant to the Company's business and corporate strategy;

c. Diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

d. Commitment in respect of available time and relevant interest;

e. Potential contributions that the individual can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

f. Compliance with the criteria of independence as prescribed under Rule 3.10(2) and 3.13 of the Listing Rules for the appointment of independent non-executive Director.

THE BOARD *(Continued)*

Nomination Policy *(Continued)*

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill Board's casual vacancy in accordance with the following procedures:

i. The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, recommendations from personnel agents or as proposed by shareholders with due consideration given to the Criteria;

ii. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks and third-party reference checks;

iii. The Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

iv. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of a remuneration package of such candidate;

v. The Remuneration Committee will make a recommendation to the Board on the proposed remuneration package; and

vi. All appointment of Directors will be confirmed by the signing of the consent to act as Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment, as the case may be) and filing of the same with the Companies Registry of Hong Kong and/or the Companies Registry of Bermuda.

During the year ended 31 December 2018, no new Director was appointed.

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 2018, the Board held 17 meetings. The attendance records of the Directors are set out below:

	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Su Bo	16/17
Mr. Ng Kwong Chue, Paul	17/17
Mr. Zhang Jian	16/17
Mr. Hang Guanyu	16/17
Mr. Liu Huaming	16/17
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	17/17
Mr. Tse Kwong Hon	17/17
Mr. Cao Kuangyu	17/17

THE BOARD *(Continued)*

Board Meetings *(Continued)*

Practices and Conduct of Meetings

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

The 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.

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 management accounts and all relevant information giving a balanced and understandable assessment of the Company's performance, position and prospects on a regular basis 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 2018, no claim has been made against the Directors and officers of the Company.

THE BOARD *(Continued)*

Continuing Professional Development

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

Every newly appointed Director will be provided 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 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 2018. 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.

No chief executive has been appointed to fill the casual vacancy since September 2017. Instead, Mr. Ng Kwong Chue, Paul is now acting the duties of chief executive to 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

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 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;

BOARD COMMITTEES *(Continued)*

(1) Nomination Committee *(Continued)*

- 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;

- 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 disclose the Board Diversity Policy or a summary of the same and its review results in the Corporate Governance Report annually;

- to review the policy for the nomination of Board members which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year and make disclosure of such policy in the Corporate Governance Report annually;

- where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

    – the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

    – if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason why the Board believes the individual would still be able to devote sufficient time to the Board;

    – the perspectives, skills and experience that the individual can bring to the Board; and

    – how the individual contributes to the diversity of the Board;

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

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

BOARD COMMITTEES *(Continued)*

(1) Nomination Committee *(Continued)*

The Nomination Committee met once during the year ended 31 December 2018. Following is a summary of works performed by the Nomination Committee during the year under review:

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

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

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

BOARD COMMITTEES *(Continued)*

(2) Remuneration Committee *(Continued)*

Emolument Policy

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

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

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

Remuneration Paid to Members of Senior Management

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

Remuneration band	**Number of individuals**
Up to HK$1,000,000	5

Particulars relating to Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements as set out on pages 136 to 137 of this annual report.

The Remuneration Committee met once during the year ended 31 December 2018, during which it conducted the annual review for the remuneration packages of the Directors and senior management.

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

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

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 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 2018. Executive Directors and the external auditors of the Company joined 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 and risk management systems of the Group.

BOARD COMMITTEES *(Continued)*

(3) Audit Committee *(Continued)*

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	2/2
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 2018 has been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2018, 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$1,100,000
Non-audit services:	
Review of continuing connected transactions	HK$200,000
Report of major transactions	HK$1,200,000

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 2018 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 77 to 83.

RISK MANAGEMENT AND INTERNAL CONTROL

The main objectives 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 in managing its risks across business operations.

The Group has a built-in 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 in achieving the Group's strategic objectives and to ensure that adequate and effective risk management and internal control systems have been established and maintained. The Board also has the overall responsibility for monitoring of the design, implementation and the effectiveness of the risk management and internal control systems.

The Group has formulated and adopted effective risk management policies to provide guidelines in identifying, evaluating and managing risks. On an annual basis, the management will identify and assess the risks that may adversely affect the Group's objective and operations, then a set of criteria will be used to identify and prioritise the risks. Risk mitigation plans for those risks considered to be significant are then established and risk owners are assigned accordingly.

In addition, the Group will also engage independent professional advisor(s) to assist the Board and the Audit Committee with ongoing monitoring of the risk management and internal control systems where necessary. Deficiencies in the internal control systems will be identified and recommendations are proposed for improvement. Significant internal control deficiencies will be reported to the Audit Committee and the Board on a timely basis. Then, rectification plan will be established and risk owners will be assigned to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board will perform annual review on the effectiveness and adequacy of the Group's risk management and internal control systems, including but not limited to:

- the 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 ongoing 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 2018, 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 staffs 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.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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 have 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 2018, Mr. Ng Kwong Chue, Paul has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. Details of his training are set out in the section of "Continuing Professional Development" on page 43 of this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

During the year, two general meetings were held. The annual general meeting and the special general meeting were held on 4 June 2018 and 30 July 2018 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	1/2
Mr. Ng Kwong Chue, Paul	2/2
Mr. Zhang Jian	1/2
Mr. Hang Guanyu	2/2
Mr. Liu Huaming	1/2
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	0/2

Constitutional Documents

During the year ended 31 December 2018, 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.

Dividend Policy

Policy on payment of dividend is in place setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to its shareholders. The Company does not have any pre-determined dividend payout ratio. The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account the Company's financial performances, working capital requirements, future prospects and other factors, and subject to the Bye-laws and all applicable laws and regulations of Bermuda. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

The policy has been published on the Company's website for public information.

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

ABOUT THIS REPORT

We are pleased to present the fourth environmental, social and governance ("ESG") report outlining the performance and achievement of the Company and its subsidiaries (the "Group") in supporting sustainable development and the performance on the social and governance aspects.

Scope of Report

The content of this ESG report covers the environmental and social policies of the Group. For details of the corporate governance, please refer to the section headed "Corporate Governance Report" on page 36 to page 53 of this annual report.

Same as last year, it includes the Group's gaming, real estate, integrated resorts and cultural tourism businesses in South Korea, real estate business in Canada, and wine and Chinese baijiu business in the PRC. In addition, it also covers the Group's real estate business in Australia and the newly acquired P2P business in the PRC.

Unless otherwise stated, this report covers our ESG development from 1 January 2018 to 31 December 2018 (the "Reporting Year").

Reporting Standard

The ESG report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Comments and Feedback

We believe that continuous improvement is vital for our sustainable business growth. Through this report as a platform, stakeholders can share what they think about our ESG management and performance. You are welcome to share your views with us by email at enquiry@newsilkroad472.com.

OUR SUSTAINABILITY APPROACH

The Group is devoted to fulfilling its environmental and social responsibilities and creating a better society with a view to delivering sustainable value to the stakeholders. To optimise the planning and implementation of the sustainable development strategies, we conducted stakeholder engagement to identify and manage those material issues.

We have adopted the ESG policy which stipulates our commitment to structure its sustainability initiatives. We dedicate the resources to four-focused areas, namely operating practices, environment, people and society to sustain future growth.

Stakeholder Engagement

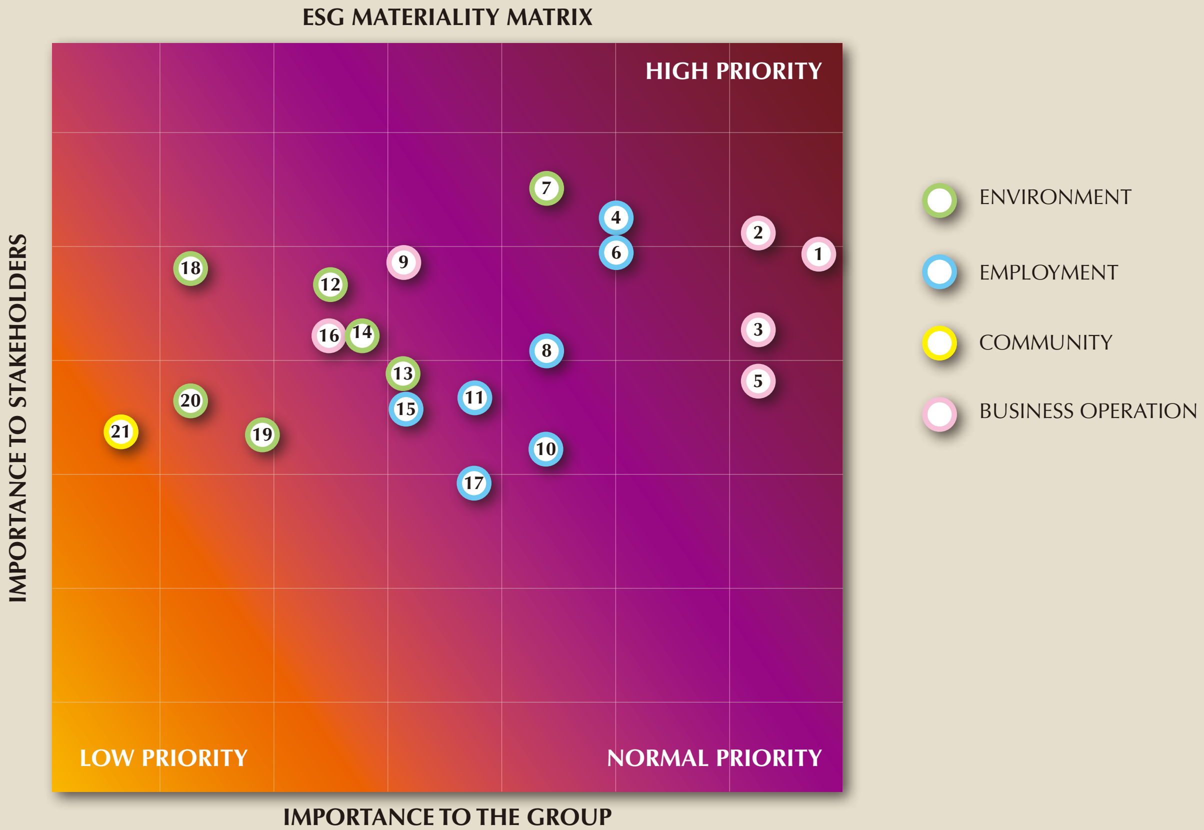
In order to accelerate the business diversification and enhance the sustainable development, we attach great importance to the opinions of stakeholders on managing diverse ESG risks and opportunities. Through comprehensive communication channels with stakeholders listed in Table 1, we have effectively established good relations of mutual trust. To align stakeholders' expectations with our sustainability initiatives, we regularly review the scope and their feedback to oversee the relevant sustainable strategy.

Table 1. The Group's communication channels with stakeholders

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/ Holding company's representatives	• General meetings • Corporate communications, including but not limited to annual reports, interim reports, circulars, announcements, notices, etc. • Factory site visits
Media	• Product launches • Press conferences • Corporate interviews • Internet presence • Media press conferences
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

To conduct the materiality assessment and investigation, we selected internal and external stakeholders based on their influence and reliance on us. Stakeholders were invited to rank the materiality of various ESG issues and shared their views on our 2017 ESG report through an online survey. We received over 100 participants from different stakeholder groups, including employees, investors, customers, suppliers and non-governmental organisations. The investigation helps us prioritise those sustainable development issues that are relevant to our development. We have built a ESG materiality matrix and ranked 21 sustainable development issues accordingly. The results of which are shown in the following figure.



1. Customer health and safety
2. Customer privacy
3. Services and product quality
4. Occupational health and safety
5. Customer satisfaction
6. Compliance with employment and labour laws and regulations
7. Compliance with environmental laws and regulations
8. Employee training and career development
9. Anti-corruption
10. Employee engagement
11. Employee relations
12. Water resources management
13. Greenhouse gas emissions
14. Environmental impact assessment
15. Child and forced labour
16. Supply chain management
17. Diversity and equal opportunities
18. Waste
19. Materials consumption
20. Energy
21. Community investment

Ethical Governance

To ensure our business and operations are of high ethical standard, we adhere strictly to the "Corporate Code of Conduct" and "Anti-Corruption Policy", which prohibit all illegal or unethical means on engaging, participating, and condoning behaviors that are harmful to the society and the Group.

Meanwhile, we have established a whistle-blowing policy for external stakeholders to raise concerns upon any suspicious activities through a hotline. Employees may report any potential violations through whistle-blowing procedures. We are also obligated to protect whistleblowers' identities and take remedial action where necessary.

During the Reporting Year, no cases regarding corruption practices were recorded.

OUR OPERATING PRACTICES

To provide quality service and maintain responsible business, the Group has established the "Accountability Policy" setting out the responsibility and accountability of the senior management in case they failed to comply with the relevant laws and regulations during the business operations. The policy serves as a foundation for subsidiaries to develop their responsible business practices. We strive to develop sustainable partnerships with stakeholders through our operations. We adhere to applicable laws regulating health and safety product, advertising, labeling, and customer privacy.

Quality control

Food safety comes first. We place a strong emphasis on maintaining high-quality products at all stages to drive continuous improvement. We have implemented the "Product Safety Policy" to govern each step related to the purchase of raw materials, production, storage, transport and sales in compliance with the "General Hygienic Regulation for Food Manufacturing" (GB 14881–2013)《食品生產通用衛生規範》.

Food safety is integrated into our daily management and operations. Our HACCP (Hazard Analysis and Critical Control Point) System, Quality Management System and the organic products have all been certified by China Quality Certification Centre for compliance with the national standards.

HACCP System certification

Quality Management System certification

Organic product certification

Going beyond the compliance standards, our quality assurance policy is in place to give a more stringent standard to the quality control, including sample inspection, product certification checks, and quality and safety testing to ensure safe and quality products. We have also established a quality responsibility system by defining the roles and responsibilities of each staff to ensure quality production. Together with the measurement assurance, standardisation and quality responsibility system, we have been recognised by both the local government and the broader food and beverage industry.

Our recall policy "Control for Non-conforming Products" gives clear instruction and procedure to our staff for products with quality and food safety issues. In 2018, none of our products sold is subject to recalls due to health and safety reasons.

Responsible business

Maintaining good customer relationships and providing responsible business are always keys for a sustainable business model. 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 in a timely manner to cater for their needs and concerns. Their feedback is crucial to us in developing our sustainable business plans.

P2P business

Customer privacy is of our primary concern as they provide their personal information to our own online platform. To safeguard personal data privacy from unauthorised or accidental access, processing, loss or use, we have established the "Data Storage Policy". Meanwhile, we have also established the "Cyber Security Facilities and Management Policy" with security measures to prevent data leakage from accident or cyberattack.

To enhance client satisfaction and loyalty, the "Customer Inquiry and Complaint Handling Policy" has been adopted to identify and regulate the communication channels and the complaint handling procedures.

We also stress on protecting investors' interests by establishing the "Anti-fraud Policy" to identify and prevent any potential fraudulent behaviors of borrowers through the effective internal control system and credit assessment procedures, for which, we utilise face recognition and other biometric anti-fraud methods to confirm the identity of the borrower and also establish a big data risk control system to search, collect and analyse borrower's profile and creditability.

Wine production

We understand health risks and social impact on excessive drinking. Being a responsible wine producer, we advocate responsible and healthy drinking by putting warning messages on packaging and product labels.

Combating counterfeit product is another way to safeguard customers' interests. We safeguard intellectual property rights by setting up a management team to enforce anti-counterfeiting measures, 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.

Casino

Locals and young people under 19 years old are prohibited from entering our casino. Warning 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 the suppliers.

Property Development

Recreational resorts require a 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 training are given to relevant staff as well.

Supply Chain Management

Being a diversified business group operating and investing in different sectors and locations, we rely on global suppliers to provide various products and services worldwide. The "Tender and Procurement Management Policy" has been adopted to guide each subsidiary to comply with the principles of fairness and justice in the tendering process. We always maintain a mutually beneficial relationship with our reliable suppliers to provide quality products and services to our customers. During the Reporting Year, we have engaged 58 suppliers from different locations.

OUR ENVIRONMENT

Helping to create a better tomorrow, we review our environmental impact every year and constantly reassess our measures to ensure we meet sustainability goals.

We have identified risks and taken preventive measures to mitigate the potential harm to the environment. We strictly comply with the applicable environmental laws and regulations in the countries and/or locations where we operate, such as the "Environmental Protection Law of the PRC" (中華人民共和國環境保護法), "Canadian Environmental Protection Law in Ontario", "Korean Environmental Impact Assessment", "Protection of the Environment Operations Act 1997 (Australia)" and "Protection of the Environment Amendment Act 2005 (Australia)".

Air Emissions Control

Wine production

Combustion of coal for energy represents a significant air emissions impact. In order to comply with the "Law of the PRC on the Prevention and Control of Atmospheric Pollution" (中華人民共和國大氣污染防治法) and "Emission Standard of Air Pollutants for Coal-burning Boiler" (鍋爐大氣污染物排放標準), we have conducted a monitoring report on exhaust gas during the Reporting Year, and provided the test results to the local government.

Air emission performance for 2018 are shown in the following table.

AIR POLLUTANTS	
Sulphur oxides (SOx)	2.4 tonnes
Nitrogen oxides (NOx)	11.0 tonnes

COAL-BURNING BOILER IN YUQUAN WINERY

Coal is mainly consumed for the boiler for production of baijiu and heat supply. The main pollutants discharged in flue gas are particulate, Nitrogen oxides (NOx) and Sulfur Dioxide (SO_2). All boilers are equipped with a bag filter with one set of desulfurization and denitrification system. The system is efficient to lower the impact with its high removal rate of 80% of SO_2, 90% of NOx and 99% of dust.

Monitored by the District Environmental Protection Bureau, we meet the "Emission Standard of Air Pollutants for Coal-burning Boiler"(鍋爐大氣污染物排放標準) for boiler exhaust gas emissions.

Property Development

We have implemented dust control measures in our Canada and Australia real estate development projects. At the construction site, dust suppression strategies are in use, such as water sprays, controlling on-site vehicle speed, dust-proof netting, restricting the height of stockpile. Also, the drilling or coring operations are undertaken by machine with air filtration equipment.

Wastewater Treatment

Wine production

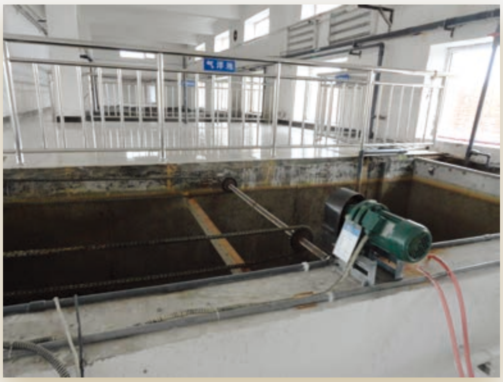
Emission also comes from wastewater during the wine production. Being a wine producer, we acknowledge the importance of water resources. To ensure that the discharged water is harmless to the surrounding water body, we have installed onsite wastewater treatment facilities to handle the effluents. We keep monitoring on the quality of the wastewater emission and employ a third party to conduct assessment. Results were then sent to the District Environmental Protection Bureau so as to comply with the "Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry"(發酵酒精和工業水污染物排放標準).

In 2018, 20,173 tonnes of treated water in total was released from our wineries in Yunnan, Qinhuangdao and Yuquan.

WASTEWATER TREATMENT AND ONLINE MONITORING SYSTEM IN YUQUAN WINERY

A sewage treatment station has been installed with 300 tonnes daily processing capacity. The treatment station is equipped with an air flotation tank, sedimentation tank, sand filtration and sludge tank to ensure the concentration of pollutants being diluted to an acceptable discharging level according to the national standard.

An online detection system runs in the station to keep track on the PH value, COD ammonia nitrogen and flow rate of the treatment station including effluent. The acquired data is then transmitted to the monitoring center.



The wastewater treatment plant recycled 7,900 tonnes water from 11,200 tonnes of sewage for the Reporting Year.

Waste Management

Wine production

Reducing waste and recycling are great ways to reduce impact on the environment. In 2018, 50,525 kg of the grape skins and stem were sold to farmers as organic fertiliser to save from landfill. We also recycled packaging waste where possible and established a centralised recycling system for handling of recyclables such as card boxes, bottles and bottle caps.

At Yuquan Winery, the sludge produced from the wastewater treatment plant are all collected and have undergone dehydration process and been mixed with coal as a fuel to power the boiler plant. In 2018, we had recycled 5.2 tonnes sludge and sent 24 kg of waste oil to the qualified recycler for further handling. In addition, we have appointed a contractor to collect the residues and ashes in the coal-boiler and to upcycle it as renewable bricks.

Property Development

Construction wastes are properly handled through prevention strategies such as recycling and waste material separation. Governed by the project management agreement, our building contractor has adopted waste management plans and monitoring measures to comply with local regulations for disposal of construction wastes.

Natural Resource Consumption

To reduce consumption of energy and natural resources, we always use environmentally friendly products and measures whenever possible, such as replacing the lighting system with LED and conducting regular maintenance on the air-conditioning system in the casino. Compared to 2017, such measures successfully reduced energy consumption and saved about 20% of electricity cost.

We strive to continually find new ways to reduce the use of energy and resources associated with our operations. In Australia, we have adopted the "Building Sustainability Index (BASIX)", which is an initiative introduced by the local government to promote effective energy and water use in a building.

To encourage resources-saving behaviour and enhance resource management, we have formulated a part of the staff bonus based on the cost saving from water, electricity, consumption of materials and packaging materials in wineries.

DRIP IRRIGATION IN QINHUANGDAO WINERY

By leading the water to drip slowly to the plant roots, drip irrigation aims to pour water into the roots directly and thus minimise evaporation. Drip irrigation also avoids electricity consumption in pumping.

Moreover, drip irrigation avoids the water evaporation from the ground and reduces the humidity around the grapevine plants, which can greatly decrease the occurrence and spread of plant diseases and pests.

Drip irrigation also facilitates the use of fertiliser. The irrigation system runs with a feeding device, and the fertiliser is sent to the target plant zone along with the irrigation water, which improves fertiliser efficiency and saves labour.

Our performances on resources intensity in 2018 are shown in the following table.

RESOURCES INTENSITY	
Energy consumption intensity by revenue (kwh/HKD)	1.2 kwh
Water consumption intensity by revenue (m^3/HKD)	0.0001 m^3

Land Resource

Our real estate development projects are all subject to the policies on local environmental impact assessment to evaluate and mitigate the potential impact on the surrounding environment. For example, "Toronto and Region Conservation Authority: Regulation of Development, Interference with Wetlands and Alterations to Shorelines and Watercourses" in Canada. There was no non-compliance case concerning environmental laws and regulations in 2018.

OUR PEOPLE

We believe that talent is one of the most valuable asset in a corporation and the cornerstone of the long-term business development. As such, we are committed to build a sustainable workforce, attract and retain talents by providing competitive compensation and benefits, equal opportunities, adequate career and personal development opportunities, and a safe workplace.

We have established the "Management System Policy" concerning different labour affairs, such as remuneration and benefits, training and development, and performance appraisal. It serves as a guideline for all our subsidiaries to develop its employment-related policies.

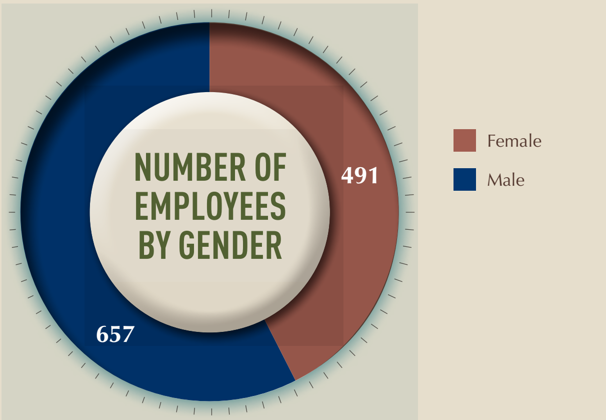
To protect the basic interests of employees while prohibiting the use of child labour and forced labour, we strictly comply with Hong Kong's Employment of Children Regulations and the PRC's Provisions on Prohibition of Child Labour. No occurrence of such practice was recorded in 2018.

Equal Opportunity and Talent Retention

There are employee handbook and "Employment Standard and Human Resource Management Policy" in place to protect employees' rights in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, anti-discrimination, other benefits and welfare, and arrangements in case of work-related injuries. In 2018, we complied with all relevant laws and regulations, such as the Hong Kong's Minimum Wage Ordinance, the PRC's Labour Law, Contract Law and Employment Promotion Law, the Australia's Fair Work Act 2009 and Fair Work Regulations 2009, the Canada's Employment Standards Act and the South Korea's Employment Protection Law.

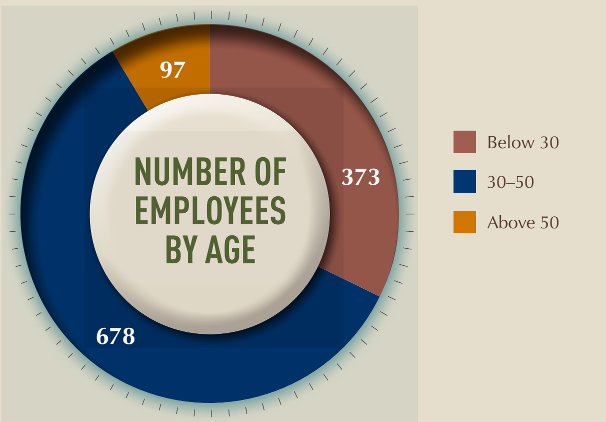
Given our global presence, an inclusive workplace that provides equal opportunities is the foundation for talent retention. To express our respect for diversity, we protect employees against discrimination by gender, age, nationality, sexual orientation, marriage status, religion, or ethnicity. In 2018, we complied with all relevant laws and regulations regarding anti-discrimination, such as the Hong Kong's Sex Discrimination Ordinance, Disability Discrimination Ordinance and Race Discrimination Ordinance, and the South Korea's Gender Equality Law and Disability Employment Promotion and Re-employment Law.

As at 31 December 2018, we had 1,148 employees spread over the world, including Hong Kong, the PRC, South Korea, Canada, and Australia. The overall employee turnover rate was about 19.3% in 2018. Statistics on the number of employees and the employee turnover rate by gender, age and geographical region are shown below.



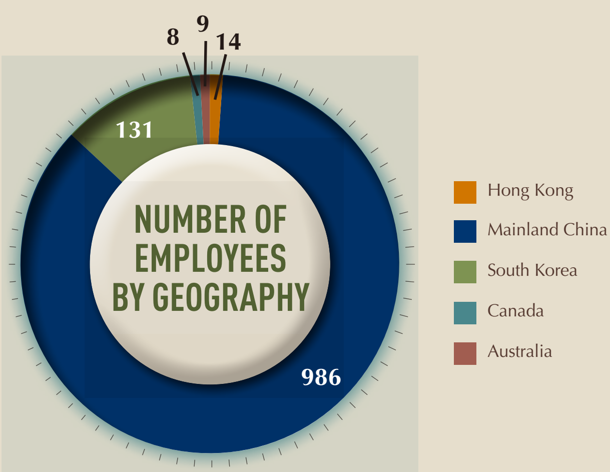
EMPLOYEE TURNOVER RATE BY GENDER

Female	26.3%
Male	14.2%



EMPLOYEE TURNOVER RATE BY AGE

<30	30.6%
30–50	12.4%
>50	24.7%



EMPLOYEE TURNOVER RATE BY GEOGRAPHY

Hong Kong	35.7%
Mainland China	14.8%
South Korea	52.7%
Canada	0%
Australia	22.2%

Employee Compensation and Benefits

We provide attractive compensation and benefits to employees in recognition of their contributions. To motivate them and to unleash their potential and reward their outstanding performance, an attractive bonus is given when they meet their own performance targets. Experienced employees will be nominated to promotion. We also support our employees in various ways, such as free medical check-up, menstrual leave, accommodation subsidies and external training subsidies.

We understand and respect that our employees have roles in their families. Below are some examples of our family-friendly measures which enable them to manage their time on the job and family responsibilities.

FAMILY-FRIENDLY MEASURES

Resort business	– Lactation breaks for mothers – Family leave – Flexible working hours – Five-day work week
P2P business	– Maternity leave for at least 128 days – Paternity leave for at least 15 days
Winery business	– Marriage leave for at least three days – Condolence leave for five days

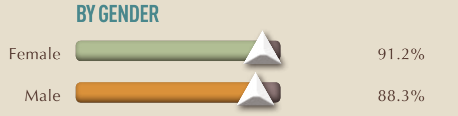
Employee Training and Development

We are committed to providing continuous trainings for employees, as well as a favorable platform for them to flourish. On-the-job trainings related to day-to-day job duties are provided to employees to ensure their work quality. Regular trainings on up-to-date knowledge are also provided and the assessments are then followed to ensure the effectiveness of the training programs.

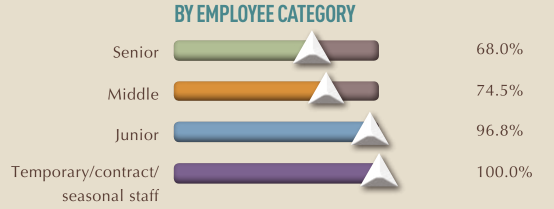
We have also designed specific trainings based on job nature. For instance, training on food safety, brewing and wine tasting were given to staff related to the winery business, training on resort and theme park developments were given to staff related to the resort business, training on statistical analysis was given to staff related to the P2P business, and training on anti-money laundering was given to staff related to the casino business.

Statistics on the percentage of employees trained and the average training hours completed by gender and employee category are shown below.

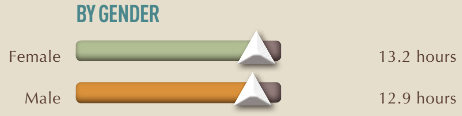
PERCENTAGE OF EMPLOYEES TRAINED BY GENDER



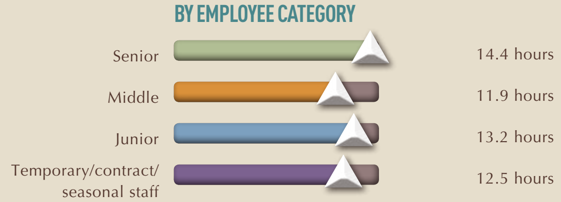
PERCENTAGE OF EMPLOYEES TRAINED BY EMPLOYEE CATEGORY



AVERAGE TRAINING HOURS COMPLETED BY GENDER



AVERAGE TRAINING HOURS COMPLETED BY EMPLOYEE CATEGORY



Occupational Health and Safety

We are committed to providing a healthy and safe workplace. To protect employees from workplace hazard, internal health and safety policies are in place. For example, "Health, Safety and Environmental Manual" was implemented in our real estate sector. Meanwhile, the "Occupational Disease Prevention Leading Group" was formed in our winery sector, at which the 6S management training is useful to prevent hazards caused by disorganisation within the wine manufacturing site. Besides, regular safety inspections, supervision and audits are conducted to ensure compliance with local and national laws. During the year, we complied with all the relevant laws and regulations related to safe occupational environments, such as the Hong Kong's Occupational Safety and Health Ordinance, the PRC's Work Safety Law, the Canada's Workplace Safety Insurance Act and Occupational Health and Safety Act, and the South Korea's Safety and Health Law.

SAFETY TRAINING IN WINE BUSINESS

Training and education are essential ways to increase employees' safety awareness, thus leading to reduction of safety accidents. 6S management training and a safety training were held on improving work efficiency and minimising safety accidents, the topics included: what is safety, whom do we keep safe, why do we conduct safety training, how to prevent an accident, basic concepts on safety management and people-oriented concept.

REGULAR SAFETY INSPECTIONS IN KOREA

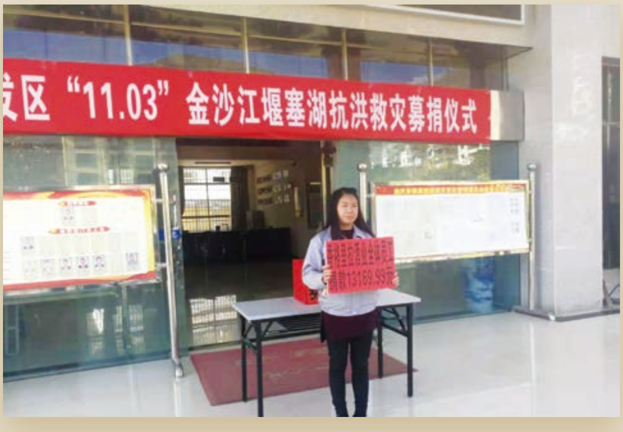
Representatives of Korea Health Association (韓國保健協會) and Korea Safety Association (韓國安全協會) pay visits to the casino every month to provide tips and comments on the facilities and safety conditions in the office area and premises. After each inspection, a safety report will be provided, after which we will take improvement measures based on their opinions.

OUR SOCIETY

As a socially responsible company, we have been engaging in community activities while expanding our footprint, with an aim to pay back to the society.

During the year, we promoted reading and education, supporting sports for charity and healthy living and, caring for the underprivileged and victims from natural disasters. We empowered youth by supporting local education institutions on their research and development projects on agricultural and farming practices. We engaged in donations and sponsorships for various community investment. Also, we encourage our employees to join local community events to create long-term values.

In November 2018, a landslide struck the border area of Sichuan and Tibet. Another landslide occurred on the same site shortly and formed a barrier lake near Jinsha River, at the neighborhood where Shangri-la Winery operates.



To help residents affected by landslides, we exhibited a sense of belonging and spearheaded a donation to the victims in need. The funds raised were allocated to Sichuan and Yunnan provinces and Tibet Autonomous Region for relocating and subsidising affected residents, as well as rebuilding damaged houses. We are in an effort to provide the affected residents to have a safe and warm winter.

Used clothes donation to 1 Jian Foundation

In November 2018, our staff collected a total of 105 kg of used clothes and donated to beneficiaries via "1 Jian Foundation" which was co-sponsored by One Foundation and Alibaba Foundation. It effectively united more than 20 social organisations and business partners to connect with 30 cities across the country.

We donated the winter clothes to families who suffered from freezing weather in remote areas near central and western regions, as well as the elderly and children of low-income families, sanitation workers, and people with disabilities.

We believe it can bring together professional capabilities, improve the overall public welfare and provide more comprehensive, transparent and efficient solutions for recycling of used clothes and other used books or toys.

AWARDS AND RECOGNITION

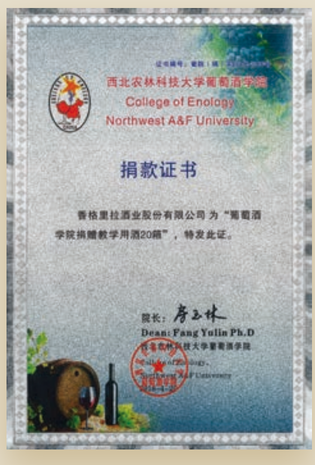
Among our accomplishments, we take pride in greater performance. We are honored to be recognised for our success over the years in delivering quality products. In 2018, we are pleased to receive the awards and recognition, in particular, on our wine business through different international wine competitions and business operations. The awards and recognition are included as per below.

Product Responsibility:
RVF China Fine Wine Awards 2018
Best Product Marketing Award

Product Development:
Yunnan Province Scientific
Technology Improvement Award

Product Quality:
The United Nations of Fine Wines 2018
Silver Medal

Products Quality:
9th Asian Wine Competition
Gold Prize



Community Investment:
Donation to College of Ecology
Northwest A&F University

KEY ESG STATISTICS

Environmental	Unit	2018	2017	2016
Greenhouse gas emissions[5]				
Scope 1[1]	tonnes	7,306.0	6,565.4	7,536.6
Scope 2[2]	tonnes	284,197.8	342,377.6	297,397.8
Total	tonnes	291,503.8	348,943.0	304,934.4
Air emissions				
Nitrogen oxides (NOx)	tonnes	11.0	11.5	11.9
Sulphur oxides (SOx)	tonnes	2.4	2.6	2.5
Waste disposed (by types)				
Wastewater[3]	m^3	12,273.0	1,792.0	1,152.0
Paper[4]	tonnes	82.1	83.3	129.0
Plastic	tonnes	21.3	21.8	22.9
Cinder	tonnes	402.0	395.0	417.0
General waste	tonnes	0.9	0.5	0.4
Use of resources				
Electricity use[5]	kWh	549,123,555.0	690,144,036.0	599,430,800.0
Coal use	tonnes	3,708.6	3,332.7	3,825.7
Water use[3,4]	m^3	68,010.0	63,184.0	66,186.0
Packaging materials				
Wine bottle[3]	tonnes	3,821.9	1,954.0	1,822.1
Carton box[3]	tonnes	645.9	325.6	307.5
Cork[3]	tonnes	25.2	12.7	11.0
Paper box[3]	tonnes	125.0	52.0	84.1

Social[4,6]	Unit	2018	2017	2016
Total employees – by gender (full-time employees only)				
Female	number	491	465	402
Male	number	657	585	546
Total employees – by age (full-time employees only)				
< 30	number	373	296	266
30–50	number	678	655	591
> 50	number	97	99	91
Total employees – by category				
Senior	number	100	55	51
Middle	number	243	134	128
Junior	number	805	860	769
Temporary/contract/seasonal staff[7]	number	10	1	51
Total employees – by geography (full-time employees only)				
Hong Kong	number	14	19	17
Mainland China	number	986	858	765
South Korea	number	131	168	166
Canada	number	8	5	N/A
Australia	number	9	N/A	N/A
Employee turnover rate – by gender				
Female	%	26.3	7.1	8.5
Male	%	14.2	10.3	13.2
Employee turnover rate – by age				
< 30	%	30.6	6.1	15.0
30–50	%	12.4	9.9	8.8
> 50	%	24.7	10.1	15.4
Employee turnover rate – by geography				
Hong Kong[8]	%	35.7	5.3	5.9
Mainland China	%	14.8	5.7	7.6
South Korea	%	52.7	25.6	28.3
Canada	%	0	0	N/A
Australia	%	22.2	N/A	N/A
Occupational safety and health				
Lost days due to work injuries	day	44	0	37
Number of injuries cases	number	4	0	3
Number of fatalities	number	0	0	0

Social[4,6]	Unit	2018	2017	2016
Percentage of employees trained – by gender				
Female	%	91.2	96.6	97.0
Male	%	88.3	98.1	97.8
Percentage of employees trained – by category				
Senior	%	68.0	78.2	82.4
Middle	%	74.5	91.0	91.3
Junior	%	96.8	99.7	99.5
Average training hours completed per employee – by gender				
Female	hours	13.2	15.7	12.6
Male	hours	12.9	13.1	13.3
Average training hours completed per employee – by category				
Senior	hours	14.4	35.3	22.6
Middle	hours	11.9	15.6	16.1
Junior	hours	13.2	13.1	11.8
Number of suppliers – by geography[9]				
Mainland China	number	47	32	24
Hong Kong	number	2	2	4
South Korea	number	1	3	1
Canada	number	6	6	N/A
France	number	1	1	N/A
Australia	number	1	N/A	N/A
Product and service quality				
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0	0	0
Number of complaints	number	0	0	0
Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Year	number	0	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 with Guidance for Quantification and Reporting of Greenhouse Gas Emissions" published by Market Supervision Administration of Shenzhen Municipality.*

2 *Scope 2 greenhouse gas emissions refer to 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, "2017 Emission Factors for purchased electricity within Mainland China", published by National Development and Reform Commission, "Building Simplified Life Cycle CO2 Emissions Assessment Tool" published by Multidisciplinary Digital Publishing Institute, "National Greenhouse Accounts Factors" published by Department of the Environment and Energy, Australian Government and "National Inventory Report 1990–2016: Greenhouse Gas Sources And Sinks In Canada" published by Environment and Climate Change Canada.*

3 *Qinhuangdao Winery is newly included in the data scope from 2018.*

4 *Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial") is newly included in the data scope from August 2018.*

5 *Qinhuangdao Winery, Australia and Canada's subsidiaries are newly included in the data scope from 2018. Niiwoo Financial is newly included in the data scope from August 2018.*

6 *Australia subsidiary is newly included in the data scope from 2018.*

7 *In 2017, the number of total full-time employees included indirect labour. In 2018, there is no significant gap with reference to the internationally generally accepted methodologies where indirect employment is excluded from the number of total full-time employees.*

8 *Included in the employee turnover rate in 2018 of 80% was due to internal transferal to the Group's holding company instead of resignation.*

9 *This number only includes contracts that involve an amount over HK$1,000,000.*

ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in 2018 ESG report (page numbers)
A. Environmental		
Aspect A1: Emissions		
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 60 to 63) • Key ESG Statistics (pages 69 to 72)
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.	
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	• Our Environment (pages 60 to 63) • Key ESG Statistics (pages 69 to 72)
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.	

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in 2018 ESG report (page numbers)
A. Environmental (Continued)		
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 60 to 63)
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 63 to 66) • Key ESG Statistics (pages 69 to 72)
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.	
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 63 to 66) • Key ESG Statistics (pages 69 to 72)
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 63 to 66) • Key ESG Statistics (pages 69 to 72)
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.	

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in 2018 ESG report (page numbers)
B. Social (Continued)		
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 63 to 66)
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.	
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Our Operating Practices (pages 58 to 59) • Key ESG Statistics (pages 69 to 72)
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 Operating Practices (pages 58 to 59) • Key ESG Statistics (pages 69 to 72)
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(s) in 2018 ESG report (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 55 to 58) • Key ESG Statistics (pages 69 to 72)
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 (page 67)
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.	

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Hodgson Impey Cheng Limited

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

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 84 to 180, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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, 46 and the accounting policies in Note 3 to the consolidated financial statements.	
During the year, the Group acquired the entire equity interest in Shenzhen Niiwoo Finance Information Services Ltd ("Niiwoo Financial") with consideration of approximately HK$771,060,000. Contingent consideration receivables of approximately HK$10,479,000 was recognised in relation to the acquisition of Niiwoo Financial as at the acquisition date. The fair value of net assets acquired from the business combination was approximately HK$760,581,000. 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 the management estimations.	Our procedures in relation to the management determination the fair values of net assets acquired included: • Evaluating the competency, capabilities and objectivity of the independent professional external valuer; • Assessing the appropriateness of the valuation methodology, key assumptions and estimates used based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found the acquisition date fair values of the identifiable assets acquired and liabilities assumed and the consideration are supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit address the key audit matter
Impairment assessment on goodwill and intangible assets Refer to Note 18, 21 and the accounting policies in Note 3 to the consolidated financial statements. As at 31 December 2018, the Group had goodwill of approximately HK$75,221,000 and intangible assets, which comprising of casino license of approximately HK$462,185,000 and internet P2P financing platform of approximately HK$931,656,000 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 the intangible assets.	Our procedures in relation to management's impairment assessment of the Group's key businesses included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's casino and loan facilitation services 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 accuracy 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
Impairment assessment of trade receivables Refer to Note 25 and the accounting policies in note 3 to the consolidated financial statements. As at 31 December 2018, the Group had net trade receivables of approximately HK$70,220,000 (2017: HK$4,926,000) and allowance for credit loss of approximately HK$3,440,000 (2017: HK$158,000). In general, the credit terms granted by the Group to the customers ranged between 30 to 90 days (2017: 30 to 90 days). For receivables from gaming customers, the credit period is generally of 6 months. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to the management determination the fair values of net assets acquired included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit address the key audit matter
Carrying values of properties under development	
Refer to Note 24 and the accounting policies in Note 3 to the consolidated financial statements.	
The carrying values of properties under development was approximately HK$1,900,707,000 as at 31 December 2018. The management determined the net realisable value of the properties by the direct comparison approach, which involved the use of estimates and assumptions including recent sales price of similar properties with adjustments for any difference in nature, locality and condition of the properties. Based on their determination of these net realisable values, management concluded that the carrying values of the properties under development were appropriate.	Our procedures in relation to management's assessment of the carrying values of properties under development included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of properties under development; 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 were supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

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

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

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

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

- 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.

- 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.

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

- 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 Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000 (Restated) *(note 2.2)*
Revenue	7	**460,763**	295,487
Cost of revenue		**(191,798)**	(198,336)
Gross profit		**268,965**	97,151
Other revenue	9	**25,504**	29,337
Selling and distribution expenses		**(79,441)**	(66,020)
Administrative and other operating expenses		**(151,323)**	(142,340)
Share-based payment expenses		**–**	(1,468)
Profit/(loss) from operating activities	10	**63,705**	(83,340)
Finance costs	12	**(2,881)**	(2,885)
Profit/(loss) before taxation		**60,824**	(86,225)
Taxation	13	**(5,441)**	(3,087)
Profit/(loss) for the year		**55,383**	(89,312)
Attributable to:			
Owners of the Company		**64,413**	(70,986)
Non-controlling interests		**(9,030)**	(18,326)
		55,383	(89,312)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	15	**HK1.76 cents**	HK(2.23) 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 2018

	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year	**55,383**	(89,312)
Other comprehensive income/(loss), net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**786**	(141)
Change in fair value of financial asset at fair value through other comprehensive income	**(1,192)**	–
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**(106,852)**	146,547
Total comprehensive (loss)/income for the year	**(51,875)**	57,094
Attributable to:		
Owners of the Company	**(7,957)**	42,699
Non-controlling interests	**(43,918)**	14,395
	(51,875)	57,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	**30,491**	31,552
Property, plant and equipment	17	**975,688**	1,021,766
Intangible assets	18	**1,398,694**	489,288
Interest in an associate	20	**–**	–
Available-for-sale investment	19	**–**	1,719
Financial asset at fair value through other comprehensive income	19	**4,211**	–
Contract costs	27	**45,106**	–
Contingent consideration receivable	45	**10,374**	–
Goodwill	21	**75,221**	75,221
Deferred tax assets	32	**2,172**	1,462
		2,541,957	1,621,008
Current assets			
Inventories	23	**264,885**	253,599
Stock of properties	24	**1,900,707**	1,735,767
Trade and bills receivables	25	**70,220**	4,926
Prepayments, deposits paid and other receivables	26	**312,876**	300,840
Short-term loans receivables	28	**2,593**	2,927
Cash and cash equivalents	29	**247,168**	334,206
		2,798,449	2,632,265
Total assets		**5,340,406**	4,253,273
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	30	**42,936**	32,076
Reserves	31	**2,661,306**	1,906,555
		2,704,242	1,938,631
Non-controlling interests		**628,010**	671,481
Total equity		**3,332,252**	2,610,112

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	32	**308,356**	169,831
Loan from an immediate holding company	33	**717,222**	721,011
Loan from a non-controlling shareholder of a subsidiary	34	**104,376**	114,053
Net defined benefits liabilities	35	**6,911**	7,266
Bank and other borrowings – due after one year	40	**144,690**	162,062
		1,281,555	1,174,223
Current liabilities			
Trade payables	36	**69,192**	57,268
Accruals and other payables	37	**109,931**	333,159
Contract liabilities	38	**219,716**	–
Amounts due to related parties	39	**50,642**	18,918
Loans from an immediate holding company	33	**66,401**	56,561
Bank and other borrowings – due within one year	40	**204,876**	–
Deferred revenue	41	**1,372**	346
Tax payables		**4,469**	2,686
		726,599	468,938
Total liabilities		**2,008,154**	1,643,161
Total equity and liabilities		**5,340,406**	4,253,273
Net current assets		**2,071,850**	2,163,327
Total assets less current liabilities		**4,613,807**	3,784,335

Approved and authorised for issue by the Board of Directors on 26 March 2019 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 2018

	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$'000	Fair value through other comprehensive income ("FVTOCI") revaluation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	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 (loss)/income for the year												
Remeasurement of defined benefit plans	–	–	–	–	–	–	–	–	(232)	(232)	91	(141)
Exchange difference arising from translation of foreign operations	–	–	–	113,917	–	–	–	–	–	113,917	32,630	146,547
Total comprehensive income for the year	–	–	–	113,917	–	–	–	–	(71,218)	42,699	14,395	57,094
Issue 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 46)	–	–	–	–	–	–	–	–	–	–	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
Impact on initial application of HKFRS 9 (note 2.3)	–	–	–	–	–	–	–	2,508	–	2,508	1,264	3,772
At 1 January 2018	**32,076**	**2,286,570**	**57,008**	**90,776**	**35,949**	**(203,631)**	**(27,843)**	**2,508**	**(332,274)**	**1,941,139**	**672,745**	**2,613,884**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64,413**	**64,413**	**(9,030)**	**55,383**
Other comprehensive income/(loss) for the year												
Remeasurement of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**564**	**564**	**222**	**786**
Change in fair value of financial asset at FVTOCI	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(792)**	**–**	**(792)**	**(400)**	**(1,192)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(72,142)**	**–**	**–**	**–**	**–**	**–**	**(72,142)**	**(34,710)**	**(106,852)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(72,142)**	**–**	**–**	**–**	**(792)**	**64,977**	**(7,957)**	**(43,918)**	**(51,875)**
Issue of consideration shares (note 30)	**10,860**	**760,200**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**771,060**	**–**	**771,060**
Dividend paid to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(817)**	**(817)**
Lapse of share options	**–**	**–**	**(5,121)**	**–**	**–**	**–**	**–**	**–**	**5,121**	**–**	**–**	**–**
At 31 December 2018	**42,936**	**3,046,770***	**51,887***	**18,634***	**35,949***	**(203,631)***	**(27,843)***	**1,716***	**(262,176)***	**2,704,242**	**628,010**	**3,332,252**

* The reserve accounts comprise the consolidated reserve of approximately HK$2,661,306,000 (2017: HK$1,906,555,000) in the consolidated statement of financial position.

SHARE PREMIUM

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

TRANSLATION RESERVE

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

STATUTORY RESERVE

Statutory reserve represents the appropriation of 10% of profit after taxation, calculated in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the People's Republic of China (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 of certain subsidiaries and their 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.

FVTOCI REVALUATION RESERVE

The Group has elected to recognise changes in the fair value of its unquoted equity investment in other comprehensive income, as explained in "Financial assets" under note 3. These changes are accumulated within the FVTOCI revaluation reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit/(loss) before taxation		**60,824**	(86,225)
Adjustment for:			
Bank interest income	9	**(2,983)**	(2,510)
Dividend income from unlisted securities	9	**(138)**	–
Impairment loss of trade receivables	10,25	**3,288**	–
Impairment loss of short-term loans receivables	10,28	**324**	–
Impairment loss of other receivables	10,26	**1,814**	–
Reversal of impairment loss of trade receivables	25	**–**	(116)
Impairment loss of intangible assets	10,18	**876**	–
Depreciation of property, plant and equipment	10,17	**29,030**	26,625
Amortisation of intangible assets	10,18	**618**	662
Amortisation of land use rights	10,16	**997**	820
Write off/loss on disposal of property, plant and equipment	10,17	**208**	1,397
Interest expenses	12	**2,881**	2,885
Share-based payment expenses	10,49	**–**	1,468
Operating cash flows before movements in working capital		**97,739**	(54,994)
(Increase)/decrease in trade and bills receivables		**(68,832)**	5,271
Increase in prepayments, deposits paid and other receivables		**(56,685)**	(51,392)
Increase in contract assets		**(1,677)**	–
(Increase)/decrease in short-term loans receivables		**(114)**	747
Increase in inventories		**(24,180)**	(16,145)
Increase/(decrease) in amounts due to related parties		**32,686**	(150,339)
Increase in trade payables		**14,836**	17,267
Increase/(decrease) in accruals and other payables		**7,620**	(55,948)
Decrease in contract liabilities		**(761)**	–
Increase/(decrease) in deferred revenue		**1,094**	(6,101)
Increase in net define benefits liabilities		**431**	2,664
Increase in stock of properties		**(253,191)**	(225,550)
Cash used in operations		**(251,034)**	(534,520)
Taxation paid		**(4,835)**	(5,058)
Interest paid		**(2,881)**	(4,549)
Net cash used in operating activities		**(258,750)**	(544,127)
Cash flows from investing activities			
Bank interest received	9	**2,983**	2,510
Dividend received from unlisted securities	9	**138**	–
Purchase of property, plant and equipment	17	**(17,235)**	(42,805)
Net cash inflow/(outflow) arising from acquisition of subsidiaries	46	**9,348**	(281)
Addition of land use rights	16	**(1,557)**	(4,170)
Net cash used in investing activities		**(6,323)**	(44,746)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Proceeds from bank and other borrowings	50	**414,790**	162,062
Repayments of bank and other borrowings	50	**(216,000)**	(190,977)
Advance from immediate holding companies	50	**68,572**	441,216
Repayment of loan from immediate holding companies	50	**(55,565)**	(1,279,322)
Net cash generated from/(used in) financing activities		**211,797**	(867,021)
Net decrease in cash and cash equivalents		**(53,276)**	(1,455,894)
Cash and cash equivalents at the beginning of the year		**334,206**	1,669,194
Effect of exchange rate changes on the balance of cash held in foreign currency		**(33,762)**	120,906
Cash and cash equivalents at the end of the year		**247,168**	334,206
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**216,758**	304,743
Restricted bank deposits		**30,410**	29,463
		247,168	334,206

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

1. GENERAL INFORMATION

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

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

The Company is an investment holding company and the principal activities of its subsidiaries are engaged in (i) provision of loan facilitation services in the PRC; (ii) operation of casino business in South Korea; (iii) development and operation of integrated resort and cultural tourism in South Korea; (iv) development and operation of real estate in South Korea, Canada and Australia; and (v) 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. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and amended HKFRSs adopted by the Group

In the current year, the Group has applied the following new and amended HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2018:

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

Except for HKFRS 9 and HKFRS 15, the application of the above new and amended HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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

2.1 New and amended HKFRSs adopted by the Group *(Continued)*

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on opening consolidated statement of financial position

The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**At 31 December 2017 (originally stated)** HK$'000	**HKFRS 9** HK$'000	**HKFRS 15** HK$'000	**At 1 January 2018 (as restated)** HK$'000
Non-current assets				
Available-for-sale ("AFS") investment	1,719	(1,719)	–	–
Financial asset at FVTOCI	–	5,491	–	5,491
Contract costs	–	–	43,429	43,429
Current assets				
Prepayments, deposits paid and other receivables	300,840	–	(43,429)	257,411
Current liabilities				
Accruals, deposits received and other payables	333,159	–	(220,471)	112,688
Contract liabilities	–	–	220,471	220,471
Equity				
Reserves	1,906,555	2,508	–	1,909,063
Non-controlling interests	671,481	1,264	–	672,745

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

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This has replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods or services may transfer over time or at a point in time.

The Group recognises revenue from the following major sources:

- Loan facilitation services
- Casino business
- Production and distribution of wine and Chinese baijiu

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

There is no material difference on the timing and amounts of revenue (other than the revenue from casino business as described below) recognised under HKFRS 15 and HKAS 18.

For pre-sales of properties which are not yet transferred to customers, the Group concluded that it does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. Thus, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. Proceeds from customers of these pre-sale properties which previously presented as receipt in advance from customers included in "deposits received", are recorded as "contract liabilities" before relevant sale revenue is recognised.

For revenue from casino business, upon adoption of HKFRS 15, the portion of gaming promoters' commissions previously recorded as cost of revenue is now recorded as a reduction of casino revenue. The amounts were reclassified to conform with current year's presentation.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated financial statements for each of the line items affected. Line items that were not affected by the changes have not been included.

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

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017:

	Year ended 31 December 2017 (originally stated) HK$'000	**Adjustments** HK$'000	**Year ended 31 December 2017 (as restated)** HK$'000
Revenue	325,858	(30,371)	295,487
Cost of revenue	(228,707)	30,371	(198,336)

Impact on the consolidated statement of financial position at 1 January 2018:

	(notes)	**At 31 December 2017 (originally stated)** HK$'000	**Reclassification** HK$'000	**At 1 January 2018 (as restated)** HK$'000
Non current assets				
Contract costs	(i)	–	43,429	43,429
Current assets				
Prepayments, deposits paid and other receivables	(i)	300,840	(43,429)	257,411
Current liabilities				
Accruals, deposits received and other payables	(ii)	333,159	(220,471)	112,688
Contract liabilities	(ii)	–	220,471	220,471

Notes:

(i) As at 1 January 2018, prepayment of commission paid to sales agent for pre-sales of properties of approximately HK$43,429,000 previously included in prepayments, deposits paid and other receivables was reclassified to contract costs.

(ii) As at 1 January 2018, deposits received in advance from customers for pre-sales of properties of approximately HK$220,471,000 previously included in accruals, deposits received and other payables was reclassified to contract liabilities.

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

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

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

Accordingly, the comparative information was not restated and continues to be reported under HKAS 39.

Under HKFRS 9, a new impairment model for financial assets carried at amortised cost requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

Summary of effect arising from initial application of HKFRS 9

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

(a) Classification and measurement

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	AFS Investment HK$'000	**Financial assets at FVTOCI** HK$'000	**FVTOCI revaluation reserve** HK$'000	**Non-controlling interests** HK$'000
Closing balance at 31 December 2017 - HKAS 39	1,719	–	–	671,481
Reclassification				
From AFS investment (note)	(1,719)	1,719	–	–
Remeasurement				
From amortised cost to fair value (note)	–	3,772	2,508	1,264
Opening balance at 1 January 2018	–	5,491	2,508	672,745

Note:

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its unquoted equity investment previously measured at cost less impairment under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, the fair value gain of approximately HK$3,772,000 relating to this unquoted equity investment previously carried at cost less impairment was adjusted to financial asset at FVTOCI and FVTOCI revaluation reserve as at 1 January 2018, and is continued to accumulate in the FVTOCI revaluation reserve.

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

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Summary of effect arising from initial application of HKFRS 9 (Continued)

(a) *Classification and measurement (Continued)*

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at the date of initial application have not been impacted by the initial application of HKFRS 9.

(b) *Impairment under ECL model*

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

ECL for other financial assets at amortised cost, including other receivables, short-term loan receivables and bank balances, are assessed on 12-month ECL ("12m-ECL") basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the measurement of ECL has no material impact to the Group's accumulated losses at 1 January 2018.

2.4 New and amended HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2018

The Group has not early applied the following new and amended HKFRSs that have been issued but are not yet effective for the current accounting period:

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

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

2.4 New and amended HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2018 *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2020

[4] Effective for annual periods beginning on or after 1 January 2021

[5] Effective for annual periods beginning on or after a date to be determined

HKFRS 16 Leases

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statement of financial position. Instead, all long-term leases must be recognised in the consolidated statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the consolidated statement of financial position. In the consolidated income statement, rental expenses will be replaced with depreciation and interest expenses.

The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating lease commitments which will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

As set out note 43, total operating lease commitments of the Group as at 31 December 2018 amounted to approximately HK$78,985,000, of which approximately HK$60,784,000 with lease term over 12 months. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amended HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 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, HKASs and Ints issued by the HKICPA as well as the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of preparation

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

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

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

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

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

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interest in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of business 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 acquire. 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 Taxed and HKAS 19 Employee Benefits respectively;

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

Merger accounting for business combinations involving entities under common control

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

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (upon application of HKFRS 15 in accordance with transitions in note 2.2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group has elected to apply the practical expedient available under HKFRS 15 such that the transaction price allocated to unsatisfied contracts is not disclosed when the remaining performance obligation to be satisfied under contracts that had an original expected duration of one year or less.

A contract cost represents the incremental costs of obtaining a contract with a customer if the Group expects to recover these costs.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue under the following accounting policies:

Revenue from loan facilitation services

Revenue from loan facilitation services represents service fees charged for facilitating loan originations and post-origination services which are generally recognised when related services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (upon application of HKFRS 15 in accordance with transitions in note 2.2) *(Continued)*

Gaming revenue

Gaming revenue represents the aggregate net difference between 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. There may be a difference between the timing of cash receipts from customers and the recognition of revenue, resulting in a contract or contract-related liability. The Group's outstanding chips liabilities under casino business, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, are generally expected to be recognised as revenue or refunded within one year of being purchased, earned or deposited and are recorded within "accruals and other payables" in the consolidated statement of financial position. Commission paid to gaming promoters which recorded as cost of revenues in the comparative period is now recorded as a reduction to gaming revenue.

Sales of goods

Revenue is recognised when the customer accepts and takes the control of the products. Revenue represented the sales value of goods sold less returns, discounts, rebates and value added tax ("VAT").

In the comparative period, revenue from sales of products was recognised when the products were delivered at the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership. There is no impact to opening balance as at 1 January 2018.

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.

Government grants

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

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

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2.3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2.3) (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other revenue line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the other revenue line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and short-term loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m-ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m-ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.3) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.3) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and short-term loan receivables are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2.3) (Continued)

(v) Measurement and recognition of ECL *(Continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bill receivables, other receivables and short-term loan receivables where the corresponding adjustment is recognised through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the other FVTOCI reserve without reducing the carrying amount of these receivables.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, 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 settlement 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.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(i) Financial assets at FVTPL *(Continued)*

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other revenue line item.

(ii) AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of FVTOCI revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(iii) Loans and receivables

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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 financial assets have been affected.

For AFS equity investments, 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 disappearance of an active market for that financial asset because of financial difficulties.

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 average credit period of one year, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets 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 the 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and short-term loan receivables, where the carrying amount is reduced through the use of an allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivables, other receivables and short-term loan receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to 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.

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 investments, 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 FVTOCI revaluation reserve.

Derecognition of financial assets

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Derecognition of financial assets *(Continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) Retirement benefits costs

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

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

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

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

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

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

Short-term and other long-term employee benefits

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(ii) Share-based payment arrangements

Share-based payment transactions of the Company

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

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

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

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

Intangible assets

Farmland development

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

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

Trademarks

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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.

Internet P2P financing platform

Internet P2P financing platform has no foreseeable limit to the period over which the Group can use to generate net cash flows. It will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Borrowings

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

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

Borrowing costs

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

Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities and contingent assets

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

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

Leasing

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

The Group as lessee

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

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

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

Operating segment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Company if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of 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 the 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); and
- (viii) the entity, or any member of a group which it is a part, provides key management personnel services to the group or the parent of the Group.

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

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

4. FINANCIAL INSTRUMENTS

4.1 Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
AFS investment	–	1,719
Financial asset at FVTOCI	**4,211**	–
Loan and receivables (including cash and cash equivalents)	**436,201**	423,836
Financial liabilities		
Amortised cost	**1,467,330**	1,242,561

4.2 Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTOCI/AFS investment, trade and bills receivables, other receivables, short-term loans receivables, cash and cash equivalents, trade payables, accruals and other payables, amounts due to related parties, loan from an immediate holding company, loan from a non-controlling shareholder of a subsidiary and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged from prior year.

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.

4. FINANCIAL INSTRUMENTS *(Continued)*

4.2 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 profit for the year ended 31 December 2018 would decrease/increase by approximately HK$1,748,000 (2017: loss would increase/decrease by HK$810,000).

Credit risk management

As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade and bills receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances from its trade customers and gaming customers based on provision matrix.

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 64.8% (2017: 17.1%) and 83.0% (2017: 50.7%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers respectively.

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk management (Continued)

Trade and bills receivables (Continued)

The Group applies HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 3 years before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

As at 31 December 2018, the balance of loss allowance in respect of the trade receivable was HK$3,440,000 based on expected loss rates up to 6.3% applied on different groupings.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Other receivables, short-term loan receivables and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on other receivables, short-term loan receivables and bank balances based on 12m-ECL.

Other receivables and short-term loan receivables with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2018, the balance of loss allowance in respect of these individually assessed receivables were HK$10,871,000 (2017: HK$9,542,000) and HK$4,598,000 (2017: HK$4,463,000) respectively.

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

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management

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

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

Liquidity risk tables

	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 2018					
Non-derivative financial liabilities					
Trade payables	**69,192**	**–**	**–**	**69,192**	**69,192**
Accruals and other payables	**109,931**	**–**	**–**	**109,931**	**109,931**
Amounts due to related parties	**50,642**	**–**	**–**	**50,642**	**50,642**
Loans from immediate holding companies	**66,401**	**759,841**	**–**	**826,242**	**783,623**
Loan from a non-controlling shareholder of a subsidiary	**–**	**104,376**	**–**	**104,376**	**104,376**
Bank and other borrowings	**210,590**	**–**	**181,613**	**392,203**	**349,566**
	506,756	**864,217**	**181,613**	**1,552,586**	**1,467,330**
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

4. FINANCIAL INSTRUMENTS *(Continued)*

4.3 Fair value hierarchy

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

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

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

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

The financial assets at FVTPL with carrying amount of HK$10,374,000 (2017: Nil) was classified as level 3 measurement and the financial asset at FVTOCI with carrying amount of HK$4,211,000 (2017: AFS investment of HK$1,719,000) were level 2 measurement (2017: N/A) at 31 December 2018.

The following table present changes in financial assets at FVTPL and financial assets of FVTOCI for the year ended 31 December 2018:

	Financial asset at FVTPL (contingent consideration receivable) HK$'000	**Financial asset at FVTOCI (unlisted equity securities)** HK$'000
Balance at 31 December 2017 (originally stated)	–	–
Impact on initial application of HKFRS 9 (note 2.3)	–	5,491
Balance at 1 January 2018 (as restated)	–	5,491
Exchange alignment	–	(88)
Acquisition of a subsidiary	10,479	–
Fair value loss recognised in profit or loss	(105)	–
Fair value loss recognised in OCI	–	(1,192)
Balance at 31 December 2018	**10,374**	**4,211**

4. FINANCIAL INSTRUMENTS *(Continued)*

4.3 Fair value hierarchy *(Continued)*

The fair values of financial instruments that are not traded in an active market (for example, unlisted equity investments) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;

- For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs; and

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As described in note 45 to the consolidated financial statements, the fair value of contingent consideration receivable in relation to the acquisition of Newoo Financial are measured at fair value under the income approach and are taken into consideration of whether the Guaranteed Profit (as defined in note 46) is probable to be fulfilled. The unobservable inputs used in respect of the valuation are (i) expected future profitability and (ii) probability distribution under different scenarios and conditions.

In respect of the unlisted equity securities, the Group used market comparison approach by making reference to the fair value of market price of equity securities engaged in similar business.

The directors of the Company have engaged an independent firm of valuers to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the assets, the management worked closely with the valuer to establish the appropriate valuation techniques and inputs to the model and reported the findings to the directors of the Company at the end of reporting period to explain the cause of fluctuations in fair value of the assets.

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.

During the years ended 31 December 2018 and 2017, there were no transfers between the levels of fair value hierarchy.

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 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 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Total borrowings	**1,237,565**	1,053,687
Total equity	**3,332,252**	2,610,112
Gearing ratio	**37.14%**	40.37%

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 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 2018 was approximately HK$75,221,000 (2017: HK$75,221,000). Details of the impairment test of goodwill are set out in note 21.

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

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of intangible assets

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

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

The Group's determines the impairment of trade and bills receivables, short-term loans receivables and other receivables based on the ECL. Impairment of trade and bills receivables is assessed on lifetime ECL while short-term loans receivables and other receivables are assessed on 12m-ECL as there had been no significant increase in credit risk since initial recognition.

Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates.

(d) 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.

(e) 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.

(f) Impairment of non-current assets

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

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

Key sources of estimation uncertainty *(Continued)*

(g) 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.

(h) Current taxation and deferred taxation

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

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

(i) 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.

(j) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management is responsible for determination of the appropriate valuation techniques and inputs for the fair value measurements.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 4, 19 and 46 respectively provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

7. REVENUE

	2018 HK$'000	2017 HK$'000 (Restated)
Revenue recognised at a point in time		
Loan facilitation services	**153,087**	–
Casino business	**103,621**	92,594
Production and distribution of wine	**124,231**	124,666
Production and distribution of Chinese baijiu	**79,824**	78,227
	460,763	295,487

8. SEGMENT INFORMATION

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

The Group has five reportable segments, namely (i) provision of loan facilitation services through operation of an internet P2P financing platform; (ii) casino business; (iii) development and operation of real estate, integrated resort and cultural tourism; (iv) production and distribution of wine; and (v) production and distribution of Chinese baijiu. 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:

	Loan facilitation services		Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000 (Restated)	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000 (Restated)
Segment revenue												
Revenue from external customers	**153,087**	–	**103,621**	92,594	**–**	–	**124,231**	124,666	**79,824**	78,227	**460,763**	295,487
Segment profit/(loss)	**105,950**	–	**(4,777)**	(26,855)	**(15,378)**	(27,561)	**3,372**	(1,004)	**(5,555)**	(6,196)	**83,612**	(61,616)
Unallocated corporate income											**2,983**	4,403
Unallocated corporate expenses											**(22,890)**	(26,127)
Finance costs											**(2,881)**	(2,885)
Profit/(loss) before taxation											**60,824**	(86,225)
Taxation											**(5,441)**	(3,087)
Profit/(loss) for the year											**55,383**	(89,312)

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

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

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	Loan facilitation services		Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Segment assets	**1,075,956**	–	**592,589**	609,993	**2,956,218**	2,931,635	**428,184**	446,966	**220,540**	217,303	**5,273,487**	4,205,897
Unallocated											**66,919**	47,376
											5,340,406	4,253,273
Segment liabilities	**83,584**	–	**37,928**	39,487	**259,734**	988,864	**153,211**	139,695	**93,258**	78,985	**627,715**	1,247,031
Unallocated											**1,380,439**	396,130
											2,008,154	1,643,161

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 and other borrowings, deferred tax liabilities and other financial liabilities which are managed on a group basis.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

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

	Loan facilitation services		Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Unallocated		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Additions to non-current assets	**543**	–	**1,215**	5,309	**8,697**	2,031	**3,696**	31,337	**3,690**	4,128	**951**	–	**18,792**	42,805
Depreciation of property, plant and equipment	**1,271**	–	**4,311**	5,263	**2,222**	1,026	**11,699**	12,735	**9,104**	7,208	**423**	393	**29,030**	26,625
Amortisation of land use rights	**–**	–	**–**	–	**–**	–	**372**	212	**625**	608	**–**	–	**997**	820
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**618**	662	**–**	–	**–**	–	**618**	662
Recovery of impairment loss in respect of trade receivables and short-term loan receivables	**–**	–	**–**	–	**–**	–	**–**	116	**–**	–	**–**	–	**–**	116
Impairment loss of trade receivables	**1,230**	–	**1,383**	–	**–**	–	**498**	–	**177**	–	**–**	–	**3,288**	–
Impairment loss of other receivables	**1,814**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,814**	–
Impairment loss of short-term loans receivables	**–**	–	**324**	–	**–**	–	**–**	–	**–**	–	**–**	–	**324**	–

Information about major customers

Revenue of approximately HK$46,622,000 (2017: Nil) is derived from the largest customer which contributed over 10% of the total revenue of the Group, which is attributable to the loan facilitation services.

Geographical information

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

The following is a geographical analysis of the Group's revenue from external customers (based on where the goods are sold and the services are provided) and non-current assets (based on the geographical location of the assets) for the current and prior years:

	Revenue from external customers		Non-current assets	
	2018 HK$'000	2017 HK$'000 (Restated)	**2018 HK$'000**	2017 HK$'000
The PRC (including Hong Kong)	**357,142**	202,893	**1,309,446**	337,498
South Korea	**103,621**	92,594	**1,230,215**	1,280,417
Australia	**–**	–	**2,296**	3,093
Canada	**–**	–	**–**	–
	460,763	295,487	**2,541,957**	1,621,008

9. OTHER REVENUE

	2018 HK$'000	2017 HK$'000
Government grants (note 52)	**8,826**	14,186
Bank interest income	**2,983**	2,510
Dividend income	**138**	–
Service income (note 51)	**1,532**	2,017
Catering and related services income	**979**	2,040
Sales of wasted materials	**433**	96
Recovery of impairment loss with respect to trade receivables, other receivables and short-term loans receivables (notes 25, 26 and 28)	**–**	116
Gain from default fine due to early termination of rental agreement (note)	**4,867**	–
Rental income	**–**	3,983
Compensation income	**3,040**	–
Net foreign exchange gain	**983**	3,477
Others	**1,723**	912
	25,504	29,337

Note: The gain represents a default fine received from a landlord due to early termination of a lease agreement of certain lands in the PRC.

10. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	2018 HK$'000	2017 HK$'000
Profit/(loss) from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**110,212**	94,795
– Retirement benefits scheme contributions	**13,936**	13,354
Total staff costs	**124,148**	108,149
Auditors' remuneration	**2,503**	2,105
Amortisation of intangible assets	**618**	662
Amortisation of land use rights	**997**	820
Cost of inventories recognised as expenses	**87,860**	96,626
Write off/loss on disposal of property, plant and equipment	**208**	1,397
Depreciation of property, plant and equipment	**29,030**	26,625
Impairment loss of trade receivables	**3,288**	–
Impairment loss of short-term loans receivables	**324**	–
Impairment loss of other receivables	**1,814**	–
Impairment loss of intangible assets	**876**	–
Research and development costs	**6,214**	1,095
Minimum lease payments under operating leases	**13,207**	10,160
Share-based payments to other participants	**–**	1,468

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

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2018, the emoluments paid or payable to each of the eight (2017: nine) directors and the chief executive of the Company were as follows:

For the years ended 31 December 2018 and 2017:

	Fees		Salaries, allowance and benefits in kind		Retirement benefits scheme contributions		Share-based payments		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Su Bo	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Ng Kwong Chue, Paul	**120**	120	**1,323**	1,426	**18**	18	**–**	–	**1,461**	1,564
Zhang Jian	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Hang Guangyu	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Liu Huaming	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Ting Leung Huel, Stephen	**360**	360	**–**	–	**–**	–	**–**	–	**360**	360
Tse Kwong Hon	**180**	180	**–**	–	**–**	–	**–**	–	**180**	180
Cao Kuangyu	**180**	180	**–**	–	**–**	–	**–**	–	**180**	180
Yan Tao (note)	**–**	90	**–**	128	**–**	3	**–**	–	**–**	221
	1,320	1,410	**1,323**	1,554	**18**	21	**–**	–	**2,661**	2,985

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 for the year ended 31 December 2018 (2017: 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 (2017: None).

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2017: two) was a director of the Company whose emolument is set out in note (a) above. For the year ended 31 December 2018, the emoluments of the remaining four (2017: three) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**1,896**	1,444
Retirement benefits scheme contribution	**83**	73
	1,979	1,517

The emoluments of the remaining four (2017: three) individuals with the highest emoluments are within the following band:

	2018 Number of individuals	2017 Number of individuals
Up to HK$1,000,000	**4**	3
	4	3

(c) Emoluments of senior management

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

	2018 Number of Individuals	2017 Number of individuals
Up to HK$1,000,000	**5**	3

12. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on bank borrowings	**15,414**	8,556
Interest expenses on loan from immediate holding companies	**30,313**	40,281
	45,727	48,837
Less: Amounts capitalised in the cost of qualifying assets	**(42,846)**	(45,952)
	2,881	2,885

Borrowing costs capitalised to properties under development at a rate of 2.25% (2017: 4.36%) per annum.

13. TAXATION

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax		
– current year	**4,954**	2,365
– under-provision in prior year	**983**	1,796
Other than Hong Kong and the PRC	**818**	–
Deferred tax (note 32)	**(1,314)**	(1,074)
	5,441	3,087

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which had introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was passed on 20 February 2019.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the year ended 31 December 2018.

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 2018, the Group had estimated unused tax losses of approximately HK$63,387,000 (restated in 2017: HK$63,387,000) 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.

13. TAXATION *(Continued)*

PRC Enterprise Income Tax ("EIT")

Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial") is qualified as "New High-Tech Enterprise" under the EIT law for 3 years starting from 31 October 2017 (the "Qualification Day"). Accordingly, Niiwoo Financial is entitled to a preferential EIT rate of 15% for a three-year period since the Qualification Day.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2017: 25%).

Other Jurisdictions

Taxation of overseas subsidiaries (other than Hong Kong and the PRC) are calculated at the applicable rates prevailing in the jurisdictions in which the subsidiary operates.

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:

	2018		2017	
	HK$'000	%	HK$'000	%
Profit (loss) before taxation	**60,824**		(86,225)	
Tax at the Hong Kong Tax rate of 16.5% (2017: 16.5%)	**10,036**	**16.5**	(14,227)	16.5
Effect of different tax rates of subsidiaries operating in other countries	**7,070**	**11.6**	534	(0.5)
Tax effect of tax losses not recognised	**12,793**	**21.0**	16,351	(19.0)
Tax effect of income not taxable for tax purpose	**(15,532)**	**(25.5)**	(9,001)	10.4
Tax effect of expenses not deductible for tax purpose	**1,156**	**1.9**	8,708	(10.1)
Effect of tax exemptions granted to the overseas subsidiaries	**(10,572)**	**(17.4)**	–	–
Tax effect of temporary difference not recognised	**(493)**	**(0.8)**	(1,074)	1.2
Under provision in prior year	**983**	**1.6**	1,796	(2.1)
Tax charge for the year	**5,441**	**8.9**	3,087	(3.6%)

14. DIVIDEND

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

15. EARNINGS/(LOSS) PER SHARE

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

	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per ordinary share	**64,413**	(70,986)

	Number of shares	
	2018	2017
Weighted average number of shares for the purpose of basic and diluted earnings/(loss) per ordinary share	**3,661,086,179**	3,184,932,078

For the years ended 31 December 2018 and 2017, the computations of diluted earnings/(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.

16. LAND USE RIGHTS

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

	2018 HK$'000	2017 HK$'000
Outside Hong Kong, held on:		
Lease period between 30 to 50 years	**30,491**	31,552
Cost		
At 1 January	**40,199**	33,342
Exchange alignment	**(2,101)**	2,687
Additions	**1,557**	4,170
At 31 December	**39,655**	40,199
Accumulated amortisation		
At 1 January	**8,647**	6,997
Exchange alignment	**(480)**	830
Charge for the year	**997**	820
At 31 December	**9,164**	8,647
Carrying amounts		
At 31 December	**30,491**	31,552

16. LAND USE RIGHTS *(Continued)*

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 securities

As at 31 December 2018, the Group's land use rights with carrying amount of approximately HK$5,564,000, (2017: HK$4,446,000) were pledged as securities for the Group's bank borrowing.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Properties under development HK$'000	Land HK$'000	Hotel properties HK$'000	Leasehold improvements HK$'000	Plant and building HK$'000	Machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Facilities appliances HK$'000	Total HK$'000
Cost												
At 1 January 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
Write off/disposal	(17)	–	–	–	(3)	(334)	(2,562)	(181)	(1,892)	(2,520)	–	(7,509)
At 31 December 2017 and 1 January 2018	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
Exchange alignment	(1,737)	(18,784)	(9,593)	(5,308)	(56)	(9,480)	(6,962)	(159)	(458)	(495)	(540)	(53,572)
Transfer to plant and building and machinery	(23,550)	–	(5,276)	5,276	–	20,650	2,900	–	–	–	–	–
Acquisition of a subsidiary (note 46)	–	–	–	–	2,984	–	–	8,933	1,493	–	–	13,410
Additions	3,341	7,586	–	1,105	390	–	1,798	1,386	498	1,102	29	17,235
Write off/disposal	–	–	–	–	(427)	–	(1,285)	(133)	(145)	(680)	(1,357)	(4,027)
At 31 December 2018	**113,827**	**409,902**	**177,610**	**100,877**	**4,313**	**182,745**	**132,575**	**14,009**	**11,488**	**11,144**	**6,560**	**1,165,050**
Accumulated depreciation												
At 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
Write off/disposal	–	–	–	–	(1)	(173)	(2,251)	(181)	(1,868)	(1,638)	–	(6,112)
At 31 December 2017 and 1 January 2018	–	–	–	2,806	401	56,503	94,477	935	3,808	6,747	4,561	170,238
Exchange alignment	–	–	–	(183)	(42)	(3,145)	(6,804)	(126)	(208)	(304)	(436)	(11,248)
Acquisition of a subsidiary (note 46)	–	–	–	–	1,377	–	–	3,198	586	–	–	5,161
Charge for the year	–	–	–	1,105	515	7,436	12,094	1,622	2,070	1,999	2,189	29,030
Write off/disposal	–	–	–	–	(414)	–	(1,283)	–	(110)	(678)	(1,334)	(3,819)
At 31 December 2018	**–**	**–**	**–**	**3,728**	**1,837**	**60,794**	**98,484**	**5,629**	**6,146**	**7,764**	**4,980**	**189,362**
Carrying amounts												
At 31 December 2018	**113,827**	**409,902**	**177,610**	**97,149**	**2,476**	**121,951**	**34,091**	**8,380**	**5,342**	**3,380**	**1,580**	**975,688**
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

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Assets pledged as securities

As at 31 December 2018, the Group's buildings with carrying amount of approximately HK$23,141,000 (2017: building: HK$24,381,000) were pledged as securities for the Group's bank borrowing.

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

18. INTANGIBLE ASSETS

	Internet P2P financing platform HK$'000	Casino license HK$'000	Farmland development HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Total HK$'000
Cost						
At 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 and 1 January 2018	–	482,624	15,324	1,828	25,633	525,409
Acquisition of a subsidiary (note 46)	941,132	–	–	–	–	941,132
Exchange alignment	(9,476)	(20,439)	(725)	(93)	(1,306)	(32,039)
At 31 December 2018	**931,656**	**462,185**	**14,599**	**1,735**	**24,327**	**1,434,502**
Accumulated amortisation and impairment						
At 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 and 1 January 2018	–	–	8,660	1,828	25,633	36,121
Exchange alignment	–	–	(408)	(93)	(1,306)	(1,807)
Charge for the year	–	–	618	–	–	618
Write off	–	–	876	–	–	876
At 31 December 2018	**–**	**–**	**9,746**	**1,735**	**24,327**	**35,808**
Carrying amounts						
At 31 December 2018	**931,656**	**462,185**	**4,853**	**–**	**–**	**1,398,694**
At 31 December 2017	–	482,624	6,664	–	–	489,288

Internet P2P financing platform

The Group acquired the internet P2P financing platform through a business combination during the year ended 31 December 2018. The directors of the Company considered that the internet P2P financing platform has no foreseeable limit to the period over which the internet P2P financing platform is expected to generate net cash flows for the Group. As a result, the internet P2P financing platform is considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflows indefinitely. The internet P2P financing platform 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.

18. INTANGIBLE ASSETS *(Continued)*

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.

Farmland development, technical know-how and trademark

Farmland development, technical know-how and trademark 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
Trademark	10 years (except for the trademark acquired in the business combination)

Amortisation expenses of approximately HK$618,000, (2017: HK$662,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of approximately HK$4,853,000 (2017: HK$6,664,000) 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 4 to 12 years (2017: 5 to 13 years).

During the year ended 31 December 2018, the Group received a request from a landlord for early termination of a lease agreement of certain lands in the PRC. A write off of approximately HK$876,000 in respect of the development costs on those terminated lands was provided in the consolidated statement of profit or loss.

Trademark

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

Impairment test of intangible assets with indefinite useful life

Internet P2P financing platform

Internet P2P financing platform with indefinite useful life of approximately HK$931,656,000 (2017: HK$Nil) has been allocated to the Group's CGU of loan facilitation services business. The recoverable amount of the internet P2P financing platform 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 28.3% per annum (2017: Nil). The growth rate used is based on the estimated growth of loan facilitation services business taking into the account of industry growth rate, past experience and the medium or long-term growth target of P2P platform business. Another key assumption for the value-in-use calculation is the budged gross margin, which is determined based on the CGU's past performance and management's expectations for the market development.

During the year ended 31 December 2018, the management of the Group determines that there is no impairment of internet P2P financing platform license with indefinite useful life.

18. INTANGIBLE ASSETS *(Continued)*

Impairment test of intangible assets with indefinite useful life *(Continued)*

Casino license

Casino license with indefinite useful life of approximately HK$462,185,000 (2017: HK$482,624,000) 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 (2017: 11.1%). 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 2018 and 2017, 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.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENT

AFS financial assets were reclassified to financial asset at FVTOCI upon the initial application of HKFRS 9 at 1 January 2018 (see Note 2.3 in details).

	2018 **HK$'000**	2017 HK$'000
Financial asset at FVTOCI	**4,211**	–
AFS investment	**–**	1,719
	4,211	1,719

Financial asset at FVTOCI/AFS investment includes the following:

	2018 **HK$'000**	2017 HK$'000
Unlisted securities:		
Equity securities – PRC	**4,211**	1,719

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 Group designated it at FVTOCI, as the investment is not held for trading and not expected to be sold in the foreseeable future.

20. 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 a consideration of CAD 49 (equivalent to approximately HK$298), representing 49% interests in CIM Global.

	2018 **HK$'000**	2017 HK$'000
Cost of investment in an 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 2018 and 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.

Set out below is the summarised financial information of the Group's associate.

	2018 **HK$'000**	2017 HK$'000
Current assets	**74,972**	80,787
Non-current assets	**124**	219
Current liabilities	**(75,420)**	(81,286)
Non-current liabilities	**–**	(84)
Net liabilities	**(324)**	(364)

	2018 **HK$'000**	2017 HK$'000
Revenue	**4,819**	759
Profit/(loss) for the year	**9**	(352)
Other comprehensive income/(loss)	**31**	(12)
Total comprehensive income/(loss)	**40**	(364)

20. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
Net liabilities of CIM Global	**(324)**	(364)
Proportion of the Group's interest in CIM Global	**49%**	49%
The carrying amount of the Group's interest in CIM Global	**(159)**	(178)

Set out below is the unrecognised share of loss of CIM Global:

	2018 **HK$'000**	2017 HK$'000
The unrecognised share of profit/(loss) of CIM Global for the year	**4**	(172)
The cumulative share of loss of CIM Global	**(168)**	(172)

21. GOODWILL

	HK$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	253,180
Accumulated impairment losses	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	177,959
Carrying amounts	
At 31 December 2018	**75,221**
At 31 December 2017	75,221

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

	2018 **HK$'000**	2017 HK$'000
Casino business	**75,221**	75,221

21. GOODWILL *(Continued)*

Impairment test of goodwill

Casino business

For the years end 31 December 2018 and 2017 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 (2017: 11.1%). 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.

22. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2018 and 2017 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
			2018 %	2017 %	**2018** %	2017 %	
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	**96.3**	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

22. 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
			2018 %	2017 %	**2018** %	2017 %	
Diqing Zimi Trading Company Limited	The PRC	RMB2,000,000	**–**	–	**95.0**	95.0	Distribution of winery products
Heilongjiang Province YuQuan Winery Company Limited	The PRC	RMB4,060,000	**–**	–	**66.5**	66.5	Production of Chinese baijiu products
Harbin City Xinlong Winery Company Limited	The PRC	RMB500,000	**–**	–	**66.5**	66.5	Distribution of Chinese baijiu products
Harbin City Longcheng Winery Company Limited	The PRC	RMB500,000	**–**	–	**66.5**	66.5	Distribution of Chinese baijiu products
MegaLuck Co. Ltd. ("MegaLuck")	South Korea	KRW2,000,000,000	**72.0**	72.0	**–**	–	Operation of casino business
Glorious Hill	South Korea	KRW44,792,729,280	**55.0**	55.0	**–**	–	Development and operation of real estate and cultural tourism
CIM Mackenzie Creek Inc.*	Canada	CAD100	**–**	–	**51.0**	51.0	Development and operation of real estate
CIM Development (Markham) LP ("Residential LP")*	Canada	CAD23,790,000	**–**	–	**51.0**	51.0	Development and operation of real estate
CIM Commercial LP ("Commercial LP")*	Canada	CAD7,930,000	**–**	–	**51.0**	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 Land Pty Limited ("MLAL")*	Australia	AUD100	**–**	–	**80.0**	80.0	Development and operation of real estate
Niiwoo Financial (note (iii))**	The PRC	RMB10,380,000	**–**	–	**100.0**	–	Operation of an internet P2P finance platform

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

** The subsidiary was acquired during the year ended 31 December 2018.

22. 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.

iii The entity is controlled through the contractual arrangement.

Niiwoo Financial is an entity established in the PRC which is engaged in the operation of an internet P2P financing platform through a mobile application, which is considered to be value-added telecommunication services. Pursuant to applicable PRC laws and regulations, foreign investors are restricted to hold more than 50% equity interests in an entity conducting such services in the PRC.

On 1 August 2018, the Company completed the acquisition of Niiwoo Financial, through NSR Internet Investment Consulting (Shenzhen) Ltd. ("WFOE"), via a series of variable interest entity contracts (the "VIE Contracts") entered into between the WFOE, Niiwoo Financial and its registered shareholder, thus resulting the WFOE to:

- exercise effective financial and operational control over Niiwoo Financial;
- exercise equity holder's voting rights of the Niiwoo Financial;
- receive substantially all of the economic interest returns generated by Niiwoo Financial in consideration for the business support, technical and consulting services provided by WFOE, at WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Niiwoo Financial from its registered shareholder at any time at a minimum purchase price as permitted under PRC laws;
- obtain a pledge over the entire equity interest of Niiwoo Financial from its registered shareholder as continuing security for the performance of all its obligations and that of Niiwoo Financial under the VIE Contracts.

As a result of the VIE Contracts, the Company has rights to variable returns from its involvement with Niiwoo Financial and has the ability to affect those returns through its power over Niiwoo Financial and is considered to control Niiwoo Financial. Consequently, the Company regards Niiwoo Financial as consolidated structured entity under HKFRS. The Group has included the financial position and results of Niiwoo Financial in the consolidated financial statements since the acquisition date.

Nevertheless, the VIE Contracts may not be as effective as direct legal ownership in providing the Group with direct control over Niiwoo Financial and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Niiwoo Financial. However, the Company believes that the VIE Contracts are in compliance with relevant PRC laws and regulations and are legally enforceable.

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.

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

Name of entities	Place of incorporation/ establishment/ principal place of business	Voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018 HK'000	2017 HK'000	**2018 HK'000**	2017 HK'000	**2018 HK'000**	2017 HK'000
YuQuan Investment	The PRC	**33.5%**	33.5%	**(2,116)**	(2,217)	**18,562**	20,794
MegaLuck	South Korea	**28.0%**	28.0%	**(1,406)**	(7,525)	**96,968**	103,640
Glorious Hill	South Korea	**45.0%**	45.0%	**(4,003)**	(3,267)	**111,636**	121,663
Residential LP	Canada	**49.0%**	49.0%	**(182)**	(2,279)	**129,733**	135,186
Commercial LP	Canada	**49.0%**	49.0%	**(36)**	(78)	**43,872**	46,207
MLAL	Australia	**20.0%**	20.0%	**(1,306)**	(2,640)	**188,180**	204,051
Individually immaterial subsidiaries with non-controlling interests				**19**	(320)	**39,059**	39,940
				(9,030)	(18,326)	**628,010**	671,481

22. 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

	2018 HK$'000	2017 HK$'000
Current assets	**93,932**	82,556
Non-current assets	**126,608**	134,746
Current liabilities	**(158,826)**	(148,066)
Non-current liabilities	**(6,304)**	(7,164)
Equity attributable to owners of the company	**36,848**	41,278
Non-controlling interests	**18,562**	20,794
Revenue	**80,316**	79,241
Expenses	**(86,635)**	(85,860)
Loss for the year	**(6,319)**	(6,619)
Loss attributable to owners of the company	**(4,203)**	(4,402)
Loss attributable to non-controlling interests	**(2,116)**	(2,217)
Loss for the year	**(6,319)**	(6,619)
Other comprehensive (loss)/income attributable to owners of the company	**(606)**	1,183
Other comprehensive (loss)/income attributable to non-controlling interests	**(305)**	596
Other comprehensive (loss)/income for the year	**(911)**	1,779
Total comprehensive loss attributable to owners of the company	**(4,998)**	(3,219)
Total comprehensive loss attributable to non-controlling interests	**(2,232)**	(1,621)
Total comprehensive loss for the year	**(7,230)**	(4,840)
Dividend paid to non-controlling interests	**–**	–
Net cash generated from operating activities	**9,292**	2,955
Net cash generated from financing activities	**–**	–
Net cash used in investing activities	**(3,690)**	(3,518)
Net increase/(decrease) in cash and cash equivalents	**5,602**	(563)

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

MegaLuck

	2018 HK'000	2017 HK'000 (Restated)
Current assets	**48,289**	41,916
Non-current assets	**469,079**	492,855
Current liabilities	**(67,148)**	(60,119)
Non-current liabilities	**(103,349)**	(103,952)
Equity attributable to owners of the company	**249,903**	267,060
Non-controlling interests	**96,968**	103,640
Revenue	**107,611**	94,251
Expenses	**(112,633)**	(121,128)
Loss for the year	**(5,022)**	(26,877)
Loss attributable to owners of the company	**(3,616)**	(19,352)
Loss attributable to non-controlling interests	**(1,406)**	(7,525)
Loss for the year	**(5,022)**	(26,877)
Other comprehensive (loss)/income attributable to owners of the company	**(13,542)**	41,258
Other comprehensive (loss)/income attributable to non-controlling interests	**(5,266)**	16,045
Other comprehensive (loss)/income for the year	**(18,808)**	57,303
Total comprehensive (loss)/income attributable to owners of the company	**(17,158)**	21,906
Total comprehensive (loss)/income attributable to non-controlling interests	**(6,672)**	8,520
Total comprehensive (loss)/income for the year	**(23,830)**	30,426
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(19,322)**	(15,883)
Net cash generated from financing activities	**8,184**	13,675
Net cash used in investing activities	**(1,215)**	(5,309)
Net decrease in cash and cash equivalents	**(12,353)**	(7,517)

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glorious Hill

	2018 HK'000	2017 HK'000
Current assets	**45,500**	59,287
Non-current assets	**685,915**	712,340
Current liabilities	**(482,314)**	(500,295)
Non-current liabilities	**(1,447)**	(1,397)
Equity attributable to owners of the company	**136,018**	148,272
Non-controlling interests	**111,636**	121,663
Revenue	**1,020**	1,971
Expenses	**(9,915)**	(9,230)
Loss for the year	**(8,895)**	(7,259)
Loss attributable to owners of the company	**(4,892)**	(3,992)
Loss attributable to non-controlling interests	**(4,003)**	(3,267)
Loss for the year	**(8,895)**	(7,259)
Other comprehensive (loss)/income attributable to owners of the company	**(7,369)**	10,590
Other comprehensive (loss)/income attributable to non-controlling interests	**(6,024)**	9,044
Other comprehensive (loss)/income for the year	**(13,393)**	19,634
Total comprehensive (loss)/income attributable to owners of the company	**(12,261)**	6,598
Total comprehensive (loss)/income attributable to non-controlling interests	**(10,027)**	5,777
Total comprehensive (loss)/income for the year	**(22,288)**	12,375
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(4,141)**	(50,670)
Net cash generated from financing activities	**10,355**	56,292
Net cash used in investing activities	**(11,188)**	(984)
Net (decrease)/increase in cash and cash equivalents	**(4,974)**	4,638

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

Residential LP

	2018 HK'000	2017 HK'000
Current assets	**622,863**	556,700
Non-current assets	**–**	–
Current liabilities	**(308,352)**	(144,299)
Non-current liabilities	**(49,749)**	(136,511)
Equity attributable to owners of the company	**135,029**	140,704
Non-controlling interests	**129,733**	135,186
Revenue	**40**	7
Expenses	**(411)**	(4,658)
Loss for the year	**(371)**	(4,651)
Loss attributable to owners of the company	**(189)**	(2,372)
Loss attributable to non-controlling interests	**(182)**	(2,279)
Loss for the year	**(371)**	(4,651)
Other comprehensive (loss)/income attributable to owners of the company	**(5,486)**	5,070
Other comprehensive (loss)/income attributable to non-controlling interests	**(5,271)**	4,871
Other comprehensive (loss)/income for the year	**(10,757)**	9,941
Total comprehensive (loss)/income attributable to owners of the company	**(5,675)**	2,698
Total comprehensive (loss)/income attributable to non-controlling interests	**(5,453)**	2,592
Total comprehensive (loss)/income for the year	**(11,128)**	5,290
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(82,475)**	(105,204)
Net cash generated from/(used in) financing activities	**54,101**	(25,421)
Net cash used in investing activities	**(86,129)**	–
Net decrease in cash and cash equivalents	**(114,503)**	(130,625)

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

Commercial LP

	2018 HK'000	2017 HK'000
Current assets	**178,435**	195,484
Non-current assets	**–**	–
Current liabilities	**(76,569)**	(88,853)
Non-current liabilities	**(12,331)**	(12,331)
Equity attributable to owners of the company	**45,663**	48,093
Non-controlling interests	**43,872**	46,207
Revenue	**5**	–
Expenses	**(78)**	(159)
Loss for the year	**(73)**	(159)
Loss attributable to owners of the company	**(37)**	(81)
Loss attributable to non-controlling interests	**(36)**	(78)
Loss for the year	**(73)**	(159)
Other comprehensive (loss)/income attributable to owners of the company	**(2,393)**	2,172
Other comprehensive (loss)/income attributable to non-controlling interests	**(2,299)**	2,087
Other comprehensive (loss)/income for the year	**(4,692)**	4,259
Total comprehensive (loss)/income attributable to owners of the company	**(2,430)**	2,091
Total comprehensive (loss)/income attributable to non-controlling interests	**(2,335)**	2,009
Total comprehensive (loss)/income for the year	**(4,765)**	4,100
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(41,196)**	(36,825)
Net cash generated from financing activities	**–**	1,762
Net cash used in investing activities	**(1,289)**	–
Net decrease in cash and cash equivalents	**(42,485)**	(35,063)

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

MLAL

	2018 HK'000	2017 HK'000
Current assets	**1,511,822**	1,484,306
Non-current assets	**2,297**	3,093
Current liabilities	**(677,584)**	(17,214)
Non-current liabilities	**(932,924)**	(1,518,921)
Equity attributable to owners of the company	**(284,569)**	(252,787)
Non-controlling interests	**188,180**	204,051
Revenue	**2,100**	6,267
Expenses	**(8,631)**	(19,466)
Loss for the year	**(6,531)**	(13,199)
Loss attributable to owners of the company	**(5,225)**	(10,559)
Loss attributable to non-controlling interests	**(1,306)**	(2,640)
Loss for the year	**(6,531)**	(13,199)
Other comprehensive loss attributable to owners of the company	**(58,263)**	(3,976)
Other comprehensive loss attributable to non-controlling interests	**(14,567)**	(994)
Other comprehensive loss for the year	**(72,830)**	(4,970)
Total comprehensive loss attributable to owners of the company	**(63,490)**	(14,535)
Total comprehensive loss attributable to non-controlling interests	**(15,871)**	(3,634)
Total comprehensive loss for the year	**(79,361)**	(18,169)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(29,622)**	(32,215)
Net cash generated from financing activities	**189,763**	347,729
Net cash used in investing activities	**(160,622)**	(210,740)
Net (decrease)/increase in cash and cash equivalents	**(481)**	104,774

23. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**139,330**	141,991
Work in progress	**40,815**	41,771
Finished goods	**84,740**	69,837
	264,885	253,599

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2018 and have considered no write-down of obsolete inventories to be made (2017: HK$Nil).

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$87,860,000 (2017: HK$96,626,000).

Included in raw materials of approximately HK$100,871,000 (2017: HK$131,308,000) were unprocessed wines.

24. STOCK OF PROPERTIES

	2018 HK$'000	2017 HK$'000
Properties under development	**1,900,707**	1,735,767

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 2018, 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.

25. TRADE AND BILLS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade and bills receivables	**73,660**	5,084
Less: Allowance for credit losses	**(3,440)**	(158)
	70,220	4,926

The Group generally allows an average credit period ranging from 30 to 90 days (2017: 30 to 90 days) to its trade customers. For receivables from gaming customers, a credit period is generally six months.

25. 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 credit losses, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**48,089**	4,762
More than 30 days and within 60 days	**371**	98
More than 60 days and within 90 days	**430**	66
More than 90 days and within 180 days	**519**	–
More than 180 days and within 360 days	**20,811**	–
At 31 December	**70,220**	4,926
Represented by:		
Receivables from trade customers	**49,448**	354
Receivables from gaming customers	**20,772**	4,572
	70,220	4,926

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

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

	2018 **HK$'000**	2017 HK$'000
At 1 January	**158**	251
Exchange alignment	**(6)**	23
Recognised during the year	**3,288**	–
Amounts recovered during the year	**–**	(116)
At 31 December	**3,440**	158

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:

	2018 **HK$'000**	2017 HK$'000
Current (not past due)	**48,890**	4,926
1 to 90 days past due	**21,241**	–
91 to 180 days past due	**89**	–
	70,220	4,926

Details of impairment assessment of trade and bills receivables for the year ended 31 December 2018 are set out in note 4.2.

26. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments (notes (i), (ii) and (iii))	**107,406**	140,282
Deposits paid (note (iv))	**89,250**	78,781
Other receivables (note (v))	**127,091**	91,319
	323,747	310,382
Less: Allowance for doubtful debts of other receivables	**(10,871)**	(9,542)
	312,876	300,840
Represented by:		
Amounts due from related parties	**73,019**	99,444
Amounts due from third parties	**239,857**	201,396
	312,876	300,840

Notes:

Included in the Group's "Prepayments, deposits paid and other receivables" under current assets as at 31 December 2018 and 2017 were as follows:

(i) Upon the adoption of HKFRS 15, commission paid to sales agent for the pre-sale properties amounted to HK$43,429,000 which previously included in prepayments was reclassified as contract costs at 1 January 2018 (note 2.2).

(ii) Prepayment made to a non-controlling shareholder of a subsidiary amounted to approximately HK$35,710,000 (2017: HK$37,622,000) and local residents amounted to approximately HK$7,725,000 (2017: HK$8,139,000) 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 (2017: 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) Deposits paid of approximately HK$75,991,000 (2017: HK$65,272,000) was guaranteed 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$35,560,000 (2017: HK$61,366,000) was amount due from the associate, CIM Global. The amount was unsecured, interest free and repayable on demand.

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

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

	2018 **HK$'000**	2017 HK$'000
At the beginning of the year	**9,542**	8,874
Exchange alignment	**(485)**	668
Recognised during the year	**1,814**	–
	10,871	9,542

Included in the allowance for doubtful debts above with an aggregate balance of approximately HK$9,057,000 (2017: HK$9,542,000) were credit impaired other receivables. The credit 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. Except for the credit impaired other receivables, the Group has applied 12m ECL to measure the loss allowance, of which approximately HK$1,814,000 was recognised during the year (2017: HK$Nil). 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.

27. CONTRACT COSTS

	2018 **HK$'000**
Incremental cots to obtain contracts	**45,106**

Contract costs capitalised as at 31 December 2018 related to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction and not expected to be completed within next 12 months at the reporting date. Contract costs are recognised as costs of revenue in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

28. SHORT-TERM LOANS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loans receivables:		
Unsecured	**7,191**	7,390
Less: Impairment loss recognised	**(4,598)**	(4,463)
	2,593	2,927
The movement on impairment of short-term loans receivables were as follows:		
At the beginning of the year	**4,463**	3,919
Exchange alignment	**(189)**	544
Recognised during the year	**324**	–
	4,598	4,463

The loans were interest free and recoverable on demand.

Loss allowance of approximately HK$324,000 was recognised by applying 12m-ECL during the year (2017: HK$ Nil).

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.

29. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Bank balances and cash	**216,758**	304,743
Restricted bank deposits	**30,410**	29,463
	247,168	334,206

The restricted bank deposits are denominated in CAD. The effective interest rate of these deposits as at 31 December 2018 was 1.0% per annum.

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately HK$70,419,000 (2017: HK$55,350,000). 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.

29. CASH AND CASH EQUIVALENTS *(Continued)*

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		Par value	
	2018 '000	2017 '000	**2018 HK$'000**	2017 HK$'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	**3,207,592**	2,291,137	**32,076**	22,911
Issuance of consideration shares (note i)	**1,086,000**	–	**10,860**	–
Issuance of offer shares (note ii)	**–**	916,455	**–**	9,165
At the end of the year	**4,293,592**	3,207,592	**42,936**	32,076

Notes:

(i) On 1 August 2018, the Company issued and allotted 1,086,000,000 ordinary shares of HK$0.01 each for the acquisition of Niiwoo Financial at an issue price of HK$1.30 per share. Details of which were set out in note 46.

(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 on the basis of two offer shares for every five shares of the Company held (the "Open Offer") at an offer price of HK$1.60 per offer share.

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 pages 88 to 89.

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 2017	16	745	761
Exchange alignment	2	126	128
Credited to consolidated statement of profit or loss	–	573	573
At 31 December 2017 and 1 January 2018	18	1,444	1,462
Exchange alignment	(29)	(61)	(90)
Credited/(debited) to consolidated statement of profit or loss	822	(22)	800
At 31 December 2018	**811**	**1,361**	**2,172**

Deferred tax liabilities

	Intangible assets HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2017	(97,513)	(9,423)	(106,936)
Exchange alignment	(571)	(745)	(1,316)
Acquisition of subsidiaries (note 46)	–	(62,080)	(62,080)
Credited to consolidated statement of profit or loss	–	501	501
At 31 December 2017 and 1 January 2018	(98,084)	(71,747)	(169,831)
Exchange alignment	1,621	510	2,131
Acquisition of subsidiaries (note 46)	(141,170)	–	(141,170)
Credited to consolidated statement of profit or loss	–	514	514
At 31 December 2018	**(237,633)**	**(70,723)**	**(308,356)**

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:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**2,172**	1,462
Deferred tax liabilities	**(308,356)**	(169,831)
	(306,184)	(168,369)

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. LOAN FROM IMMEDIATE HOLDING COMPANIES

	2018 HK$'000	2017 HK$'000 (Restated)
Unsecured loans from MIL		
– due within one year	**–**	56,561
– due after one year (note (i))	**717,222**	721,011
	717,222	777,572
Unsecured loan from Paison Technology Group Ltd. ("Paison Technology")		
– due within one year (note (ii))	**66,401**	–
– due after one year	**–**	–
	66,401	–

Notes:

(i) The amounts are unsecured and repayable within 5 years with effective interest rate of 5.03% (2017: 6.16%) per annum.

(ii) The amounts are unsecured and interest-free and repayable on demand.

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

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

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 2018 and 2017, 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:

	2018	2017
Discount rate	**2.46%–2.51%**	2.96%–2.97%
Expected rate of salary increase	**2.00–4.07%**	2.00%–5.00%

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:

	2018 HK$'000	2017 HK$'000
Present value of funded defined benefit obligation	**11,901**	12,925
Fair value of plan assets	**(4,990)**	(5,659)
Net liability arising from defined benefit obligation	**6,911**	7,266

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

	2018 HK$'000	2017 HK$'000
At 1 January	**12,925**	10,890
Current service costs	**4,029**	3,780
Interest cost on benefit obligations	**315**	268
Benefits paid during the year	**(4,064)**	(3,700)
Re-measurement (gain)/losses recognised in other comprehensive income	**(786)**	141
Exchange alignment	**(518)**	1,546
At 31 December	**11,901**	12,925

35. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
At 1 January	**(5,659)**	(6,869)
Interest income	**(213)**	(163)
Return on plan asset	**151**	112
Contributions by the Group	**(3,064)**	(2,942)
Benefit paid by plan assets	**3,093**	5,041
Exchange alignment	**702**	(838)
At 31 December	**(4,990)**	(5,659)

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 2018, if the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by approximately HK$2,102,000 (2017: HK$2,216,000) (increase by approximately HK$2,492,000) (2017: HK$2,515,000).

– for the year ended 31 December 2018, if the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by approximately HK$2,487,000 (2017: HK$2,514,000) (decrease by approximately HK$2,112,000 (2017: HK$2,234,000)).

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 2018 is 9.15 years for MegaLuck and 8.27 years for Glorious Hill (2017: 8.50 years for MegaLuck and 8.19 years for Glorious Hill).

For the year ended 31 December 2018, the Group expects to make a contribution of approximately HK$1,261,800 to the defined benefit plan during the next financial year (2017: HK$1,318,000).

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:

	2018 **HK$'000**	2017 HK$'000
Within 90 days	**31,091**	42,921
More than 90 days and within 180 days	**5,288**	3,005
More than 180 days and within 360 days	**32,813**	11,342
	69,192	57,268

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

37. ACCRUALS AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Accruals	**38,143**	48,875
Deposits received (note)	**–**	220,471
Other payables	**71,788**	63,813
	109,931	333,159

Note: Deposits received represents an advance payment made by customers for sales of goods and pre-sales of properties. As a result of the adoption of HKFRS 15, deposits received are included in contract liabilities (see note 38).

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

38. CONTRACT LIABILITIES

	2018 HK$'000	2017 HK$'000
Sales of goods (note (ii))	**99,952**	–
Sales of properties (note (iii))	**119,764**	–
	219,716	–

Notes:

(i) Upon the adoption of HKFRS 15, amounts previously included in "Deposits received" as at 1 January 2018 (note 37) were reclassified to contract liabilities (see note 2.2).

(ii) For sales of goods, the Group normally receives an advance from its customers. Once the goods are delivered, the customers obtain control of the goods and the revenue is recognised from the contract liabilities.

(iii) The advance payments received from the pre-sale properties resulted in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property and the Group has an enforceable right to payment from customers.

(iv) Revenue recognised in the current year that was included in the contract liabilities at the beginning of the year were approximately HK$31,225,000 and HK$28,145,000 for the sales of wine and Chinese baijiu respectively.

39. AMOUNTS DUE TO RELATED PARTIES

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

	2018 HK$'000	2017 HK$'000
Beijing Macrolink Land Limited (note (i))	**4,088**	2,317
Macrolink Culturaltainment Development Co., Limited ("MCD") (note (i))	**181**	181
Yunnan Huayue Trading Limited (note (i))	**30,752**	–
Yunnan Jinliufu Trading Limited ("Yunnan JLF Trading") (note (ii))	**10,075**	10,403
Others (note (iii))	**5,546**	6,017
	50,642	18,918

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.

40. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank and other borrowings comprised of:		
Bank loans – secured (notes (i) and (ii))	**192,526**	50,398
Mortgage loan – secured (note (iii))	**157,040**	111,664
	349,566	162,062
The borrowings are repayable as follows:		
Within one year or on demand	**204,876**	–
More than one year, but not exceeding two years	**144,690**	162,062
Total bank and other borrowings	**349,566**	162,062

Notes:

(i) Bank loan of approximately HK$47,836,000 (2017: HK$50,398,000) was secured by (1) the Group's building and land use rights located in the PRC with carrying amounts of approximately HK$23,141,000 and HK$5,564,000 respectively (2017: building HK$24,381,000 and land use rights: HK$4,446,000); and (2) personal guarantee from Mr. Wu Shui Lin (2017: Mr. Wu Shui Lin), a director of certain subsidiaries of the Group.

(ii) Bank loan of approximately HK$144,690,000 was secured by (1) a deposit placed by MCD, an intermediate holding company of the Company; and (2) a guarantee provided by MIL, an immediate holding company of the Company.

(iii) Mortgage loan was secured by the Group's properties under development located in Markham, Ontario, Canada with carrying amounts of approximately HK$606,845,000.

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 7.77% (2017: 6.71%) per annum.

41. 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.

42. PLEDGE OF ASSETS

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

	2018 HK$'000	2017 HK$'000
Land use rights (note 16)	**5,564**	4,446
Building (note 17)	**23,141**	24,381
Stock of properties (note 24)	**1,900,707**	1,735,767
	1,929,412	1,764,594

43. 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:

	2018 HK$'000	2017 HK$'000
Within one year	**18,201**	5,299
In the second to fifth year inclusive	**21,648**	20,854
Over five years	**39,136**	54,856
	78,985	81,009

Operating lease payments represent rentals payable by the Group for its certain office properties, warehouse and farmland. The lease term of office properties and warehouse is 1 to 6 years, and that of farmland is 20 to 50 years. Rentals are fixed and no arrangement has been entered into for contingent rental payments.

44. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
In connection with the property development expenditure	**794,137**	887,437
In connection with acquisition of plant and equipment	**262**	1,724
	794,399	889,161

45. CONTINGENT CONSIDERATION RECEIVABLE

Contingent consideration receivable represents the profit guarantee arising from the acquisition of Niiwoo Financial during the year ended 31 December 2018 as detailed in note 46 below. Contingent consideration receivable has been designated as financial assets at FVTPL upon initial recognition and is measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivable is as follow:

	2018 HK$'000
At the beginning of the year	–
Arising from acquisition of a subsidiary (note 46)	10,479
Fair value change	(105)
At 31 December	10,374

The contingent consideration is measured at fair value by an independent valuer using the expected payoff method. The expected payoff method was selected for valuation of the contingent consideration because it was considered as an appropriate method to determine between future net income and profit guarantee. Under the expected payoff method, the contingent consideration was determined based on probability weighted payoff of the scenarios, discounted at the weighted average of cost of capital to the present value at respective periods.

46. BUSINESS COMBINATION

Acquisition of Niiwoo Financial

On 13 October 2017, the Company entered into a sale and purchase agreement (as supplemented) (the "S&P Agreements") with Paison Technology, pursuant to which, the Company, through WFOE, acquired the controlling right and the entire economic benefits of Niiwoo Financial through a series of variable interest entity contracts. The acquisition has been accounted for using the acquisition method. Niiwoo Financial is a company established in the PRC, which is engaged in the operation of an internet P2P financing platform through a mobile application under "你我金融(Niiwoo Financial)" brand.

Pursuant to the S&P Agreements, Paison Technology warranted to the Company that the audited net profit after tax but before any extraordinary or exceptional items of Niiwoo Financial prepared in accordance with the HKFRS (the "Net Profit") for each of the year ended 31 December 2017 (the "First Year"), the first full financial year (the "Second Year") after obtained the value-added telecommunication business operation license (the "License") and the full financial year immediately after the Second Year (the "Third Year") (collectively, the "Guaranteed Period") shall not be less than the amount (the "Guaranteed Profit") as set out below:

Guaranteed Period	Guaranteed Profit
First Year	RMB70,000,000
Second Year	RMB200,000,000
Third Year	RMB300,000,000

If the Net Profit for the relevant Guaranteed Period is less than the relevant Guaranteed Profit (the "Shortfall"), Paison Technology shall compensate the Company the Shortfall, multiplied by a factor of 6.3, in cash. The maximum compensation at the end of the Guaranteed Period shall not exceed HK$1,411,800,000.

The consideration was satisfied by the allotment and issuance of 1,086,000,000 shares (the "Consideration Shares") which have been held in escrow and locked-up by an escrow agent and shall be released when the relevant Guaranteed Profit with respect to each Guaranteed Period is achieved and the License being obtained. The acquisition was subsequently completed on 1 August 2018 (the "Completion Date"). The fair value of each of the Consideration Shares was HK$0.71, being the market price of the Company's shares on the Completion Date, amounted to approximately HK$771,060,000.

46. BUSINESS COMBINATION *(Continued)*

Acquisition of Niiwoo Financial *(Continued)*

Consideration transferred

	HK$'000
Consideration Shares	771,060
Less: Contingent consideration receivable (note 45)	(10,479)
Total consideration	760,581

The fair value of the Guaranteed Profit on the Completion Date amounted to approximately HK$10,479,000 and was recorded as contingent consideration receivable in the consolidated statement of financial position.

Fair value of the identifiable assets and liabilities recognised at the Completion Date were as follows:

	HK$'000
Property, plant and equipment (note 17)	8,249
Intangible assets – internet P2P financing platform (note 18)	941,132
Prepayments, deposits paid and other receivables	15,890
Cash and cash equivalents	9,348
Accruals, deposits received and other payables	(5,751)
Amount due to an immediate holding company	(67,117)
Deferred tax liabilities (note 32)	(141,170)
	760,581
Goodwill arising on acquisition:	
Consideration transferred	760,581
Less: fair value of identifiable net assets acquired	(760,581)
	–
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired of	9,348
	9,348

The Group incurred transaction costs of approximately HK$4,515,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the profit for the year ended 31 December 2018, revenue and profit of approximately HK$153,085,000 and HK$106,552,000 were attributable to the businesses generated by Niiwoo Financial respectively. Had the business combination been completed on 1 January 2018, the revenue and loss for the year ended 31 December 2018 would have been approximately HK$431,040,000 and HK$43,135,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed of the beginning at the period, nor is it intended to be a projection of future results.

46. BUSINESS COMBINATION *(Continued)*

Acquisition of Residential LP and Commercial LP

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 identifiable assets and liabilities recognised at the date of completion of the subscription 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.

Included in the loss for the year ended 31 December 2017, loss of approximately HK$4,810,000 was attributable to the business generated by the Residential LP and the Commercial LP. Had the business combination been effected on 1 January 2017, the loss for the year ended 31 December 2017 would have been approximately HK$119,782,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

47. CONTINGENT LIABILITIES

	2018 HK$'000	2017 HK$'000
Guarantee given to a financial institution in connection with a mortgage loan	**204,167**	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.

48. RETIREMENT BENEFIT PLANS

(i) Plan for Hong Kong employees

The Group participates in a mandatory provident fund scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

(ii) Plan for PRC employees

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

(iii) Plan for South Korea employees

The Group operates a defined benefit retirement scheme to its subsidiaries in South Korea. The defined benefit retirement scheme is funded by monthly contributions from the Group at average salary of the final six months multiplied by the number of years vested. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on an annual basis. The pension obligation is measured by discounting the expected future cash flows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (note 35).

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

49. 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.

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.

49. SHARE OPTION SCHEME *(Continued)*

Movements in the share options during the year ended 31 December 2018 are as follows:

Name and category of participants	Date of grant	Exercise period	Exercise price per share *(note (i))*	Number of share options Outstanding at 31.12.2017	Lapsed in 2018	Outstanding at 31.12.2018
Directors						
Mr. Su Bo	4.7.2016	4.7.2016 to 3.7.2026	2.0381	11,775,600	–	11,775,600
Mr. Ng Kwong Chue, Paul	4.7.2016	4.7.2016 to 3.7.2026	2.0381	7,850,400	–	7,850,400
Mr. Zhang Jian	4.7.2016	4.7.2016 to 3.7.2026	2.0381	7,850,400	–	7,850,400
Mr. Hang Guanyu	4.7.2016	4.7.2016 to 3.7.2026	2.0381	7,850,400	–	7,850,400
Mr. Liu Huaming	4.7.2016	4.7.2016 to 3.7.2026	2.0381	7,850,400	–	7,850,400
Other employees or participants	4.7.2016	4.7.2016 to 3.7.2026	2.0381	95,186,100	(12,756,900)	82,429,200
	31.3.2017	31.3.2017 to 30.3.2027	2.0000	3,000,000	–	3,000,000
Substantial shareholder						
Mr. Fu Kwan (note (ii))	31.3.2017	31.3.2017 to 30.3.2027	2.0000	10,000,000	–	10,000,000
Total				151,363,300	(12,756,900)	138,606,400

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.

50. 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
Cash inflow (outflow):				
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
Cash inflow (outflow):				
Exchange alignment	(11,286)	(74,073)	(9,677)	(95,036)
Acquisition of a subsidiary	–	67,117	–	67,117
Proceeds from borrowings	414,790	68,572	–	483,362
Repayment of borrowings	(216,000)	(55,565)	–	(271,565)
At 31 December 2018	**349,566**	**783,623**	**104,376**	**1,237,565**

51. 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.

	2018 HK$'000	2017 HK$'000
Sales of goods		
Yunnan JLF Trading (note i)	**7,783**	9,213
VATS Chain Liquor Store Management Company Limited ("VATS Chain Store") (note i)	**–**	990
Service income		
MACRO-LINK International Investment Co., Ltd. (note ii)	**1,532**	2,116
Loan interest		
MACRO-LINK International Investment Co, Ltd. (note iii)	**–**	337

51. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *Notes:*

(i) These companies are related parties of the Group as Mr. Fu Kwan, 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 during the year ended 31 December 2018, approximately RMB6,583,000 (equivalent to HK$7,783,000) were carried out under the Jinliufu Agreement (as defined in "Directors' Report") dated 28 September 2018 which entered into with Yunnan JLF Trading. Details of the transactions were set out under the paragraph of "Continuing Connected Transactions Exempted from Independent Shareholders' Approval" 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.

(b) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the directors of the Company and certain of the highest paid employees, as disclosed in note 11, is as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term benefit	**2,643**	2,964
Post-employment benefits	**18**	21
Share-based payments	**–**	–
	2,661	2,985

(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 39.

(d) Personal guarantee is provided by Mr. Wu Shui Lin, a director of the subsidiaries of the Company for the bank borrowing disclosed in note 40.

(e) A secured deposit placed by MCD, an intermediate holding company of the Company and a guarantee provided by MIL, an immediate holding company of the Company for the bank borrowing disclosed in note 40.

52. GOVERNMENT GRANTS

During the year ended 31 December 2018, the Group recognised of approximately HK$8,826,000 (2017: HK$14,186,000) 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.

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

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,964**	1,436
Interests in subsidiaries	**3,736,180**	2,278,765
	3,738,144	2,280,201
Current assets		
Prepayments, deposits paid and other receivables	**12,088**	1,981
Cash and cash equivalents	**3,981**	5,531
	16,069	7,512
Total assets	**3,754,213**	2,287,713
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**42,936**	32,076
Reserves	**2,988,760**	2,191,399
Total equity	**3,031,696**	2,223,475
LIABILITIES		
Non-current liabilities		
Loan from an immediate holding company	**717,222**	–
	717,222	–
Current liabilities		
Accruals and other payables	**5,125**	2,468
Loan from an immediate holding company	**–**	61,600
Amount due to an intermediate holding company	**170**	170
	5,295	64,238
Total liabilities	**722,517**	64,238
Total equity and liabilities	**3,754,213**	2,287,713
Net current assets/(liabilities)	**10,774**	(56,726)
Total assets less current liabilities	**3,748,918**	2,223,475

Approved and authorised for issue by the Board of Directors on 26 March 2019 and signed on its behalf by:

Su Bo
Director

Ng Kwong Chue, Paul
Director

53. 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 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 and 1 January 2018	2,286,570	57,008	(152,179)	2,191,399
Issuance of consideration shares	760,200	–	–	760,200
Lapse of share options	–	(5,121)	5,121	–
Profit for the year	–	–	37,161	37,161
At 31 December 2018	**3,046,770**	**51,887**	**(109,897)**	**2,988,760**

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

54. COMPARATIVE FIGURES

Certain comparative figures of prior years have been restated to conform with current year presentation.

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 2019.

RESULTS

	For the year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000 Restated	**2018** **HK$'000**
Revenue	255,379	241,225	273,710	295,487	**460,763**
(Loss)/profit from operating activities	(223,866)	(34,500)	(87,153)	(83,340)	**63,705**
Finance costs	(3,947)	(3,544)	(10,778)	(2,885)	**(2,881)**
(Loss)/profit before taxation	(227,813)	(38,044)	(97,931)	(86,225)	**60,824**
Taxation	1,911	(2,846)	(1,211)	(3,087)	**(5,441)**
(Loss)/profit for the year	(225,902)	(40,890)	(99,142)	(89,312)	**55,383**
Attributable to:					
Owners of the Company	(193,044)	(35,336)	(92,482)	(70,986)	**64,413**
Non-controlling interests	(32,858)	(5,554)	(6,660)	(18,326)	**(9,030)**
(Loss)/profit for the year	(225,902)	(40,890)	(99,142)	(89,312)	**55,383**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	743,692	2,091,820	4,513,068	4,253,273	**5,340,406**
Total liabilities	(282,243)	(977,003)	(3,597,982)	(1,643,161)	**(2,008,154)**
Non-controlling interests	(66,039)	(367,112)	(480,294)	(671,481)	**(628,010)**
Shareholders' funds	395,410	747,705	434,792	1,938,631	**2,704,242**

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	226,746	55%
Nos. 71–79, Macquaire Street, Sydney, New South Wales, Australia	Residential and commercial	Under development	2021	1,207	13,309	80%
9900 Markham Road, 5899 Major Mackenzie Drive East, Markham, Ontario, Canada	Residential and commercial	Under development	Phase I: 2020 Phase II: 2023	58,636	90,569	51%