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 2019 to 31 December 2019

2019 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Ma Chenshan (Chairman)
 (Appointed on 30 December 2019)
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. Ma Chenshan
 (Appointed on 30 December 2019)
Mr. Ng Kwong Chue, Paul

COMPANY SECRETARY

Mr. Ng Kwong Chue, Paul

NOMINATION COMMITTEE

Mr. Ma Chenshan (Chairman)
 (Appointed on 30 December 2019)
Mr. Ting Leung Huel, Stephen
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

REMUNERATION COMMITTEE

Mr. Ting Leung Huel, Stephen (Chairman)
Mr. Ma Chenshan
 (Appointed on 30 December 2019)
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

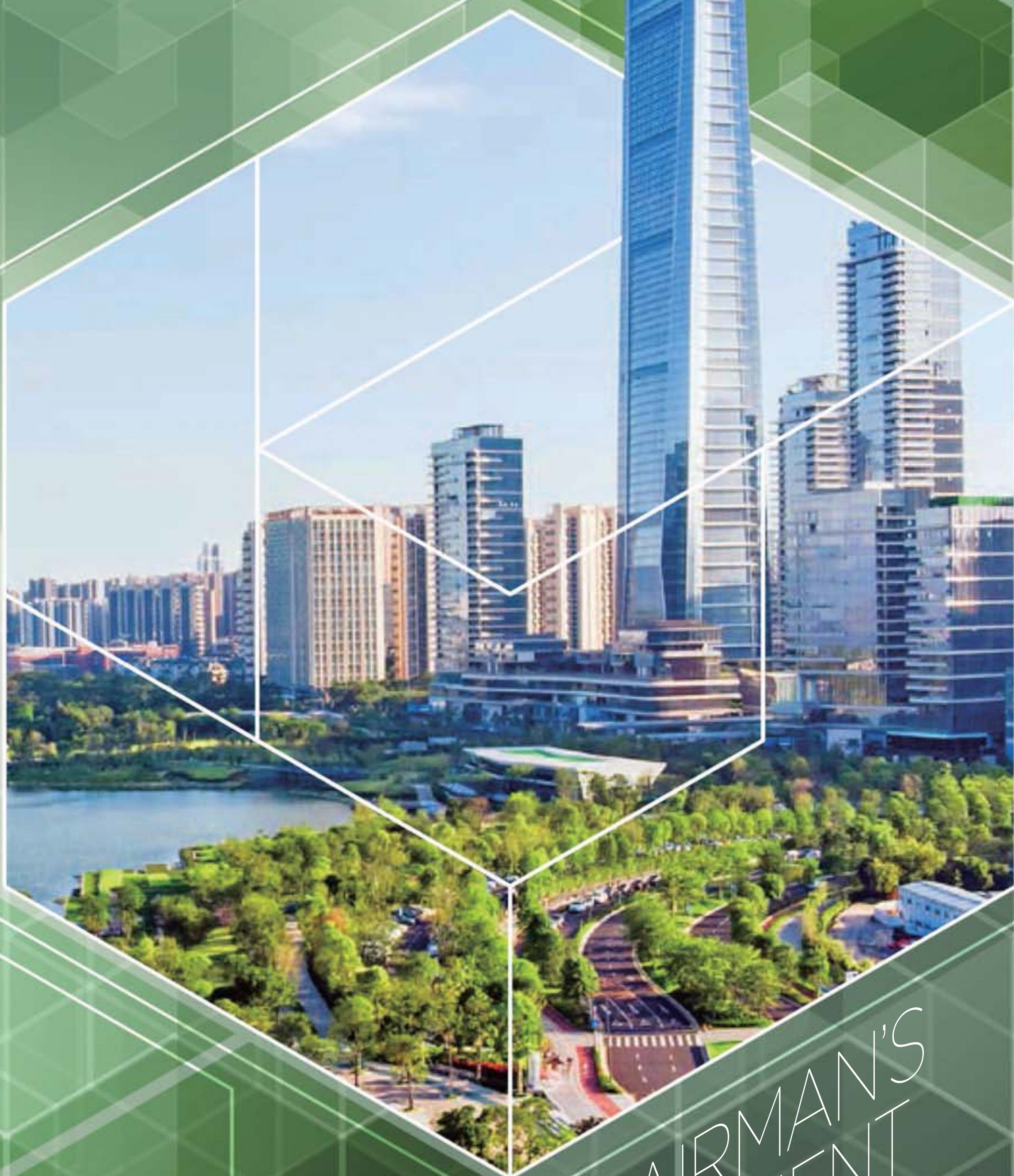
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

Tricor Progressive Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

00472



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

The year of 2019 was unarguably one of the most challenging years in history with the economy plagued by (i) global trade tensions; (ii) the collapse of the Chinese domestic internet finance market; (iii) Hong Kong's social unrest; and (iv) the outbreak of the novel coronavirus disease 2019 (the "COVID-19"). Against such backdrop, on behalf of the board of directors (the "Board") of New Silkroad Culturaltainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I present to you the Group's annual report and financial results for the year ended 31 December 2019.

The Group placed high expectations on the mobile internet finance business's ("MIFB") investment in the PRC last year. However, the application of the online lending value-added telecommunication business operation license for the MIFB could not be successfully obtained due to certain personal issue of the PRC vendor which triggered the default of a post-acquisition event under the sale and purchase agreements (for details, please refer to the circular of the Company dated 5 July 2019). As the interest of the Group's shareholders has always been our highest priority, in view of the default event which concurred with the increased tightening of the PRC's internet finance policies, the Group decisively discontinued the MIFB operation in accordance with the relevant PRC law. As the project was acquired by way of issuance of new shares of the Company, the termination of the acquisition constituted a disposal and an off-market share repurchase for the Company under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Code of Share Buy-backs respectively. Such disposal and share repurchase were approved by more than 75% votes of independent shareholders at the special general meeting held and were completed on 31 July 2019. The discontinued MIFB resulted in an accounting loss of HK$73.2 million, which did not involve any cash outlay and thus had no real effect on the cash flows of the Group, together with an operating loss of HK$22.4 million.

With respect to our two operations in South Korea, although the relevant hotel development approval has been granted, the land development of Glorious Hill in South Korea has not commenced due to a delay in project financing. Furthermore, as the peak tourism season was significantly affected by the outbreak of the worldwide epidemic, the Group's entertainment business in South Korea was adversely affected with operating results turned red despite improvement in the first half of the year. With the continued development of COVID-19 in South Korea, the Group's entertainment business in South Korea was temporarily suspended in compliance with local government's epidemic prevention measures. Since the date of reopening is still uncertain, the prospect of the business is arduous.

During the Year, the Group realised a gain of HK$9.2 million on disposal of its baijiu business, which had been recording continuous losses, for a consideration of RMB70 million. The disposal was beneficial to the Group's liquidity position. However, the deconsolidation of baijiu business has resulted in a decrease in the Group's overall revenue.

Our Canadian project was in the same predicament when our Canadian business partner failed to obtain the development approval for the second phase of the project. In order to resolve the deadlock and the conflicts in project management with the Canadian business partner, the Group has disposed of the entire equity interests in the Canadian project together with all debts thereof for a contract price of CAD41.7 million on 29 November 2019 (Toronto time). The disposal of the Canadian project has not only returned profits, but also reduced overall liabilities of the Group. Though the final price adjustment of the transaction is yet to be determined on the settlement date, the agreement between the Group and the Canadian business partner has safeguarded a return of 15% to the Group on the project investment. Despite the lawsuit brought by the Canadian business partners after the disposal, we are confident that the actions undertaken by the Group were fully lawful and compliant with the terms and conditions of the agreements and the relevant laws and regulations.

Fortunately, the Opera Residence in Sydney, Australia is progressing smoothly as planned. The foundation works had been completed and the project is expected to be delivered on schedule in 2021. By then, the project is expected to contribute significant revenue and investment returns to the Group.

CHAIRMAN'S STATEMENT

As a result of the combined effects of the above, total operating revenue of the Group from the continuing operations for 2019 decreased by 7.3% to HK$211.2 million (restated in 2018: HK$227.9 million), and a loss of approximately HK$229.5 million (2018: profit of HK$55.4 million) was recorded. Loss attributable to shareholders of the Company was HK$188.7 million (2018: profit of HK$64.4 million). Basic loss per share was HK4.92 cents (2018: earning of HK1.76 cents). As at 31 December 2019, the Group had total assets and net assets valued at HK$3,882.2 million and HK$2,099.8 million respectively.

Hong Kong is a wonderful city. It has been disheartening to see the disharmony and raging epidemics that have affected the entire community. Nevertheless, the Group's profound belief in Hong Kong's future remain undimmed. Our results in 2019 reflect the changes, challenges and opportunities in our businesses. The nature of our businesses and the ongoing development of the markets in which we operate mean that we are inevitably subject to, and must be prepared for, continuous challenges. Going through the transition in 2019 has not been easy and our results are a stark reminder that changes in the market we operate are sophisticated and unpredictable. We strive to promote our investments, with cultural tourism remaining as the core of our ongoing development, while continuing to pursue excellence in our existing operations.

On behalf of the Board, I would like to express my sincere gratitude to the shareholders for their support. My gratitude also extends to the management team and employees for everything they have achieved, and together we will move forward.

Ma Chenshan
Chairman

Hong Kong, 31 March 2020

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL INFORMATION

The Group's operating results from the continuing operations for the year ended 31 December 2019 (the "Year") were contributed by the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in South Korea and Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea.

The Group's internet finance facilitation service business and Chinese baijiu business were classified as discontinued operations and separately presented under 'Discontinued operations' following completion of the disposals on 31 July 2019 and 20 November 2019 (the "Disposal Dates") respectively. Accordingly, the consolidated statement of profit or loss for the prior year has been restated.

Revenue

Revenue from the continuing operations for the Year decreased by 7.3% to approximately HK$211.2 million (restated in 2018: HK$227.9 million) mainly due to reduction in revenue of the entertainment business.

The performance of our wine business has been improved by the development of direct sales channels to distribute products to end consumers. Revenue increased by 3.5% to approximately HK$128.5 million (2018: HK$124.2 million) which accounted for 60.9% (restated in 2018: 54.5%) of the Group's total revenue.

Revenue of the entertainment business, which represented 39.1% (restated in 2018: 45.5%) of the Group's total revenue, dropped by 20.2% to approximately HK$82.6 million (2018: HK$103.6 million) reflecting the effect of the trade dispute on our operation in the second half of the Year.

Gross Profit

Gross profit from the continuing operations dropped slightly by 1.5% to approximately HK$75.8 million (restated in 2018: HK$77.0 million).

Gross profit of wine business increased by 17.4% to approximately HK$63.5 million (2018: HK$54.1 million) while the gross profit margin improved by 5.8 percentage points to 49.4% (2018: 43.6%) benefiting from the increase in direct sales to the end consumers.

Gross profit of the entertainment business decreased by 46.0% to approximately HK$12.3 million (2018: HK$22.9 million) primarily due to the steep drop in revenue.

Other Revenue

Other revenue decreased by 40.7% to approximately HK$14.6 million (restated in 2018: HK$24.7 million) mainly due to reduction in government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 17.8% to approximately HK$49.8 million (restated in 2018: HK$42.3 million) as more marketing activities were carried out to strengthen our sales channels. Selling and distribution expenses as a percentage of revenue increased by 5.0 percentage points to 23.6% (2018: 18.6%).

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and operating expenses of the entertainment business. During the Year, administrative and other operating expenses increased by 6.9% to approximately HK$100.5 million (restated in 2018: HK$94.0 million) mainly due to the increase in administration expenses of the real estate projects.

Impairment loss of goodwill

In view of the deteriorated performance of the entertainment business and the unfavorable changes in market conditions, an impairment loss of goodwill of approximately HK$61.1 million (2018: Nil) was recognised based on a business valuation prepared by an independent professional valuer.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL INFORMATION *(Continued)*

Gain on Disposal of Subsidiaries

As set out in the announcement of the Company dated 4 December 2019, the Group completed the disposal of all units in the capital of limited partnerships and all shares of corporations in the Mackenzie Creek Project (collectively, the "MC Entities") on 29 November 2019 (Toronto time) at a contract price of 41,700,000 Canadian dollars ("CAD") (equivalent to approximately HK$245,797,000), subject to post-closing adjustments with reference to the financial statements of the MC Entities on that date. Up to the date of this report, the final price is yet to be determined. Having taken into consideration the possible closing adjustments, a gain on disposal of approximately HK$21.1 million was provided.

Loss before Taxation

The Group's loss before taxation from continuing operations for the Year was approximately HK$110.5 million (restated in 2018: HK$39.7 million).

Taxation

Taxation decreased by 94.2% to approximately HK$0.3 million (restated in 2018: HK$5.1 million) mainly due to the substantial loss incurred for the Year.

Loss Attributable to Owners of the Company

Taking into consideration the abovementioned factors, loss after taxation from continuing operations for the Year was approximately HK$110.8 million (restated in 2018: HK$44.9 million). Loss attributable to owners of the Company from continuing operations was approximately HK$80.4 million (restated in 2018: HK$37.9 million). Basic loss per share attributable to owners of the Company from continuing operations was HK2.10 cents (restated in 2018: HK1.04 cents).

Discontinued Operations

Loss from discontinued operations was HK$118.7 million which comprised the operating results of the discontinued operations and the results of the respective transactions.

The aggregate operating loss of the discontinued operations which were recognised up to the Disposal Dates amounted to approximately HK$54.7 million, of which the internet finance facilitation service business and Chinese baijiu business were approximately HK$22.4 million and HK$32.3 million respectively.

Based on the fair value of the 1,086,000,000 shares cancelled and the consideration received, the aggregate loss on disposal from discontinued operations was approximately HK$64.0 million, which composed of the loss on disposal of the internet finance facilitation service business of approximately HK$73.2 million and the gain net on disposal of the Chinese baijiu business of approximately HK$9.2 million.

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 an increase in cash and cash equivalents by 7.7% to approximately HK$266.2 million (2018: HK$247.2 million). As at 31 December 2019, total borrowings increased by 14.2% to approximately HK$1,413.7 million (2018: HK$1,237.6 million) as a larger new replacement loan was obtained for real estate development.

Our major borrowings are denominated in Renminbi ("RMB") 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.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Capital Expenditure

During the Year, our total capital expenditure amounted to approximately HK$312.7 million (2018: HK$182.2 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate projects. For year 2020, we have budgeted HK$687.8 million for capital expenditure mainly on the development of the 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. As at 31 December 2019, the Group's inventories decreased by 20.7% to approximately HK$210.0 million (2018: HK$264.9 million) mainly due to deconsolidation of the Chinese baijiu business which was disposed of during the Year. Finished goods also decreased by 27.3% to approximately HK$61.5 million (2018: HK$84.7 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) was 379 days for the Year (2018: 354 days).

Balance Sheet Analysis

As at 31 December 2019, total assets of the Group decreased by 27.3% to approximately HK$3,882.2 million (2018: HK$5,340.4 million). Total assets composed of current assets of approximately HK$2,450.9 million (2018: HK$2,798.4 million) and non-current assets of approximately HK$1,431.3 million (2018: HK$2,542.0 million). The decrease in total assets was mainly due to deconsolidation of the assets of the internet finance facilitation service business which amounted to approximately HK$1,082.0 million and the recognition of impairment loss of goodwill in relation to the entertainment business amounted to approximately HK$61.1 million.

As at 31 December 2019, total liabilities, which included current liabilities of approximately HK$264.4 million (2018: HK$726.6 million) and non-current liabilities of approximately HK$1,518.0 million (2018: HK$1,281.6 million), decreased by 11.2% to approximately HK$1,782.4 million (2018: HK$2,008.2 million). The decrease in total liabilities was mainly due to deconsolidation of liabilities of the internet finance facilitation service business which amounted to approximately HK$240.0 million.

As at 31 December 2019, our total equity composed of owners' equity of approximately HK$1,708.5 million (2018: HK$2,704.2 million) and non-controlling interests of approximately HK$391.3 million (2018: HK$628.0 million).

The Group's current ratio as at 31 December 2019 soared to 9.3 (2018: 3.9) as the cash received from long-term loan increased. Gearing ratio, representing total borrowings divided by total equity, increased to 67.3% (2018: 37.1%). About 99.3% (2018: 77.4%) of borrowings are non-current in nature, i.e. repayable after one year.

Trade receivables turnover ratio (being average trade receivables divided by revenue) for the Year increased to 80 days (2018: 30 days) mainly due to longer repayment cycle from customers of the entertainment business.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 24.9% (2018: 19.7%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 8.0% (2018: 5.5%). The Group's five largest customers accounted for 9.6% (2018: 14.1%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 3.5% (2018: 10.1%).

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$6.3 million (2018: HK$8.8 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 (2018: Nil).

PLEDGE OF ASSETS

At 31 December 2019, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK$22.9 million (2018: HK$28.7 million) to secure general bank facilities granted. In addition, the Group pledged a piece of land located in Sydney, Australia in favour of a financial institution which amounted to a book value of approximately HK$1,539.5 million to obtain loan for real estate development.

CONTINGENT LIABILITIES

Save as disclosed in the below section headed "LITIGATION UPDATE" in respect of the outstanding legal proceedings against the Group and note 51 to the consolidated financial statements, the Group had no material contingent liabilities as at 31 December 2019 (2018: HK$204.2 million).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

The functional currency of the Group's subsidiaries in the PRC is RMB whereas the functional currencies of the Group's subsidiaries in South Korea, Australia and Canada are KRW, AUD and CAD respectively. There is a natural hedge mechanism in place during the course of its respective business operation and the impact of the foreign exchange risk is low, therefore no financial instruments for hedging purposes are considered necessary. To enhance overall risk management, the Group will review its treasury management function from time to time 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

(i) Termination of the variable interest entity contracts in relation to the PRC internet finance facilitation service business

In May 2019, the Company announced the disposal of the PRC internet finance facilitation service business by way of termination of the variable interest entity contracts and cancellation of the 1,086,000,000 consideration shares issued pursuant to the condition subsequent of the sale and purchase agreement dated 13 October 2017 (as supplemented) entered into between the Company and a PRC vendor (the "PRC Vendor") in relation to the acquisition of the controlling right and the entire economic benefits of the business. The disposal was completed on 31 July 2019. For details, please refer to the circular and announcement of the Company dated 5 July 2019 and 31 July 2019 respectively.

(ii) Discloseable transaction in relation to disposal of equity interest of the Mackenzie Creek Project

In October 2019, NSR Toronto Holdings Ltd. ("NSR Toronto") entered into a securities purchase agreement with an independent third party for disposal of all units in the capital and all shares of the MC Entities at the contract price of CAD41.7 million (equivalent to approximately HK$245.8 million). The disposal was completed on 29 November 2019 (Toronto time). For details, please refer to the announcements of the Company dated 11 October 2019 and 4 December 2019.

(iii) Discloseable transaction in relation to disposal of PRC subsidiaries

In November 2019, Shangri-la Winery Co., Ltd. entered into a sale and purchase agreement for the disposal of 70% of the equity interests of and the shareholder's loan owed by Yunnan Diqing Shangri-la YuQuan Investment Co., Ltd. ("YuQuan Investment") at the consideration of RMB70 million (equivalent to approximately HK$78.1 million). YuQuan Investment owned the entire equity interests in Harbin City Xinlong Winery Co., Ltd. and Heilongjiang Province YuQuan Winery Co., Ltd. which were engaged in the production and distribution of Chinese baijiu in the PRC. The disposal was completed on 20 November 2019. For details, please refer to the announcements of the Company dated 15 November 2019 and 20 November 2019.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2019, the Group employed a total of 453 (2018: 1,148) full time employees. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Company has a share option scheme for selected participants as incentive and reward for their contribution to the Group. 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 UPDATE

Legal proceedings of MegaLuck Co., Ltd. ("MegaLuck")

MegaLuck, a non-wholly owned subsidiary of the Company, has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office (the "Prosecutor Office") for outsourcing management of slot machines operation under 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 (the "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 judgement of the First Case was made by Jeju District Court in December 2019 that MegaLuck was given an acquittal on non-violation of the Act. However, the Prosecutor Office has filed an appeal against the judgement (the "First Case Appeal") with the Appellate Division of Jeju District Court. As at the date of this report, the First Case Appeal is pending for court hearing date.

The Jeju District Court had ruled in the Second Case that MegaLuck shall pay a damage of approximately KRW89 million (equivalent to about HK$630,000) to Global Game. Nevertheless, Global Game has filed an appeal against the judgement (the "Second Case Appeal") to request MegaLuck to pay a damage of approximately KRW522 million (equivalent to about HK$3.65 million). In November 2019, the Gwangju High Court (Jeju Chamber) had dismissed the Second Case Appeal filed by Global Game.

Legal proceedings of NSR Toronto

(i) NSR Toronto issued a notice of action dated 30 May 2019 and filed a statement of claim dated 27 June 2019 (the "2019 Claim") in the Superior Court of Justice in Ontario (the "Ontario Court") against CIM Development (Markham) LP, CIM Mackenzie Creek Residential GP Inc., CIM Commercial LP, CIM Mackenzie Creek Commercial GP Inc., CIM Mackenzie Creek Inc. (collectively, the "Project Companies Defendants"), which were all the then non-wholly owned subsidiaries of the Company, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., CIM Global Development Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "CIM Defendants", together with the Project Companies Defendants, collectively, the "Defendants"). Pursuant to the 2019 Claim, NSR Toronto seeks damages for breach of contract and breach of the duty of good faith, for accounting and disgorgement of profits for breach of fiduciary duty and breach of trust for failure or refusal to disclose self-dealing transactions that harmed NSR Toronto's interests, and for specific performance (or damages in lieu thereof) for refusal to honour their obligations under the agreement entered into with the Group dated 30 May 2017 in amounts to be particularised in the course of proceedings together with interest and costs.

    The Defendants filed a statement of defence and counterclaim dated 16 August 2019 (the "Counterclaim") in Ontario Court, among other matters, (a) to deny any and all liability to NSR Toronto; (b) to ask the action be dismissed; and (c) to claim against NSR Toronto for damages, in an amount to be determined prior to trial, relating to the Defendants' lost profits in the development project.

    On 4 October 2019, NSR Toronto filed an amended notice of motion in Ontario Court for, among other matters, (a) an order staying or dismissing the Counterclaim brought on behalf of the Project Companies Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim commenced without authority of the Project Companies Defendants which were controlled by NSR Toronto at the time being.

LITIGATION UPDATE *(Continued)*

Legal proceedings of NSR Toronto *(Continued)*

(i) *(Continued)*

On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in name of the Project Companies Defendants should be stayed and the CIM Defendants were ordered to pay NSR Toronto's costs incurred in the motion.

On 25 February 2020, NSR Toronto delivered an amended claim in which only the CIM Defendants remain as defendants (the "Amended Claim"). The Amended Claim reflects certain developments since the 2019 Claim was first issued.

(ii) On 13 March 2020 (Toronto time), NSR Toronto and its officer were served in Ontario, Canada, with a statement of claim dated 21 February 2020 (the "2020 Claim") filed in the Ontario Court by two Ontario companies (collectively, the "Plaintiffs"). The 2020 Claim raises a number of legal and factual allegations against the Company, NSR Toronto, a direct wholly-owned subsidiary of the Company in Hong Kong and the officers of NSR Toronto (collectively, the "NSR Defendants") as well as against a number of entities not related to the Group (the "Other Defendants"). As against the NSR Defendants, the Plaintiffs seek CAD8 million (equivalent to about HK$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019. Similar claims are being advanced against the Other Defendants.

As at the date of this report, the NSR Defendants are in the course of seeking legal advice on the litigation and will mount a vigorous defence. As advised by the lawyers in Canada, it would be premature to assess the likelihood of the potential financial impact on the Company, if any. As such, at this juncture, no provision has been made in the accounts during the Year in respect of the 2020 Claim.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MA CHENSHAN

Chairman and Executive Director

Mr. Ma Chenshan, aged 44, was appointed as an executive director of the Company and the chairman of the Board on 30 December 2019. He is the authorised representative, the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company. Mr. Ma is also a director of certain subsidiaries of the Company. He holds a bachelor degree in Chinese Literature from Shanxi University. From July 1998 to December 2003, he was a reporter of CCTV. From January 2004 to May 2006, he served as the deputy director of All China Federation of Supply and Marketing Cooperatives — Audio-visual Center. From June 2006 to January 2009, he was an editor for journals of China Cooperative Times. From February 2009 to October 2011, he was the deputy president of China Cooperative Times and the executive deputy director of All China Federation of Supply and Marketing Cooperatives — Audio-visual Center. From November 2011 to December 2017, he served as the general manager in the manager department, and the director in each of the Group Office, the distribution department and the photography art department of Guang Ming Daily. From January 2014 to May 2016, he was a member of the Standing Committee of the Guangyuan Municipal Committee of Sichuan Province and the deputy secretary of the Party Group of the Municipal Government. Since January 2018, he has been the director and executive vice president of Macro-Link Holding Company Limited ("Macro-Link Holding"), the controlling shareholder of the Company. Mr. Ma is now the chairman and the director of Macrolink Culturaltainment Development Co., Ltd. ("Macrolink Culturaltainment") which is a company listed on the Shenzhen Stock Exchange (stock code: 000620) and is a non-wholly owned subsidiary of Macro-Link Holding, and 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 49, 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 (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 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 46, was appointed as an executive director of the Company on 25 February 2004. He serves as the senior vice-president of Macro-Link Holding. Mr. Zhang is now the executive director of Dongyue Group Limited (stock code: 189) and Macrolink Capital Holdings 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.

HANG GUANYU

Executive Director

Mr. Hang Guanyu, aged 54, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 48, 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 had served 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 66, 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 40 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 65, 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 69, 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 (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

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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) development and operation of real estate in South Korea and Australia; (ii) development and operation of integrated resort and cultural tourism in South Korea; (iii) production and distribution of its own brand of wine in the PRC; and (iv) operation of entertainment business in Jeju, South Korea. Details of the principal activities and other particulars of the subsidiaries of the Company are shown in note 23 to the consolidated financial statements.

BUSINESS REVIEW

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

Overview

A fair review of the business of the Group for the year ended 31 December 2019 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, gross profit margin, current ratio, gearing ratio and capital adequacy levels is set out in the section headed "Management Discussion & Analysis" on pages 6 to 12 of this annual report.

Environmental policies and performance

The Group focuses on six priorities measures: to minimise our carbon footprint, to enlighten our people maximally, to utilise energy resource wisely, to use water responsibly, to reduce waste, and to build climate resilience. The Group is dedicated to adopting environmental, social and governance policies which stipulate our commitment to structure our sustainability initiatives. We explored our pathway towards sustainability through effective measures of energy use, advanced wastewater treatment and strictly restricted waste managing policy. We value our people highly and endeavour to create an equal and inclusive working environment. Details regarding the progress in these areas are set out in the section headed "Environmental, Social and Governance Report" on pages 47 to 72 of this annual report.

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 and the PRC while the Company's shares are listed on the main board of 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 Listing Rules, the Hong Kong Companies Ordinance (Chapter 622), the Codes on Takeovers and Mergers and Share Buy-backs and other relevant rules and regulations. Details regarding the measures and policies taken relating to real estate, cultural tourism and entertainment businesses in South Korea, real estate business in Australia and wine business in the PRC on compliance with applicable laws and regulations are set out in the section headed "Environmental, Social and Governance Report" on pages 47 to 72 of this annual report.

BUSINESS REVIEW *(Continued)*

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 operation.

(ii) Currency fluctuations

The Group is an investment company with diversified businesses in Australia, 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 may receive revenue and incur expenses in other currencies. Any currencies fluctuations on translation of the accounts of these subsidiaries 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.

(iii) 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 entertainment business in Jeju, South Korea

(i) Economic trends

Market demands for entertainment are influenced by the economic conditions in the relevant regions or countries. Our entertainment business is particularly susceptible to the economic condition in China where a significant number of our customers come from. Unfavourable economic condition could cause decline in customer spending on entertainment and thus reduce demand for our services, which could adversely affect our revenue, results of operation and cash flows.

(ii) Regional events

Our entertainment business is sensitive to the willingness of the customers to travel as all of them are non-Korean. Regional events, including those resulting in travellers perceiving the area as unstable, regional conflicts or an outbreak of hostilities or war or diseases, 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 operation. For risk mitigation and diversification purpose, the Group has adjusted the development strategy to invest in countries which are more politically stable with degree of certainty in financial return.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks related to our real estate business in Sydney, Australia

(i) Property market risk

The real estate business of the Group is highly dependent on the performance of the property market it operates. Any property market downturn in the country generally or in the city and region in which the Group's property project is located, or the lack of suitable land banks or reserves for project development could adversely affect the Group's business, results of operation 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 governmental 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 proceeds, borrowings from financial institutions and internal funds, if no adequate financing can be secured or there is any failure to renew the Group's existing credit facilities prior to their expiration, the Group's operation may adversely be impacted.

Risks related to our winery business in the PRC

(i) Macroeconomic environment

Our winery business 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 that may result 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 government policies to restrict ostentatious consumption and impose stringent control over government spending on entertainment and gifting, the markets for high-end winery products plunged. We have been developing new and innovative products, managing 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 winery industry remain. By enhancing brand awareness and producing better quality products, we intend to differentiate ourselves from our competitors and maintain leading position in our 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.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

Risks related to our winery business in the PRC *(Continued)*

(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 47 to 72 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 2019 are set out in the consolidated statement of profit or loss on pages 79 to 80.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

CHARITABLE DONATION

Charitable donation made by the Group during the year ended 31 December 2019 amounted to approximately HK$205,000.

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 187.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020 (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 "2020 AGM") to be held on Thursday, 18 June 2020. In order to qualify for attending and voting at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 12 June 2020.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 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 84 to 85 and note 57 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have any distributable reserves.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Ma Chenshan (Chairman) (appointed on 30 December 2019)
Mr. Ng Kwong Chue, Paul
Mr. Zhang Jian
Mr. Hang Guanyu
Mr. Liu Huaming

Mr. Su Bo (removed on 22 January 2020)

Independent non-executive Directors:

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

In accordance with bye-law 87(1) of the Company's bye-laws (the "Bye-laws"), Mr. Zhang Jian, Mr. Hang Guanyu, Mr. Ng Kwong Chue, Paul and Mr. Tse Kwong Hon will retire from office by rotation at the 2020 AGM. Mr. Ng Kwong Chue, Paul has indicated to the Board that he would not offer himself for re-election. Accordingly, he will retire as Director in accordance with bye-law 87(2) of the Bye-laws at the conclusion of the 2020 AGM. Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Tse Kwong Hon, being eligible, have offered themselves for re-election at the 2020 AGM. None of the Directors proposed for re-election at the 2020 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 13 to 14 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 40 and 55 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 2019.

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

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

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

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31 December 2019, 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. Ng Kwong Chue, Paul	Beneficial owner	3,000,000	7,850,400	10,850,400	0.34%
Mr. Zhang Jian	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Hang Guanyu	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Liu Huaming	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Su Bo [Note]	Beneficial owner	–	11,775,600	11,775,600	0.37%

Note: Mr. Su Bo was removed as the executive Director on 22 January 2020. As at the date of this report, he ceased to have all interest in the underlying shares pursuant to share options.

DISCLOSURE OF INTERESTS *(Continued)*

(a) Interests of Directors *(Continued)*

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

Name of Director	Name of associated corporation	Capacity	Registered capital held in the associated corporation	Approximate percentage of registered capital
Mr. Zhang Jian	Cheung Shek Investment Company Limited	Beneficial owner	RMB6,715,000	3.36%

Save as disclosed above, as at 31 December 2019, 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.

(b) Interests of substantial shareholders

As at 31 December 2019, 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	54.79%	1,2
Macrolink Culturaltainment Development Co., Ltd.	Controlled corporation	1,757,450,743	54.79%	2
MACRO-LINK International Investment Co, Ltd.	Beneficial owner	215,988,336	6.73%	3
Macro-Link Industrial Investment Limited	Controlled corporation	215,988,336	6.73%	4
Macro-Link Holding Company Limited	Controlled corporation	1,973,439,079	61.52%	2,4
Mr. Fu Kwan	Controlled corporation	1,973,439,079	61.52%	4,5
	Beneficial owner	10,000,000	0.31%	
Cheung Shek Investment Company Limited	Controlled corporation	1,973,439,079	61.52%	5
Ms. Xiao Wenhui	Controlled corporation	1,973,439,079	61.52%	5
	Beneficial owner	6,010,000	0.19%	

DISCLOSURE OF INTERESTS *(Continued)*

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

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

Notes:

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

2. Macrolink Culturaltainment Development Co., Ltd. is owned as to 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 59.76% 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 33.46% 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 3.36% by Mr. Zhang Jian and as to 3.42% by an individual.

6. 1,086,000,000 shares issued to the wholly-owned subsidiary of the PRC Vendor were bought back by the Company on 31 July 2019 and subsequently cancelled on 5 August 2019. As at the date of this report, it ceased to hold these shares. However, the Company did not receive any notification on its cessation of interest in such shares.

Save as disclosed above, as at 31 December 2019, 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

A summary of the Share Option Scheme is set out in note 53 to the consolidated financial statements. Details of the outstanding share options during the year ended 31 December 2019 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 01/01/2019	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31/12/2019
Directors								
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
Mr. Su Bo [Note]	04/07/2016	04/07/2016 to 03/07/2026	2.0381	11,775,600	–	–	–	11,775,600
Other employees or participants	04/07/2016	04/07/2016 to 03/07/2026	2.0381	82,429,200	–	–	–	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				138,606,400	–	–	–	138,606,400

Note: Mr. Su Bo was removed as the executive Director on 22 January 2020. As at the date of this report, he ceased to have all interest in the share options.

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 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 31 July 2019, 1,086,000,000 shares (the "Buy-back Shares") were bought back by the Company at the buy-back price of HK$1.30 per share (the "Share Buy-back") pursuant to the condition subsequent of the sale and purchase agreement dated 13 October 2017 (as supplemented) (collectively, the "Sale and Purchase Agreements") entered into between the Company and the PRC Vendor in relation to the acquisition (the "Acquisition") of the controlling right and the entire economic benefits of the internet finance facilitation service business through a set of variable interest entity contracts (the "VIE Contracts"). Details of the Share Buy-back are set out in the circular of the Company dated 5 July 2019 (the "Circular").

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR AND CONNECTED TRANSACTION

Reference is made to the Sale and Purchase Agreements. Pursuant to the terms thereof, the PRC Vendor has undertaken to the Company that it shall use its best endeavours to obtain the PRC value-added telecommunication business operation license (the "License") as soon as possible. As disclosed in the Circular, it was a condition subsequent of the Sale and Purchase Agreements that upon the registration and application of the License was rejected or disapproved, the PRC Vendor shall procure to arrange all the VIE Contracts be terminated and that the Company might, at its absolute discretion, elect to either request the PRC Vendor to: (i) surrender the Buy-back Shares to the Company for cancellation; or (ii) within seven days after being notified by the Company, pay HK$1,411,800,000 (being the consideration for the Acquisition) to the Company in cash for the Buy-back Shares.

As the application for the License was rejected due to certain personal issue of the PRC Vendor, the Company announced on 2 May 2019 to exercise its unilateral right under the Sale and Purchase Agreements for the disposal of the Group's controlling right and the entire economic benefits in such business (the "Disposal") by way of termination of the VIE Contracts and cancellation of the Buy-back Shares.

As one or more of the applicable percentage ratios in respect of the Disposal exceeded 25% but was less than 75%, the Disposal constituted a major transaction of the Company under the Listing Rules. As at the date of the Disposal, the PRC Vendor held the Buy-back Shares representing approximately 25.29% of the issued share capital of the Company at the time being, and was therefore the then substantial shareholder and a connected person of the Company. As such, the Disposal and the Share Buy-back also constituted connected transactions of the Company under the Listing Rules, and were therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. A special general meeting of the Company was held on 31 July 2019 for the approval of the Disposal and the Share Buy-back by the then independent shareholders of the Company. Details of the Disposal and the Share Buy-back were set out in the Circular and the Company's announcement dated 31 July 2019.

Further details of other related party transactions undertaken by the Group in the ordinary course of business during the year under review, which fell under Rule 14A.73 of the Listing Rules, are set out in note 55 to the financial statements.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transaction entered into by the Group during the year ended 31 December 2019.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 27 to 46 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 2019. 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.

DIRECTORS' REPORT

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

(a) As disclosed in the sub-section headed "LITIGATION UPDATE" set out in the section headed "Management Discussion and Analysis" on page 12 of this report, on 13 March 2020 (Toronto time), NSR Toronto and its officer were served in Ontario, Canada with the 2020 Claim filed in the Ontario Court by the Plaintiffs. The 2020 Claim raises a number of legal and factual allegations against the NSR Defendants. The Plaintiffs seek CAD8 million (equivalent to about HK$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019 against the NSR Defendants. As it would be premature to assess the likelihood of the potential financial impact on the Company, no provision has been made in the accounts for the year in respect of the 2020 Claim.

(b) Since early 2020, the novel coronavirus pneumonia epidemic has spread across the PRC and other countries and it has affected the business of the Group to some extent. As at the date of this report, the overall financial effect cannot be reliably assessed. The Group will pay close attention to its development and continue to evaluate its impact on the financial position and operating results of the Group.

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 were audited by HLB Hodgson Impey Cheng Limited ("HLB") whose term of office will expire upon the 2020 AGM.

HLB has been acting as the auditors of the Company since 2006. The Board considers that changing the auditors of the Company at an appropriate time will encourage the independence of its auditors and will therefore enhance and facilitate the level of corporate governance of the Company. As such, the Board resolved not to re-appoint HLB as auditors of the Company at the 2020 AGM.

Upon recommendation of the Audit Committee, the Board also resolved to propose the appointment of Elite Partners CPA Limited ("Elite Partners") as auditors of the Company for the financial year ending 31 December 2020 at the 2020 AGM to fill the vacancy and to hold office until the conclusion of the next following annual general meeting of the Company, subject to the approval by the shareholders of the Company at the 2020 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
Ma Chenshan
Chairman

Hong Kong, 8 May 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2019.

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 2019, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.6.7.

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being an independent non-executive Director, was unable to attend the annual general meeting and the special general meeting of the Company held on 10 May 2019 and 31 July 2019 respectively due to his overseas business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

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

Upon specific enquiry by the Company, all Directors, except Mr. Su Bo who was removed as the executive Director on 22 January 2020, confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2019.

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 for the year ended 31 December 2019.

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 2019, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code.

THE BOARD *(Continued)*

Composition

As at the date of this report, the Board comprises five executive Directors and three independent non-executive Directors. The function of the Board is to guide the management to ensure the interests of the shareholders of the Company and other stakeholders are safeguarded.

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

As at 31 December 2019, 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. Ma Chenshan	Chairman/Executive Director/Chairman of Nomination Committee	30/12/2019	22/1/2020
Mr. Ng Kwong Chue, Paul	Executive Director/Company Secretary	28/3/2011	10/5/2019
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	10/5/2019
Mr. Su Bo (removed on 22 January 2020)	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	10/5/2019

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 13 to 14 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. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming are the senior management of Macro-Link International Land Limited and/or Macrolink Culturaltainment Development Co., Ltd. as disclosed in the section headed "Biographies of Directors and Senior Management", there is no relationship (including financial, business, family, or other material/ relevant relationship(s)) among the Board members.

THE BOARD *(Continued)*

Appointment and Re-election

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

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

Pursuant to bye-law 86(2) of the Bye-laws, the Board may appointed any Director(s) to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director(s) so appointed shall hold office only until the following general meeting of the Company and shall then be eligible for re-election at that meeting. Code provision A.4.2 of the CG Code also stipulates that any directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first general meeting after their appointment. Mr. Ma Chenshan, who was appointed as the executive Director on 30 December 2019 in place of Mr. Su Bo whose duties were suspended with effect from 23 December 2019, has been re-elected at the special general meeting of the Company held on 22 January 2020.

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.

THE BOARD *(Continued)*

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 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 2019, Mr. Ma Chenshan was appointed as the executive Director and chairman of the Board on 30 December 2019 in place of Mr. Su Bo.

THE BOARD *(Continued)*

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall operating strategies and policies of the Company. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

During the year ended 31 December 2019, the Board held 28 meetings. The attendance records of the Directors are set out below:

	Number of meetings attended/Number of meetings held
Executive Directors	
Mr. Ma Chenshan[1]	N/A
Mr. Ng Kwong Chue, Paul	27/28
Mr. Zhang Jian	28/28
Mr. Hang Guanyu	27/28
Mr. Liu Huaming	27/28
Mr. Su Bo[2]	25/26
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	28/28
Mr. Tse Kwong Hon	28/28
Mr. Cao Kuangyu	28/28

Notes:

1. Mr. Ma Chenshan was appointed as the executive Director on 30 December 2019.

2. The duties of Mr. Su Bo was suspended with effect from 23 December 2019 and he was removed as executive Director on 22 January 2020.

Practices and Conduct of Meetings

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

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

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

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

THE BOARD *(Continued)*

Independent non-executive Directors

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

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

The independence of each independent non-executive Director is reviewed annually by the Nomination Committee based on the definition of independence defined in the Listing Rules. The Nomination Committee is satisfied as to the independence of Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu, each of whom has fulfilled all the criteria for independence as stated in Rule 3.13 of the Listing Rules.

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 covers directors' and officers' liability, company reimbursement, legal representation expenses and securities claims. Throughout the year ended 31 December 2019, no claim has been made against the Directors and officers of the Company.

Continuing Professional Development

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

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

THE BOARD *(Continued)*

Continuing Professional Development *(Continued)*

The Directors have complied with the code provision A.6.5 of the CG Code on continuous professional development by participating in appropriate continuous professional development to develop and refresh their knowledge and skills and providing the Company their records of training for the year ended 31 December 2019. The training attended by the Directors during the year are as follows:

Directors	Corporate governance/updates on laws, rules and regulations/finance/business Read materials	 Attended seminars/ briefings
Executive Directors		
Mr. Ma Chenshan (appointed on 30 December 2019)	✔	
Mr. Ng Kwong Chue, Paul	✔	✔
Mr. Zhang Jian	✔	✔
Mr. Hang Guanyu	✔	✔
Mr. Liu Huaming	✔	
Mr. Su Bo (removed on 22 January 2020)	✔	
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. Ma Chenshan was appointed as the executive Director and chairman of the Board on 30 December 2019 in place of Mr. Su Bo. 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.

CORPORATE GOVERNANCE REPORT

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. Ma Chenshan[1]	C	M	
Mr. Ng Kwong Chue, Paul			
Mr. Zhang Jian			
Mr. Hang Guanyu			
Mr. Liu Huaming		M	
Mr. Ting Leung Huel, Stephen	M	C	C
Mr. Tse Kwong Hon	M	M	M
Mr. Cao Kuangyu	M	M	M
Mr. Su Bo[2]			

Notes:

1. Mr. Ma Chenshan was appointed as chairman of the Nomination Committee and member of the Remuneration Committee on 30 December 2019.

2. Mr. Su Bo was removed as chairman of the Nomination Committee and member of the Remuneration Committee on 30 December 2019.

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. Ma Chenshan (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 twice during the year ended 31 December 2019. 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
- proposed the appointment of a Director.

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. Ma Chenshan (Chairman) (appointed on 30 December 2019)	N/A
Mr. Ting Leung Huel, Stephen	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	2/2
Mr. Su Bo (duties suspended with effect from 23 December 2019)	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. Ma Chenshan 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	3

Particulars relating to Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements as set out on pages 132 to 133 of this annual report.

The Remuneration Committee met twice during the year ended 31 December 2019, during which it conducted the annual review for the remuneration packages of the Directors and senior management, and made recommendation to the Board on the remuneration package of the newly appointed Director.

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)	2/2
Mr. Ma Chenshan (appointed on 30 December 2019)	N/A
Mr. Liu Huaming	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	2/2
Mr. Su Bo (duties suspended with effect from 23 December 2019)	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 2019. 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 the 2018 annual results and 2019 interim results of the Group 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 continuing connected transactions for 2018 and the external auditor's report on continuing connected transactions;

- reviewed the effectiveness of the internal control system 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.

The attendance of each member of the Audit Committee is 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 2019 has been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2019, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited ("HLB") 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$1,200,000
Non-audit services:	
Report of the major transaction	HK$449,000

HLB has been acting as the auditors of the Company since 2006. The Board considers that changing the auditors of the Company at an appropriate time will encourage the independence of its auditors and will therefore enhance and facilitate the level of corporate governance of the Company. As such, the Board resolved not to re-appoint HLB as auditors of the Company at the 2020 AGM.

Upon recommendation of the Audit Committee, the Board also resolved to propose the appointment of Elite Partners CPA Limited as auditors of the Company for the financial year ending 31 December 2020 at the 2020 AGM to fill the vacancy and to hold office until the conclusion of the next following annual general meeting of the Company, subject to the approval by the shareholders of the Company at the 2020 AGM.

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 2019 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 HLB, being the external auditors of the Company, reporting their responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 73 to 78.

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 2019, 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 2019, 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 35 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 10 May 2019 and 31 July 2019 respectively. The attendance records of the Directors are set out below:

Directors	Number of meetings attended/Number of meetings held
Executive Directors	
Mr. Ma Chenshan (appointed on 30 December 2019)	N/A
Mr. Ng Kwong Chue, Paul	2/2
Mr. Zhang Jian	2/2
Mr. Hang Guanyu	0/2
Mr. Liu Huaming	2/2
Mr. Su Bo (duties suspended with effect from 23 December 2019)	2/2
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	0/2

Constitutional Documents

During the year ended 31 December 2019, 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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

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' RIGHTS *(Continued)*

Shareholders enquiries to the Board

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

Address:	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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 REPORT OVERVIEW

1.1 About the Report

We are pleased to present the fifth environmental, social and governance ("ESG") report focusing on various initiatives on sustainable development and the annual performances of the Company and its subsidiaries (collectively, the "Group"). It outlines our commitment, approach and achievements in creating value for our environment, employees, business operation and community.

Preparation Basis and 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 (the "Stock Exchange"). The board of directors of the Company is responsible for conducting the oversight of ESG risks and ensuring effective measures are in place. An internal ESG working team has also been set up across the Group to collect ESG data in various business sectors to compile the report.

Scope of the ESG Report

This ESG report includes the Group's entertainment, real estate, integrated resorts and cultural tourism businesses in South Korea, real estate business in Australia, wine and Chinese baijiu businesses in the PRC, for which the reporting scope of Chinese baijiu business covers from 1 January 2019 to 31 October 2019 as it was disposed in November 2019. The Group's internet finance facilitation service business in the PRC and real estate business in Canada are excluded from the reporting scope as such businesses were disposed in July 2019 and November 2019 respectively and we believe that their effects on the ESG aspects would be minimal during the year. Unless otherwise stated, this report covers the Group's sustainability performance, policies and strategies from 1 January 2019 to 31 December 2019 (the "Reporting Year").

The content of this report mainly covers three environmental aspects and eight social aspects required by the Stock Exchange. For details of the corporate governance, please refer to the section headed "Corporate Governance Report" on pages 27 to 46 of our 2019 annual report.

Comments and Feedback

The Group continues to work towards sustainable growth through communicating and cooperating with its stakeholders. For information about the Group's ESG initiatives, please also refer to our website at www.newsilkroad472.com and its annual report. You are welcome to share your views with us by email at enquiry@newsilkroad472.com.

1.2 Stakeholder Engagement

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.

The Group recognises the importance of stakeholder participation and strives to maintain a stable and close relationship with the key stakeholders. For example, "Shareholders Communication Policy" is in place to ensure that our shareholders and the investment community can be engaged actively with the Company and exercise their rights in an informed manner. To understand and meet their expectations, transparent and responsive channels that emphasise two-way dialogue are also in place to ensure the quality of stakeholder engagement.

Our Communication Modes with Key Stakeholders

Media
- Product launches
- Press conferences
- Corporate interviews
- Internet presence
- Media press conferences

Customers
- Customer service hotline
- After-sales customer service
- Regular visit to partners' retail outlets
- Customer satisfaction survey

Suppliers/ Contractors
- Supplier inspection
- Strategic cooperation negotiations
- Exchange visits

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

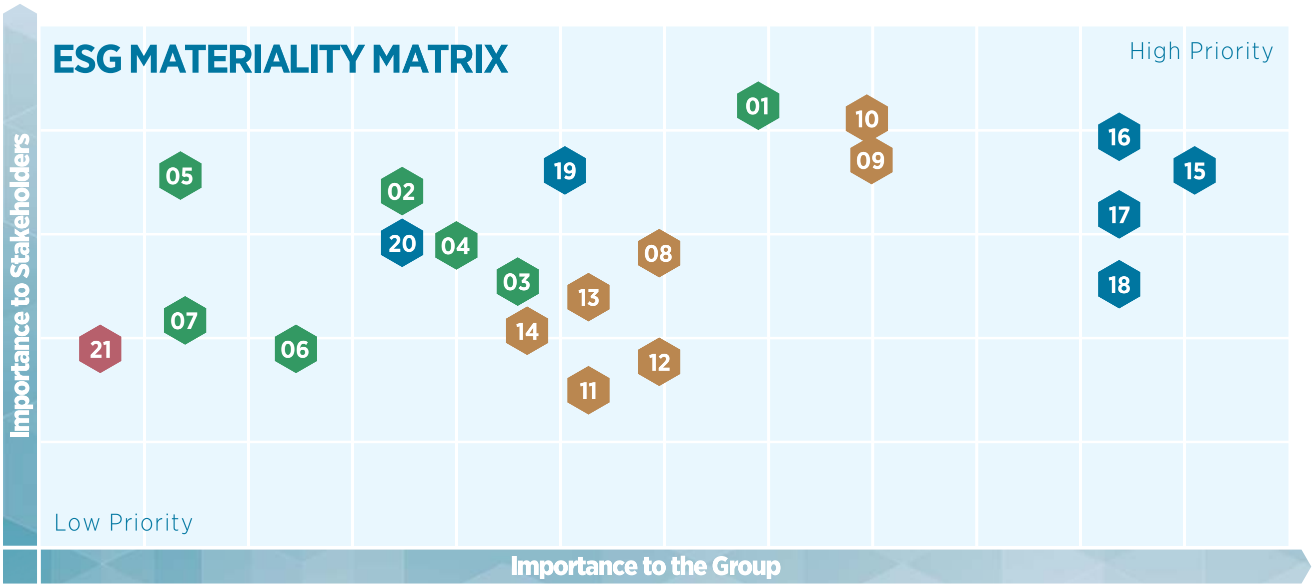
Business Partners
- Contractor conferences
- Progress meetings
- Audits, assessments and inspections
- Information and experience sharing
- Product briefing

Investors/ Shareholders
- General meetings
- Corporate communications, including but not limited to annual reports, interim reports, circulars, announcements, notices, etc.
- Site visits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.3 Materiality Assessment

While maintaining an ongoing dialogue with stakeholders as part of our day-to-day operations, we also conducted materiality assessment to gain a better understanding of their expectations and views about our ESG issues through an online survey. Our stakeholders were invited based on their influence and reliance on us. They were asked to rank the importance of several ESG topics and the results have been mapped onto the below materiality matrix to compare the relative importance and impact of 21 identified key issues on our stakeholders and businesses respectively.



Our Environment

- 01 Compliance with environmental laws and regulations
- 02 Water resources management
- 03 Greenhouse gas ("GHG") emissions
- 04 Environmental impact assessment
- 05 Waste
- 06 Materials consumption
- 07 Energy

Our People

- 08 Employee training and career development
- 09 Compliance with employment and labour laws and regulations
- 10 Occupational health and safety
- 11 Diversity and equal opportunities
- 12 Employee engagement
- 13 Employee relations
- 14 Child and forced labour

Our Business Operation

- 15 Customer health and safety
- 16 Customer privacy
- 17 Services and product quality
- 18 Customer satisfaction
- 19 Anti-corruption
- 20 Supply chain management

Our Community

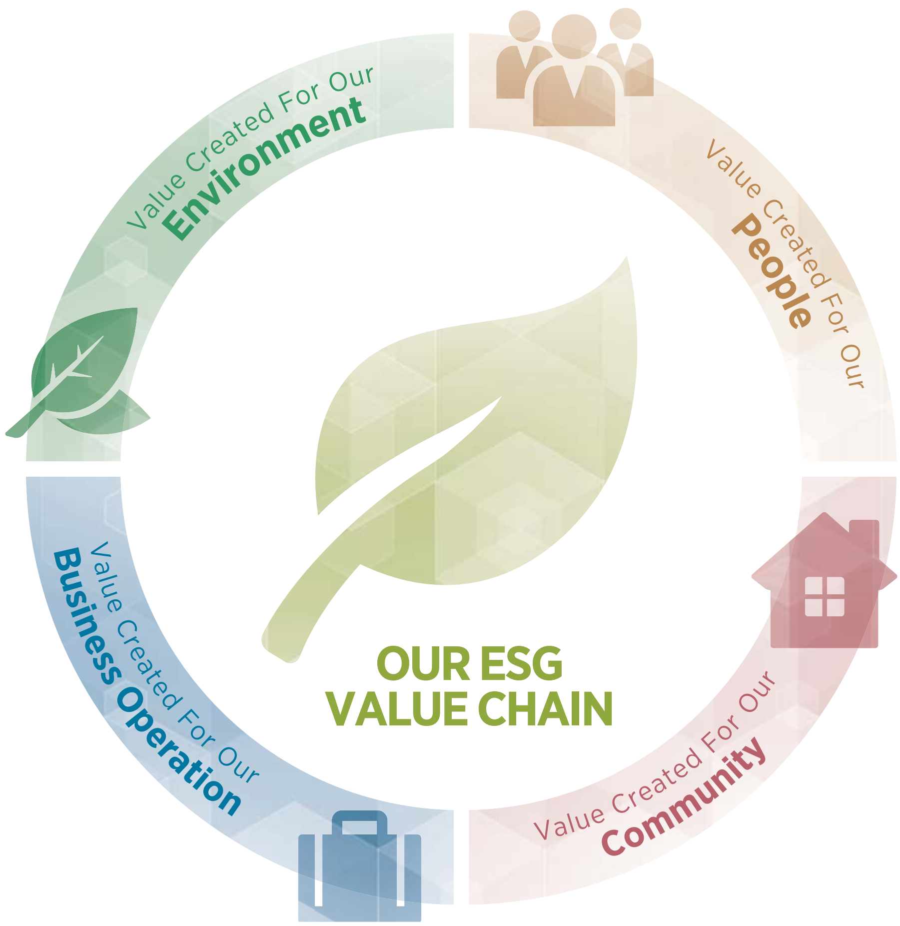
- 21 Community Investment

Based on results from year 2018, we have updated our materiality matrix with inputs from both internal (in which, most of the respondents are employees) and external stakeholders (e.g. shareholders/investors/suppliers/contractors/service providers/others). Legal compliance, customer privacy, as well as health and safety remain the top three material topics for this Reporting Year. Most of stakeholders opine our ESG report and disclosures satisfying.

In recent on-line survey of materiality assessment, some stakeholders expressed their expectations for more diversified communication channels with us, which provided a key direction, as well as an identified priority, for continuous efforts to further improve the communication with our stakeholders.

1.4 Our ESG Management Approach

We have formulated the ESG policy which stipulates our commitment in structuring its sustainability initiatives. We are dedicated to leveraging the resources to four-focused areas, namely our environment, employees, business operation and community to sustain future growth as well as tracking and improving our ESG performance.



2 VALUE CREATED FOR OUR ENVIRONMENT

2.1 Our Commitment to the Environment

Adhering to the spirit of creating a sustainable business environment, we continue our dedication to optimising our business operation and minimising our environmental impacts. We made our promises on achieving economic growth and sustainable development on both hands, which urged us to reduce our ecological footprint by consistently renovating the way we produce and consume goods and resources.

Considering our business mapping through Hong Kong, Mainland China, South Korea and Australia, we thrive to keep on track of an efficient management of our shared values on sustainable goals. We have formulised program of risk control through years of practices. Subsequently, we take preventive measures to mitigate the potential harm to the environment. Our priority is to align the environmental initiatives with the applicable environmental laws and regulations in where we operate, such as the "Environmental Protection Law of the PRC" (中華人民共和國環境保護法), "Korean Environmental Impact Assessment", "Protection of the Environment Operations Act 1997 (Australia)" and "Protection of the Environment Amendment Act 2005 (Australia)".

Internally, the Group has acknowledged climate changes and has begun looking deeper into its impacts on our businesses in order to be more responsive to possible consequences. Externally, we actively engage with the community through a wide range of programmes, aiming to draw the public's attention to climate-change issues and other environmental-related topics in order to encourage sustainable consumption practices.

2.2 GHG Emission Management

In our business, GHG emissions are mostly generated from indirect emissions from purchased electricity, as well as direct emissions from winery production and vehicle fuels use.

Business Sectors of Wine and Chinese baijiu (Production)

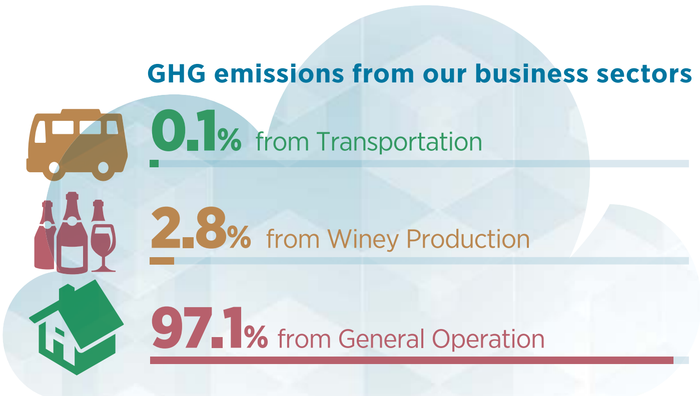
Green development is applied in our wine and Chinese baijiu businesses, in the concept of appropriate environmental sustainability measures that include in the process of production, transformation, warehousing, and packaging of products. In the course of the production, we consume coals which is in strict compliance 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). A monitoring program is tracking our total consumptions of coals, purchased electricity and fuels during the Reporting Year.

Other Business Sectors (Non-production)

The Group has implemented a formal environmental policy to communicate with our stakeholders over the commitment and approach to continuously improve environmental protection. Transportation options with minimal carbon emissions are encouraged. We also provide commuting support to our employees for their daily work. The policy details our approach in applying sustainable development principles in our daily operations, from supply chain management and building designs all the way to property management.

The main sources of the Group's GHG emissions were derived from electricity and gas consumption from the general operation located in Hong Kong, Australia and South Korea, which accounted for 97.1% of the total GHG emissions. Our PRC winery production in general released 2.8% majorly from the purchased electricity and coal combustion, while a minority of 0.1% had been emitted from the total fuel use of all business sectors.

During the Reporting Year, the total amount of GHG emission is illustrated in the table below:



GHG Emission Category	Tonne of carbon dioxide equivalent ("tCO_2e")
Direct GHG emissions (Scope 1 emission)	7,454.6
Energy indirect GHG emissions (Scope 2 emission)	302,365.8
Total GHG Emissions	309,820.4

2.3 Reducing Air Pollutants Emissions

The Group constantly strives to maintain and improve the sustainability of our properties. To achieve this, we optimise the use of resources and cost savings, and believe that a high-quality workforce can significantly contribute to our sustainability performance and help us respond in a more effective way. Coal combustion is required to produce Tibetan barley wine (青稞酒) for our wine business. These productions lead to the main sources of air pollutants emissions, such as Sulphur oxides (SO_x). In another case at the wine production plant in Qinhuangdao, we adopt oil boiler so that it has zero slag waste generated as well saving the needs of de-sulphurizing equipment thanks to its zero emissions of Sulphur oxides. During the Reporting Year, from the winery production records we tracked 2,755 tonnes of coals consumption, together with the fuels we consumed in transportation, which in total generates Sulphur oxides (SO_x) and Nitrogen oxides (NO_x) as summarised below. We periodically provide the tracking results of the above mentioning results of air pollutants emissions to the authorities to be sure the operation under safety and local regulations.

AIR POLLUTANTS	
Sulphur oxides (SO_x)	3.46 tonnes
Nitrogen oxides (NO_x)	9.19 tonnes

2.4 Responsible Waste Management

Wastewater

Business Sectors of Wine and Chinese baijiu (Production)

Winery wastewater is generated from cleaning and washing operations during crushing and pressing of grapes, rinsing of tanks, barrel washing, bottling, residuals drainage, clean-in-place operations, etc. Waste streams are extremely variable in volume and quality.

In the Reporting Year, our winery plants in Yunnan, Qinhuangdao and Heilongjiang generated 13,480 tonnes of wastewater which ended up through treatment system. Coupling with stretched budgets and resources, the system installation helped us improve water use efficiency and reduce the risk of environmental impact. We strictly follow the food industry standard "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), with which we ensure to meet the required quality of discharged water on site. At our Heilongjiang site, a total amount of 7,500 tonnes of wastewater had been recycled successfully till the year end.

Case Study

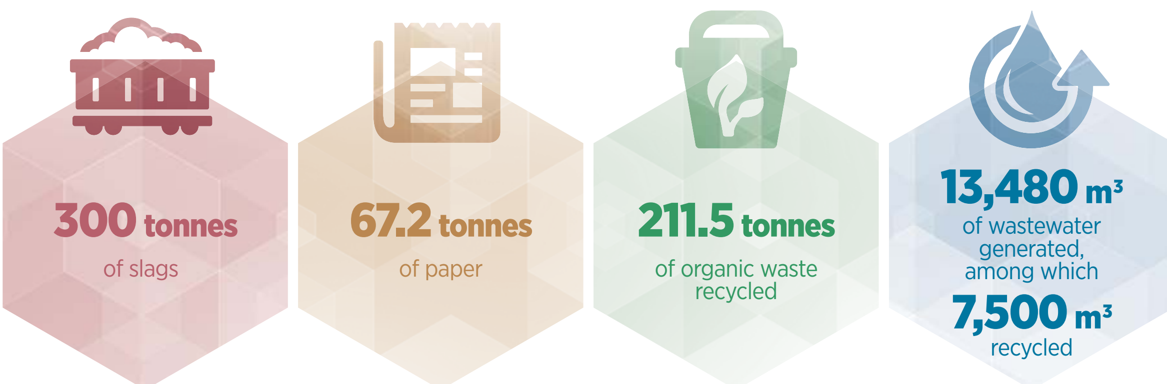
WASTEWATER TREATMENT AND ONLINE MONITORING SYSTEM IN QINHUANGDAO WINERY

In the wastewater treatment system we adopt in Qinhuangdao, we install advanced UASB anaerobic reactor with a daily processing capacity of 300 tonnes. Processed wastewater flow through biological contact oxidation pond, settling pond, and biological aerated filter (BAF) consecutively to be purified. The large mechanical settings from biological treatment and reuse enable the waste to come down to the standard required for discharging level.

Organic Waste and Others

Business Sectors of Wine and Chinese baijiu (Production)

Regarding the organic waste generated during the wine production course in 2019, 211.5 tonnes of the grape skins and stem were sold to local farmers recycled as organic fertiliser.



2.5 Optimising Use of Resources

The Group recognises that enhancing the resources efficiency can protect our environment and simultaneously save the operational cost. We have taken different initiatives to utilise the resources in a responsible manner and optimise the resources use in our operations.

The Group believes that the behavioural change of our employees is crucial to reduce the use of resources in our day-to-day operation. We have set up an incentive bonus program and relevant training program to help our employees to cultivate good habits in proper use of resources, increase their environmental awareness as well as further sharing the common goals in enhancing the resources efficiency.

Our performances on resources use in 2019 are shown in the following table.

RESOURCES	PERFORMANCE
Electricity consumption	597,041 MWh
Water consumption	61,010 m^3
Plastic consumption	17.7 tonnes
Coal consumption	2,755 tonnes
Office stationary	70 kg

Energy

We establish sustainable purchasing requirement and prioritise the use of environmentally friendly and green products. We have implemented energy-saving measures to improve our energy efficiency in our business sectors. For instance, we install the lighting system with LEDs and motion sensors to switch on/off the lighting automatically when needed in order to reduce the energy use. We replace the old or malfunctioned equipment to more energy-efficient model in our wine production so as to minimise energy consumption. We also conduct periodic maintenance on building mechanical system in the venues of our entertainment and real estate business sectors.

We adopt the "Building Sustainability Index (BASIX)" in Australia in recognition of our commitment to sustainable construction practices. With their contributions, we have been able to develop and manage our real estate project through green innovation applications in energy efficiency, material use, waste management and other environmental-related issues.

Water

Business Sectors of Wine and Chinese baijiu (Production)

We adopt dripping irrigation system in Qinhuangdao winery, which annually contributes a water savings of above 30%. This efficient irrigation system also saves labour efforts and improves fertilising efficiency for self-irrigation due to its semi-automated mechanical irrigation method, when the valve is opened to the appropriate pressure.

Other Business Sectors (Non-production)

We set up water use targets in careful planning, together with regular staff training and follow-up. It is as vital as basics to improve the employee awareness level on water saving practices. We establish a water management plan by measuring water consumption and setting tangible targets. We take regular readings and monitor where the areas of greatest use are.

Another key part of our water management plan is to establish a water conservation plan. Here are some practices and guidelines we follow:

- Communicate the management's commitment in water reduction and the subsequent objectives and goals to all employees;

- Train staff so they understand how to make prudent use of water and how to maintain equipment for optimum energy-efficiency; and

- Encourage staff to put forward their own suggestions for water reduction.

- **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. There was no non-compliance case concerning environmental laws and regulations in 2019.

- **Office stationery**

  We encourage our employees to reduce the use of paper whenever possible through the adoption of simple practices. For instance, we attempt to save daily paper use by printing documents with double-sided printing, as well as using word processing tools as opposed to printing. Besides, we apply the computer technology such as written communication by email and electronic administrative management system to reduce the paper consumption. At our entertainment venue in Korea, we adopted an electronic approval system which massively saved paper use with 46% reduction comparing to 2018. Meanwhile, we also place the recycle bins located in the cubicles, hallways and kitchen to further recycle the paper and other recyclable materials for reuse as much as possible before disposal.

- **Packaging materials**

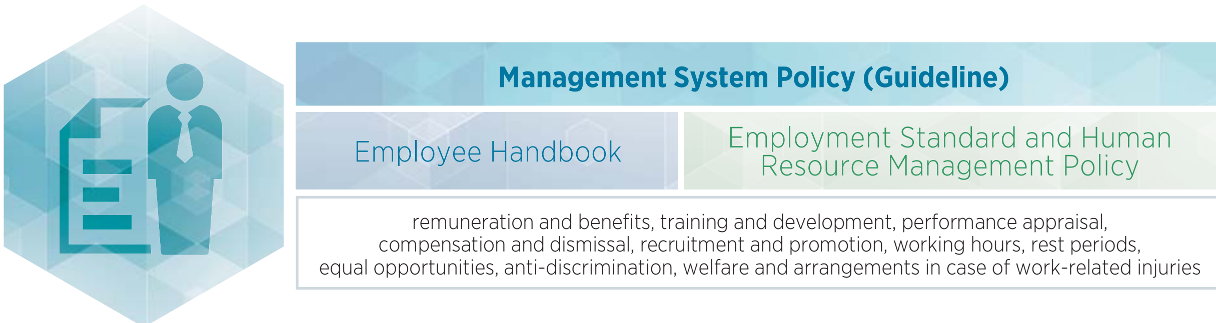
  During the Reporting Year, we tracked a total consumption of 3,300 tonnes of waste bottle and packaging materials such as card boxes, plastic covers, bottle corks and bottle caps. We encouraged and established a recycling program where the used packaging materials are handled by local recycling contractors.

3 VALUE CREATED FOR OUR PEOPLE

3.1 Policy Overview and Labour Standards

Employment Policy

"Management System Policy" concerning various labour affairs, such as remuneration and benefits, training and development, and performance appraisal have been established, which serves as a guideline for all of our subsidiaries to develop their employment-related policies. "Employee Handbook" as well as "Employment Standard and Human Resource Management Policy" are also 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.



The Group puts great emphasis on the protection of the legitimate rights and interests of all employees and strictly complies with national, local and any relevant laws and regulations. Given the global presence of our business operation, such laws and regulations include but not limited to 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, and the South Korea's Employment Protection Law.

During the Report Year, we have refined the employment practices and issues, including work plan, recruitment, attendance, vacation, business travel, reward and punishment, outlined in employee handbook. With the discussion of company management and employee representatives in our business of South Korea, we can make continuous improvement in our employment standard and human resource management as well as complying with the local labour laws.

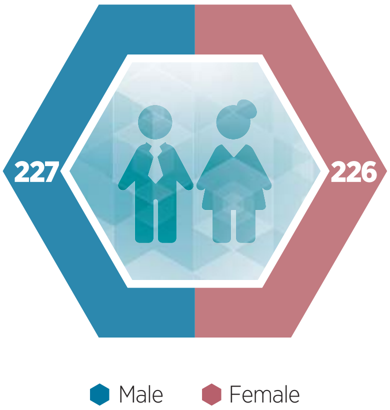
Labour Standards

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 during the Reporting Year.

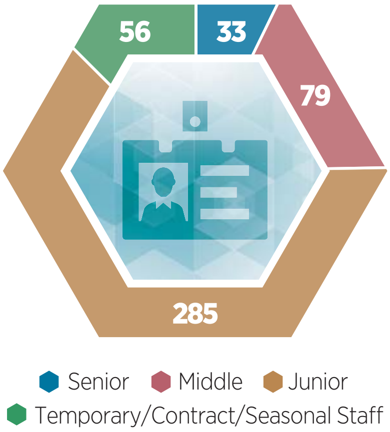
3.2 Employee Profile

As at 31 December 2019, we had 453 employees spread over the world, including Hong Kong, Mainland China, South Korea and Australia. The overall employee turnover rate was about 16.6% in 2019. Statistics on the number of employees by gender, age, employment type and geographical region are shown below.

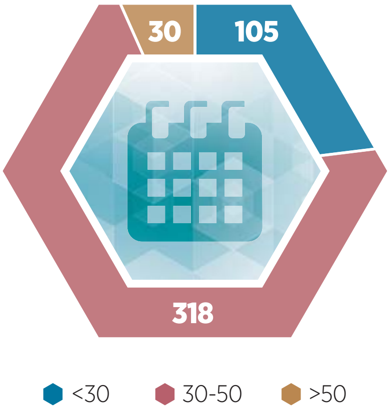
Number of Employees by Gender



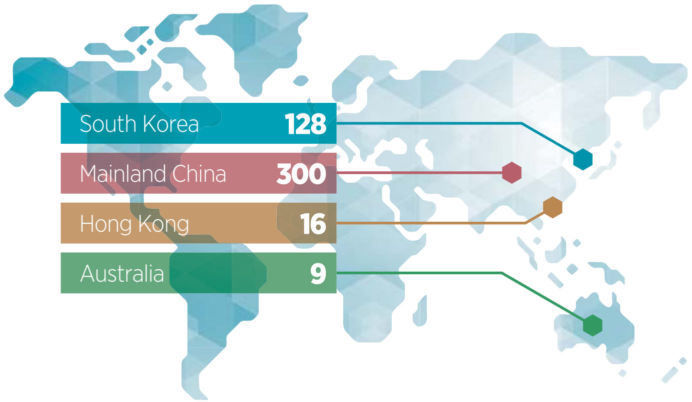
Number of Employees by Employment Type



Number of Employees by Age



Number of Employees by Geographical Region



3.3 Our Working Environment

The Group believes that talent is one of the most valuable assets in a corporation and the cornerstone of the long-term business development. We are dedicated to cultivating an equal and inclusive working environment for our people.

- **Equal Opportunities**

  Embracing equal opportunities, the Group is committed to building a supportive and inclusive environment through fair employment practices, which we believe is the foundation for talent retention. We prohibited any form of harassment and discrimination with respect to age, gender, race, ethnic origin or religious belief and strictly 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 in the Reporting Year.

- **Diversity**

  We respect individual uniqueness of our employees and value their differences to create synergy and innovation in the workplace. Given the global presence of our business operation in Hong Kong, Mainland China, South Korea and Australia, the Group strives to bring together talents from different cultures, backgrounds and levels, creating a diversified platform in which turns human resources to best account.

- **Work-life Balance**

  The Group believes that with work-life balance, employees tend to feel more motivated and less stressed out at work, which thereby increases company productivity and reduces the number of conflicts in the working environment.

  We encourage our employees to maintain a good work-life balance and provide them with various kinds of support. For example, lactation breaks for mothers, family leave, flexible working hours are provided to our employees in South Korea; marriage leave for at least three days and condolence leave for five days in the PRC are also our family-friendly measures which enable them to manage their time on the job and family responsibilities.

3.4 Safety, Health and Well-being

Our continuous effort in promoting a safe workplace is reflected in our performance record. To protect employees from workplace hazard, internal health and safety policies are in place to ensure compliance with local and national laws such as the Hong Kong's Occupational Safety and Health Ordinance, the PRC's Work Safety Law, Safety and Health Law in South Korea and Work Health and Safety Act in Australia. We also maintain a safe workplace. For instance, "Health, Safety and Environmental Manual" was implemented in our real estate sector to provide guidelines in managing the safety and health issues in daily real estate operation. Meanwhile, the "Occupational Disease Prevention Leading Group" was formed in our winery sector, at which the 6S management is useful to prevent hazards caused by disorganisation within the wine manufacturing site. Regular body check-up was provided to our employees in integrated resorts sector.

During the Reporting Year, the Group was not aware of non-compliance case with the relevant safety and health laws and regulations.

3.5 Development and Training

The Group acknowledges the importance of empowering its people through development and training. 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 security, personal information protection, anti-money laundering, sexual harassment prevention and improvement on awareness of employees with workplace disabilities were given to staff related to the entertainment sector.

Entertainment Sector

No. of Employees Trained	113
Total Training Hours	3,368

Resort Sector

No. of Employees Trained	13
Total Training Hours	305

Group Headquarter

No. of Employees Trained	10
Total Training Hours	629

Real Estate Sector

No. of Employees Trained	3
Total Training Hours	240

Wine Sector

No. of Employees Trained	300
Total Training Hours	3,310

Group Photo of Statutory Obligations Training

4 VALUE CREATED FOR OUR BUSINESS OPERATION

4.1 Overview of Responsible Business

Our vision is to be one of the world's pioneer, facilitator and integrator of cultural-tourism-entertainment. We endeavor to seek the best located, cultural-rich venue to develop the most functional rich entertainment complex and resort in order to uplift and enrich people's lifestyle. Maintaining good customer relationships and providing responsible business are always keys for a sustainable business operation.

Responsible Entertainment Business

We obtained business-related services and operating licenses, such as company business license, legal person registration (corporate registration certificate), entertainment business license, money exchange registration certificate, computer system inspection certificate of conformity.

Ethical and responsible marketing is adopted. Locals and young people under 19 years old are prohibited from entering the venue. Warning messages are posted at the entrance and security guards are stationed in the area. Safety measures against criminal activities have been taken. We also strive to prevent food safety incidents at the premise through monitoring the quality of food and beverage provided by the suppliers.

Responsible Resorts and Property Development Business

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. Work-related injury insurance was purchased in 2019 for our employees.

Responsible Winery Business

We understood health risks and social impact on excessive drinking. Being a responsible wine producer, we advocated responsible and healthy drinking by putting warning messages on packaging and product labels. We also safeguarded intellectual property rights by setting up a management team to enforce anti-counterfeiting measures, strengthen brand management and maintain our brand image.

4.2 Optimising Supply Chain Management

We believe that suppliers with diverse backgrounds could contribute to our value creation. During the Reporting Year, we have engaged 64 suppliers from different locations. The Group adheres to good practices during procurement process and works closely with suppliers and subcontractors for the smooth operation of business. "Tender and Procurement Management Policy" is in place to guide each subsidiary to comply with the principles of fairness and justice in the tendering process.

The Group has a stringent supplier selection and management process. Before engaging with a new supplier, we conduct stringent supplier qualification assessment to ensure that they meet our standards in areas such as anti-corruption, quality and safety. We remain vigilant on supply chain risks including those related to ESG through regular performance review and monitoring. Those who do not pass our evaluation are required to take timely correction and/or corrective actions; otherwise the unqualified suppliers will be suspended or removed from our approved vendor list.

4.3 Improving Customer Satisfaction

The Group is dedicated to delivering our quality services and products to clients by establishing customer-service protocols and operational procedures. For example, the "Accountability Policy" has been established 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 with regard to health and safety product, advertising, labelling, and customer privacy in various business sectors.

Quality Services

Customer feedback is vital to our persistent pursuit of service excellence. We are committed to undertaking reviews of any complaint we receive and respond within an appropriate time frame. Taking the entertainment sector for instance, regular training and working guidelines are offered to employees to ensure that they master customer-handling skills effectively to create a pleasant experience and to enhance overall customer satisfaction for our guests.

Quality Products

The Group upholds its product responsibility. Taking the real estate sector as an example, our architectural design and development are in accordance with relevant legal and environmental protection requirements in Australia.

For the winery sector, strong emphasis is put on maintaining high-quality products at all stages with focus on food safety in particular. 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). Food safety is integrated into our daily management and operations. Our Hazard Analysis and Critical Control Point ("HACCP") 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 CERTIFICATE

SHANGRI-LA(QINHUANGDAO)WINERY CO.,LTD.

CHINA QUALITY CERTIFICATION CENTRE


HACCP 体系认证证书

中国质量认证中心

HACCP System certification


质量管理体系认证证书

GB/T 19001-2016 / ISO 9001:2015

中国质量认证中心

Quality Management System 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 the Reporting Year, none of our products sold is subject to recalls due to health and safety reasons.

4.4 Business Ethical Conduct

The Group is committed to upholding the highest ethical standards when conducting business in ways collectively as a company and as individual employees within the company. Through ethics trainings and daily operations, we continuously link our employees as well as our business partners to our values of integrity and achieve mutual business objectives.

Anti-corruption

We are required to strictly adhere to the "Corporate Code of Conduct" and "Anti-Corruption Policy" to ensure our business and operations are of high ethical standard. We have also established a whistle-blowing policy for our employees and external stakeholders to raise concerns upon any suspicious activities through a confidential notification channel. In case of any potential violations reported, the identity of "whistle-blower" will be well protected and remedial actions will be taken where necessary. We believe such measures can prohibit illegal or unethical means on engaging, participating, and condoning behaviours that are harmful to the Group as well as the society.

During the Reporting Year, there was no reported violation case of bribery, extortion, fraud and money laundering.

Privacy and Confidentiality

Customer privacy has been identified as one of the highest priorities in our ESG materiality assessment for consecutive years. The Group is fully aware of customer data privacy and protection as maintaining confidentiality is essential for a company to build trust with its stakeholders.

We have been striving hard to safeguard the confidentiality of information we process during the course of business. The employees are required to adequately safeguard data to protect the Group's interests and shall not divulge any confidential or insider information for their own personal interest, which applies to all business sectors of the Group.

During the Reporting Year, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to privacy matters.

5 VALUE CREATED FOR OUR COMMUNITY

5.1 Building a Better Community

The Group has committed itself to serving the community by leveraging its talents, resources and networks. As a socially responsible company, we have not only been engaging in community activities, but also making our own contributions to pay back to the society for a better community.

Activity Engagement

The Group encourages its employees to participate in sports activities to maintain work-life balance and healthy lifestyle. For example, employees from the real estate sector in Sydney participated "Bridge Run" in 2019. We believe by organising such team-building activities, peer-to-peer collaborations as well as team spirits could be developed effectively and enhanced further.

Sponsorship and Donations

We aim to continue our engagement to local community through continuous support in various ways. Apart from providing employment opportunities for people in local community, the Group also contributes to the community by means of giving back. Examples of sponsorship and donations in South Korea are listed the below table totalling a sum of 19,600,000 WON. Our community involvements focus during the year demonstrates our care towards social media, public sports and the youth.

Date (YYYY/MM/DD)	Fund-raising Activities/Events	Sponsorship/ Donation (WON)
2019/01/25	30th Anniversary of World Journal 世界日報創刊30周年	3,300,000
2019/02/14	Jeju Shinpo Marathon 濟州新報馬拉松大會	2,200,000
2019/03/25	Jeju CBS 18th Anniversary Concert 濟州CBS18周年音樂會	2,000,000
2019/04/18	30th Anniversary of Halla Daily 漢拿日報創刊30周年	3,300,000
2019/04/18	Jimin Daily 2019 Marathon 濟民日報2019馬拉松大會	5,500,000
2019/07/15	27th Bailuqi National High School Football League 濟民日報第27屆白鹿旗全國高中足球聯賽	3,300,000
	Total	**19,600,000**

6 ESG DATA TABLE

ENVIRONMENTAL DATA[1]	UNIT	2019	2018	2017
Greenhouse gas emissions				
Scope 1[2]	tCO_2e	7,454.6	7,306.0	6,565.4
Scope 2[3]	tCO_2e	302,365.8	284,197.8	342,377.6
Total	tCO_2e	309,820.4	291,503.8	348,943.0
Air emissions				
Nitrogen oxides (NO_x)	tonnes	9.2	11.0	11.5
Sulphur oxides (SO_x)	tonnes	3.5	2.4	2.6
Waste disposed (by types)				
Wastewater	m^3	13,480.0	12,273.0	1,792.0
Paper	tonnes	67.2	82.1	83.3
Plastic	tonnes	17.7	21.3	21.8
Cinder	tonnes	300.0	402.0	395.0
General waste	tonnes	0.8	0.9	0.5
Use of resources				
Electricity use	kWh	597,041,401.0	549,123,555.0	690,144,036.0
Coal use	tonnes	2,755.0	3,708.6	3,332.7
Water use	m^3	61,010.0	68,010.0	63,184.0
Packaging materials				
Wine bottle	tonnes	2,617.1	3,821.9	1,954.0
Carton box	tonnes	511.0	645.9	325.6
Cork	tonnes	16.0	25.2	12.7
Paper box	tonnes	50.5	125.0	52.0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL DATA[4]	UNIT	2019	2018	2017
Total employees — by gender (full-time employees only)				
Female	number	226	491	465
Male	number	227	657	585
Total employees — by age (full-time employees only)				
< 30	number	105	373	296
30–50	number	318	678	655
> 50	number	30	97	99
Total employees — by category				
Senior	number	33	100	55
Middle	number	79	243	134
Junior	number	285	805	860
Temporary/contract/seasonal staff	number	56	10	1
Total employees — by geography				
Hong Kong	number	16	14	19
Mainland China	number	300	986	858
South Korea	number	128	131	168
Canada	number	N/A	8	5
Australia	number	9	9	N/A
Employee turnover rate — by gender				
Female	%	12.4	26.3	7.1
Male	%	20.7	14.2	10.3
Employee turnover rate — by age				
< 30	%	14.3	30.6	6.1
30–50	%	16.7	12.4	9.9
> 50	%	23.3	24.7	10.1
Employee turnover rate — by geography				
Hong Kong	%	0	35.7	5.3
Mainland China	%	13.7	14.8	5.7
South Korea	%	26.6	52.7	25.6
Australia	%	0	22.2	N/A
Occupational safety and health				
Lost days due to work injuries	day	30.5	44	0
Number of injuries cases	number	1	4	0
Number of fatalities	number	0	0	0

SOCIAL DATA[4] (CONT'D)	UNIT	2019	2018	2017
Percentage of employees trained — by gender				
Female	%	96.5	91.2	96.6
Male	%	97.4	88.3	98.1
Percentage of employees trained — by category				
Senior	%	75.8	68.0	78.2
Middle	%	94.9	74.5	91.0
Junior	%	99.3	96.8	99.7
Average training hours completed per employee — by gender				
Female	hours	17.8	13.2	15.7
Male	hours	18.0	12.9	13.1
Average training hours completed per employee — by category				
Senior	hours	38.7	14.4	35.3
Middle	hours	17.4	11.9	15.6
Junior	hours	17.7	13.2	13.1
Number of suppliers — by geography				
Mainland China	number	58	47	32
Hong Kong	number	2	2	2
South Korea	number	1	1	3
Canada	number	1	1	1
France	number	1	1	1
Australia	number	1	1	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

Notes:

1 Real estate sector in Canada and internet finance facilitation service sector in the PRC were excluded from the 2019 reporting scope. The environmental performance data coverage of the Chinese baijiu sector only includes the data from 1 January 2019 to 31 October 2019.

2 Scope 1 GHG emissions cover the direct emissions from the combustion of fuels from stationary and mobile sources. The figure presented includes the amount of coal consumption in mainland China and gas use in Korea, as well as fuel use of vehicles. The calculation is conducted based on "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange and international standards such as ISO 14064 and GHG Protocol.

3 Scope 2 GHG emissions cover the emission from the purchased electricity from Power Company. The calculation is conducted based on "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange and international standards such as ISO 14064 and GHG Protocol and the emission factors from 2018 sustainability report of HK Electric, 2015 Emission Factors for purchased electricity within Mainland China, published by Climate Change Info-Net, National Greenhouse Accounts Factors, published by Department of the Environment and Energy, Australian Government and Country Profile South Korea 2019 published by Climate Transparency.

4 The social performance data coverage in 2019 was excluded the real estate sector in Canada, the internet finance facilitation service sector and the Chinese baijiu sector in the PRC.

7 ESG REPORTING GUIDE INDEX

ESG Reporting Guide		*Page*	*Section*
A. Environmental			
Aspect A1: Emissions			
A1	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.	52	2.1
A1.1	The types of emissions and respective emission data.	53	2.3
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52	2.2
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	53	2.3
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	54	2.4
A1.5	Description of measures to mitigate emissions and results achieved.	52–53	2.2 and 2.3
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	54	2.4
Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	55	2.5
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).		
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		
A2.3	Description of energy use efficiency initiatives and results achieved.		
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		
Aspect A3: The environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	55	2.5
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		

ESG Reporting Guide		*Page*	*Section*
B.	**Social**		
Aspect B1: Employment			
B1	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.	57	3.1
Aspect B2: Health and Safety			
B2	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.	60	3.4
Aspect B3: Development and Training			
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	61	3.5
Aspect B4: Labour Standards			
B4	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.	57	3.1
Operating Practices			
Aspect B5: Supply Chain Management			
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	63	4.2
Aspect B6: Product Responsibility			
B6	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.	63	4.3

ESG Reporting Guide		*Page*	*Section*
Aspect B7: Anti-Corruption			
B7	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.	65	4.4
Aspect B8: Community Investment			
B8	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.	65	5.1

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
NEW SILKROAD CULTURALTAINMENT LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of New Silkroad Culturaltainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 186, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on goodwill and intangible assets	
Refer to notes 19, 22 and the accounting policies in note 3 to the consolidated financial statements.	
As at 31 December 2019, the Group had goodwill of approximately HK$14,130,000 and intangible assets, which comprising of entertainment license of approximately HK$443,855,000 for the Group's entertainment business. 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. The management has concluded impairment loss in respect of the goodwill of approximately HK$61,091,000 was recognised.	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 entertainment 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; • Checking on a sample basis, the accuracy and relevance of the input data used; and • Performing sensitivity analysis on the key assumptions, including discount rate, operating margins and terminal growth rate adopted in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Carrying values of properties under development Refer to note 25 and the accounting policies in note 3 to the consolidated financial statements. The carrying values of properties under development was approximately HK$1,539,538,000 as at 31 December 2019, represented approximately 39.7% of total assets. The management determined the net realisable value of the properties by the residual method which is based on gross development value and taken into account the construction costs to completion, developer's anticipated profit, marketing, professional fees and other relevant costs. 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 and the appropriateness of the key assumptions used by management including estimated developer's profit for the assessments of the net realisable value of properties under development; • Evaluating the Group's estimated total development costs for projects with slower-than-expected sale by comparing the costs with contracts and related agreements, taking into consideration the costs incurred to date and construction progress; and • Evaluating management's assessment by comparing, on a sample basis, the estimated selling price and the estimated cost to completion used in the assessment with the recent market price of properties with comparable locations and latest approved budgets on total construction costs by checking to the construction contract and/or the supporting documents. 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 8 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue	7	**211,185**	227,852
Cost of revenue		**(135,397)**	(150,872)
Gross profit		**75,788**	76,980
Other revenue	9	**14,644**	24,692
Selling and distribution expenses		**(49,823)**	(42,294)
Administrative and other operating expenses		**(100,506)**	(94,026)
Impairment loss of goodwill	22	**(61,091)**	–
Allowance for expected credit losses		**(5,397)**	(2,205)
Gain on disposal of subsidiaries	50	**21,115**	–
Loss from operating activities	10	**(105,270)**	(36,853)
Finance costs	12	**(5,211)**	(2,881)
Loss before taxation		**(110,481)**	(39,734)
Taxation	13	**(299)**	(5,116)
Loss for the year from continuing operations		**(110,780)**	(44,850)
Discontinued operations			
(Loss)/profit for the year from discontinued operations, net of income tax	49	**(118,716)**	100,233
(Loss)/profit for the year		**(229,496)**	55,383
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(80,380)**	(37,936)
(Loss)/profit for the year from discontinued operations		**(108,349)**	102,349
		(188,729)	64,413
Non-controlling interests			
Loss for the year from continuing operations		**(30,400)**	(6,914)
Loss for the year from discontinued operations		**(10,367)**	(2,116)
		(40,767)	(9,030)
		(229,496)	55,383

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
(Loss)/earning per share attributable to owners of the Company from continuing and discontinued operations			
Basic and diluted	15	**HK(4.92) cents**	HK1.76 cents
Loss per share attributable to owners of the Company from continuing operations			
Basic and diluted	15	**HK(2.10) cents**	HK(1.04) cents
(Loss)/earning per share attributable to owners of the Company from discontinued operations			
Basic and diluted	15	**HK(2.82) cents**	HK2.80 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 2019

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year	**(229,496)**	55,383
Other comprehensive loss, net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**(1,258)**	786
Change in fair value of financial asset at fair value through other comprehensive income	**(434)**	(1,192)
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**(48,031)**	(106,852)
Item that was reclassified to profit or loss:		
Release of translation reserve upon disposal of subsidiaries	**12,576**	–
Total comprehensive loss for the year	**(266,643)**	(51,875)
Attributable to:		
Owners of the Company	**(213,823)**	(7,957)
Non-controlling interests	**(52,820)**	(43,918)
	(266,643)	(51,875)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	**–**	30,491
Right-of-use assets	17	**38,759**	–
Property, plant and equipment	18	**896,413**	975,688
Intangible assets	19	**448,034**	1,398,694
Interest in an associate	21	**–**	–
Financial asset at fair value through other comprehensive income	20	**–**	4,211
Contract costs	28	**31,303**	45,106
Contingent consideration receivable	47	**–**	10,374
Goodwill	22	**14,130**	75,221
Deferred tax assets	33	**2,599**	2,172
		1,431,238	2,541,957
Current assets			
Inventories	24	**209,998**	264,885
Stock of properties	25	**1,539,538**	1,900,707
Trade and bills receivables	26	**21,996**	70,220
Prepayments, deposits paid and other receivables	27	**411,007**	312,876
Short-term loans receivables	29	**2,184**	2,593
Cash and cash equivalents	30	**266,197**	247,168
		2,450,920	2,798,449
Total assets		**3,882,158**	5,340,406
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	31	**32,076**	42,936
Reserves	32	**1,676,423**	2,661,306
		1,708,499	2,704,242
Non-controlling interests	23	**391,279**	628,010
Total equity		**2,099,778**	3,332,252

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	33	**100,151**	308,356
Loan from an immediate holding company	34	**24,906**	717,222
Loan from a non-controlling shareholder of a subsidiary	35	**101,969**	104,376
Net defined benefits liabilities	36	**7,722**	6,911
Lease liabilities	43	**27,964**	–
Bank and other borrowings — due after one year	41	**1,255,303**	144,690
		1,518,015	1,281,555
Current liabilities			
Trade payables	37	**46,018**	69,192
Accruals and other payables	38	**123,936**	109,931
Contingent consideration payable	50	**45,246**	–
Contract liabilities	39	**35,666**	219,716
Amounts due to related parties	40	**7,127**	50,642
Loan from an immediate holding company	34	**–**	66,401
Bank and other borrowings — due within one year	41	**–**	204,876
Deferred revenue	42	**134**	1,372
Lease liabilities	43	**3,606**	–
Tax payables		**2,632**	4,469
		264,365	726,599
Total liabilities		**1,782,380**	2,008,154
Total equity and liabilities		**3,882,158**	5,340,406
Net current assets		**2,186,555**	2,071,850
Total assets less current liabilities		**3,617,793**	4,613,807

Approved and authorised for issue by the Board of Directors on 8 May 2020 and are signed on its behalf by:

Ma Chenshan
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 2019

	Attributable to owners of the Company											
	Share Capital HK$'000	Share premium HK$'000	Share capital 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 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 31)	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
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(188,729)**	**(188,729)**	**(40,767)**	**(229,496)**
Other comprehensive income/ (loss) for the year												
Remeasurement of defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(658)**	**(658)**	**(600)**	**(1,258)**
Change in fair value of financial asset at FVTOCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(288)**	**-**	**(288)**	**(146)**	**(434)**
Exchange difference arising from translation of foreign operations	**-**	**-**	**-**	**(36,724)**	**-**	**-**	**-**	**-**	**-**	**(36,724)**	**(11,307)**	**(48,031)**
Reclassification adjustment from translation reserve upon disposal of subsidiaries	**-**	**-**	**-**	**12,576**	**-**	**-**	**-**	**-**	**-**	**12,576**	**-**	**12,576**
Total comprehensive loss for the year	**-**	**-**	**-**	**(24,148)**	**-**	**-**	**-**	**(288)**	**(189,387)**	**(213,823)**	**(52,820)**	**(266,643)**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,428)**	**1,428**	**-**	**(180,276)**	**(180,276)**
Dividend paid to a non-controlling shareholder of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,635)**	**(3,635)**
Share repurchase (note 31)	**(10,860)**	**(771,060)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(781,920)**	**-**	**(781,920)**
At 31 December 2019	**32,076**	**2,275,710***	**51,887***	**(5,514)***	**35,949***	**(203,631)***	**(27,843)***	**-***	**(450,135)***	**1,708,499**	**391,279**	**2,099,778**

* The reserve accounts comprise the consolidated reserve of approximately HK$1,676,423,000 (2018: approximately HK$2,661,306,000) 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 accumulated losses when the relevant equity securities are derecognised.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation			
— From continuing operations		**(110,481)**	(39,734)
— From discontinued operations		**(124,299)**	100,558
		(234,780)	60,824
Adjustments for:			
Bank interest income	9	**(2,971)**	(2,983)
Dividend income from unlisted securities		**–**	(138)
Allowance for expected credit losses of trade receivables	10, 26	**5,154**	3,288
Allowance for expected credit losses of short-term loans receivables	10, 29	**243**	324
Allowance for expected credit losses of other receivables	27	**–**	1,814
Impairment loss of goodwill	10, 22	**61,091**	–
Impairment loss of intangible assets	10, 19	**–**	876
Depreciation of property, plant and equipment	10, 18	**25,664**	29,030
Depreciation of right-of-use assets	10, 17	**6,883**	–
Amortisation of intangible assets	10, 19	**588**	618
Amortisation of land use rights	10, 16	**–**	997
Loss on disposal of property, plant and equipment	10 ,18	**841**	208
Write off of property, plant and equipment	18	**15,496**	–
Interest expenses	12	**5,211**	2,881
Gain on disposal of subsidiaries	50	**(21,115)**	–
Operating cash flows before movements in working capital		**(137,695)**	97,739
Increase in trade and bills receivables		**(61)**	(68,832)
Increase in prepayments, deposits paid and other receivables		**(1,167)**	(56,685)
Decrease/(increase) in contract assets		**4,170**	(1,677)
Decrease/(increase) in short-term loans receivables		**64**	(114)
Increase in inventories		**(7,801)**	(24,180)
(Decrease)/increase in amounts due to related parties		**(43,453)**	32,686
Increase in trade payables		**1,714**	14,836
Increase in accruals and other payables		**169,173**	7,620
Decrease in contract liabilities		**(19,063)**	(761)
(Decrease)/increase in deferred revenue		**(1,232)**	1,094
(Decrease)/increase in net defined benefits liabilities		**(678)**	431
Increase in stock of properties		**(298,956)**	(253,191)
Cash used in operations		**(334,985)**	(251,034)
Taxation paid		**(3,361)**	(4,835)
Net cash used in operating activities		**(338,346)**	(255,869)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Bank interest received	9	**2,971**	2,983
Dividend received from unlisted securities		**–**	138
Purchase of property, plant and equipment	18	**(66,994)**	(17,235)
Net cash inflow arising from acquisition of subsidiaries	48	**–**	9,348
Net cash inflow from disposal of subsidiaries	49, 50	**43,787**	–
Addition of land use rights	16	**–**	(1,557)
Net cash used in investing activities		**(20,236)**	(6,323)
Cash flows from financing activities			
Interest paid		**(3,015)**	(2,881)
Repayments of lease liabilities	54	**(7,735)**	–
Proceeds from bank and other borrowings	54	**1,256,472**	414,790
Repayments of bank and other borrowings	54	**(192,526)**	(216,000)
Advance from immediate holding companies	54	**156,320**	68,572
Repayments of loan from immediate holding companies	54	**(830,799)**	(55,565)
Net cash generated from financing activities		**378,717**	208,916
Net increase/(decrease) in cash and cash equivalents		**20,135**	(53,276)
Cash and cash equivalents at the beginning of the year		**247,168**	334,206
Effect of exchange rate changes on the balance of cash held in foreign currency		**(1,106)**	(33,762)
Cash and cash equivalents at the end of the year		**266,197**	247,168
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**266,197**	216,758
Restricted bank deposits		**–**	30,410
		266,197	247,168

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

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

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

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 '*Leases*' ("HKAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 '*Determining whether an Arrangement contains a Lease*' and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranged from 4.6% to 6.9%.

Lessee accounting and transitional impact

The following table reconciles the operating lease commitments as disclosed in note 45 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	78,985
Less: total future interest expenses	(27,427)
Present value of remaining lease payments, discounted using the incremental borrowing rate of at the date of initial application (i.e. 1 January 2019)	51,558
Less: practical expedient-leases with lease term ending within 12 months from date of initial application not recognised as liability	(14,249)
Total lease liabilities recognised at 1 January 2019	37,309
Analysis as:	
Non-current	28,637
Current	8,672
	37,309

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

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

As a lessee *(Continued)*

Lessee accounting and transitional impact (Continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	1 January 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	37,309
Add: Reclassification from land use right (note)	30,491
	67,800
By class:	
Office premises	16,579
Warehouse	246
Farmland	20,484
Land use right	30,491
	67,800

Note: Upfront payments for leasehold land in PRC for own used land were classified as land use right as at 31 December 2018. Upon application of HKFRS 16, the land use right amounting to HK$30,491,000 was reclassified to right-of-use assets.

The following table summarised the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018 HK$'000	Reclassification HK$'000	Recognition of leases HK$'000	Carrying amount under HKFRS 16 at 1 January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Right-of-use assets	–	30,491	37,309	67,800
Land use right	30,491	(30,491)	–	–
Total non-current assets	2,541,957	–	37,309	2,579,266
Lease liabilities (current)	–	–	8,672	8,672
Total current liabilities	726,599	–	8,672	735,271
Net current assets	2,071,850	–	(8,672)	2,063,178
Lease liabilities (non-current)	–	–	28,637	28,637
Total non-current liabilities	1,281,555	–	28,637	1,310,192

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated.

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

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Effect on Cashflow

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

2.2 New and amendments to HKFRSs that have been issued but are not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

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 a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments to 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, as explained in the accounting policies set out below.

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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 '*Inventories*' 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.

The principal accounting policies are set out below.

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, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests.

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, the assets and liabilities of that subsidiary and non-controlling interest are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 HKFRS 9, 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, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 as at acquisition date. If, after reassessment, the net amount 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 subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

When the consideration transferred by the Group in a business combination includes 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for 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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtain control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively 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 combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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 CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) 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. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the groups of CGUs) retained. The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

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 or 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised in subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

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.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accredited on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

The Group recognises revenue under the following accounting policies:

Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Entertainment revenue

Entertainment revenue represents the aggregate net difference between wins and losses and is recognised in the profit or loss when the amounts are received or paid out. 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 liabilities under entertainment business, 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 promoters is recorded as a reduction to entertainment 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").

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Construction in progress and properties under development includes properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. No depreciation is provided for these assets. 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 measured in accordance with HKFRS 15. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Financial assets

Classification and subsequent measurement of financial assets

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 fair value through other comprehensive income ("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 of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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.

(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.

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

The Group recognises a loss allowance for expected credit losses ("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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (continued)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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.

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.

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.

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, 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, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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

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, loan from 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.

Derecognition of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 '*Income Taxes*' requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

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

Land use rights (prior to 1 January 2019)

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).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Employee benefits

(i) Retirement benefits costs

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

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

- service cost (including current service 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(i) Retirement benefits costs *(Continued)*

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

(ii) Share-based payment arrangements

Share-based payment transactions of the Company

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

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

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

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

Intangible assets

Farmland development

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Trademarks *(Continued)*

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

Technical know-how

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

Entertainment license

Entertainment 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 finance platform

Internet finance 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 on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). 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 they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, contract costs and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill *(Continued)*

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

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

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

Contingent liabilities and contingent assets

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

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

Leases (upon application of HKFRS 16 in accordance with transitions in note 2)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Definition of a lease *(Continued)*

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 '*Financial Instruments*' ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing (prior to 1 January 2019)

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.

Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a Group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing (prior to 1 January 2019) *(Continued)*

Non-current assets held for sale and discontinued operations *(Continued)*

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Operating segment

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

Related parties

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

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

(i) has control or joint control 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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(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. ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial asset at FVTOCI	**–**	4,211
Amortised cost (including cash and cash equivalents)	**547,451**	436,201
Financial liabilities		
Amortised cost	**1,590,829**	1,467,330

4.2 Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTOCI, 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, lease liabilities, 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.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

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.

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

Interest rate sensitivity analysis

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

If interest rates had been increased or decreased by 50 basis point with all other variables held constant, the Group's loss for the year ended 31 December 2019 would decrease/increase by approximately HK$408,950 (2018: profit for the year would decrease/increase by approximately HK$1,748,000).

Credit risk management

As at 31 December 2019 and 2018, 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.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

Credit risk management *(Continued)*

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 on trade balances from its trade customers and entertainment 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, 11.8% (2018: 64.8%) and 59.2% (2018: 83.0%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers respectively.

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 for a period of 3 years before 31 December 2019 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 2019, the balance of loss allowance in respect of the trade receivables was HK$6,442,000 (2018: HK$3,440,000) based on expected loss rates range from 3.4% to 44.3% (2018: 6.3% to 74.4%) 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 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 2019, the balance of loss allowance in respect of these individually assessed receivables were HK$51,000 (2018: HK$10,871,000) and HK$4,657,000 (2018: HK$4,598,000) 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.

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.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

Credit risk management *(Continued)*

Liquidity risk management (Continued)

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 2019					
Non-derivative financial liabilities					
Trade payables	**46,018**	**–**	**–**	**46,018**	**46,018**
Accruals and other payables	**123,936**	**–**	**–**	**123,936**	**123,936**
Amounts due to related parties	**7,127**	**–**	**–**	**7,127**	**7,127**
Loans from immediate holding companies	**–**	**24,906**	**–**	**24,906**	**24,906**
Loan from a non-controlling shareholder of a subsidiary	**–**	**101,969**	**–**	**101,969**	**101,969**
Lease liabilities	**5,507**	**16,402**	**34,692**	**56,601**	**31,570**
Bank and other borrowings	**75,414**	**1,329,142**	**–**	**1,404,556**	**1,255,303**
	258,002	**1,472,419**	**34,692**	**1,765,113**	**1,590,829**
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

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(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)

As at 31 December 2018, the financial assets at FVTPL with carrying amount of HK$10,374,000 was classified as level 3 measurement and the financial asset at FVTOCI with carrying amount of HK$4,211,000 were level 2 measurement.

The following table present changes in financial assets at FVTPL and financial assets of FVTOCI for the year ended 31 December 2019:

	Financial asset at FVTPL (contingent Consideration receivable) HK$'000	**Financial asset at FVTOCI (unlisted equity receivable)** HK$'000
Balance at 1 January 2019	10,374	4,211
Exchange alignment	–	(31)
Disposal of subsidiaries (note 49)	(10,374)	(3,746)
Fair value loss recognised in OCI	–	(434)
Balance at 31 December 2019	**–**	**–**

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.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.3 Fair value hierarchy *(Continued)*

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 47 to the consolidated financial statements, the fair value of contingent consideration receivable in relation to acquisition of the internet finance facilitation service business are measured at fair value under the income approach and are taken into consideration of whether the Guaranteed Profit (as defined in note 48) 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 2019 and 2018, there were no transfers between the levels of fair value hierarchy.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2018.

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 loans from immediate holding companies, loan from a non-controlling shareholder of a subsidiary and lease liabilities 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 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Total borrowings	**1,413,748**	1,237,565
Total equity	**2,099,778**	3,332,252
Gearing ratio	**67.33%**	37.14%

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Management is of the opinion that there is no significant judgement, apart from those involving estimations, made in applying accounting policies that has a significant effect on the amounts recognised in the consolidated financial statement.

The following are the critical judgements, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statement.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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, are described below.

(a) Impairment of goodwill

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

The carrying amount of goodwill as at 31 December 2019 was approximately HK$14,130,000 (2018: approximately HK$75,221,000). Details of the impairment test of goodwill are set out in note 22.

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

Key sources of estimation uncertainty *(Continued)*

(b) Estimated impairment of property, plant and equipment, right-of-use assets, contract costs and intangible asset

Property, plant and equipment, right-of-use assets, contract costs and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amounts of property, plant and equipment, right-of-use assets, contract costs and intangible assets are approximately HK$896,413,000, HK$38,759,000, HK$31,303,000 and HK$448,034,000 respectively (2018: approximately HK$975,688,000, HK$Nil, HK$45,106,000 and HK$1,398,694,000 respectively).

(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.

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

Key sources of estimation uncertainty *(Continued)*

(f) 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.

(g) 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.

(h) 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.

(i) 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, 20 and 48 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

An analysis of the Group's revenue for the year from continuing operations is as follows:

		2019 **HK$'000**	2018 HK$'000 (Restated)
(i)	Revenue recognised at a point in time:		
	Production and distribution of wine	**128,545**	124,231
	Entertainment business	**82,640**	103,621
		211,185	227,852

7. REVENUE *(Continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately AUD553,529,000 (equivalent to approximately HK$3,018,156,000) (2018: approximately AUD553,529,000 (equivalent to approximately HK$3,047,703,000)). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development. The Group will recognise the expected revenue in future in the case of the properties under development for sales, when the properties are assigned to the customers, which is expected to occur over the next 12 to 36 months (2018: 12 to 36 months).

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 three reportable segments from the continuing operations, namely (i) development and operation of real estate, integrated resort and cultural tourism; (ii) production and distribution of wine and (iii) entertainment business. The segmentations are based on the business nature of the Group's operations that management uses to make decisions.

During the year, the operating segments of internet finance facilitation services and Chinese baijiu were classified as discontinued operations after they have been disposed of on 31 July 2019 and 20 November 2019 respectively. The discontinued operations have resulted in a change in the Group's structure and therefore its composition of reporting segments. Details of discontinued operations are described in note 49.

8. SEGMENT INFORMATION *(Continued)*

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:

	Continuing operations							
	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000 (Restated)
Segment revenue								
Revenue from external customers	**–**	–	**128,545**	124,231	**82,640**	103,621	**211,185**	227,852
Segment (loss)/profit	**(31,741)**	(15,378)	**3,936**	3,372	**(15,882)**	(4,777)	**(43,687)**	(16,783)
Unallocated corporate income							**452**	2,983
Unallocated corporate expenses							**(22,059)**	(23,053)
Impairment loss of goodwill	**–**	–	**–**	–	**(61,091)**	–	**(61,091)**	–
Gain on disposal of subsidiaries	**21,115**	–	**–**	–	**–**	–	**21,115**	–
Finance costs							**(5,211)**	(2,881)
Loss before taxation							**(110,481)**	(39,734)
Taxation							**(299)**	(5,116)
Loss for the year							**(110,780)**	(44,850)

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 loss incurred or profit earned by each segment without allocation of central administration costs including directors' emoluments, impairment loss of goodwill, gain on disposal of subsidiaries, 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:

31 December 2019

	Continuing operations			
	Real estate, integrated resort and cultural tourism HK$'000	Wine HK$'000	Entertainment business HK$'000	Total HK$'000
Segments assets	**2,895,189**	**451,982**	**503,782**	**3,850,953**
Unallocated				**31,205**
				3,882,158
Segment liabilities	**1,397,701**	**215,037**	**35,954**	**1,648,692**
Unallocated				**133,688**
				1,782,380

31 December 2018

	Continuing operations				Discontinued operations			
	Real estate, integrated resort and cultural tourism HK$'000	Wine HK$'000	Entertainment business HK$'000	Sub-total HK$'000	Internet finance facilitation services HK$'000	Chinese baijiu HK$'000	Sub-total HK$'000	Total HK$'000
Segment assets	2,956,218	428,184	592,589	3,976,991	1,075,956	220,540	1,296,496	5,273,487
Unallocated								66,919
								5,340,406
Segment liabilities	259,734	153,211	37,928	450,873	83,584	93,258	176,842	627,715
Unallocated								1,380,439
								2,008,154

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

8. SEGMENT INFORMATION *(Continued)*

Other segment information

Continuing operations:

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

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Additions to non-current assets	**61,687**	8,697	**3,711**	3,696	**726**	1,215	**–**	951	**66,124**	14,559
Depreciation of property, plant and equipment	**2,054**	2,222	**12,460**	11,699	**2,641**	4,311	**575**	423	**17,730**	18,655
Depreciation of right-of-use assets/ land use rights	**2,539**	–	**1,239**	372	**–**	–	**2,579**	–	**6,357**	372
Amortisation of intangible assets	**–**	–	**588**	618	**–**	–	**–**	–	**588**	618
Allowance for expected credit losses of trade receivables	**–**	–	**647**	498	**4,507**	1,383	**–**	–	**5,154**	1,881
Allowance for expected credit losses of short-term loans receivables	**–**	–	**–**	–	**243**	324	**–**	–	**243**	324

Information about major customers

No single customer contributed more than 10% of the Group's revenue for the year ended 31 December 2019 (2018: Revenue from one major customer of approximately HK$46,622,000 was derived from the internet finance facilitation service business).

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 continuing operations 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 continuing operations from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
PRC (including Hong Kong)	**128,545**	124,231	**193,878**	1,309,446
South Korea	**82,640**	103,621	**1,193,946**	1,230,215
Australia	**–**	–	**43,414**	2,296
Canada	**–**	–	**–**	–
	211,185	227,852	**1,431,238**	2,541,957

9. OTHER REVENUE

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations:		
Government grants (note 56)	**6,345**	8,616
Bank interest income	**2,651**	2,925
Service income (note 55)	**–**	1,532
Catering and related services income	**–**	979
Sales of wasted materials	**–**	124
Recovery of allowance for expected credit losses in respect to trade receivables (note 26)	**513**	–
Gain from default fine due to early termination of rental agreement (note)	**1,388**	4,867
Compensation income	**–**	3,040
Net foreign exchange (loss)/gain	**(208)**	983
Others	**3,955**	1,626
	14,644	24,692

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. LOSS FROM OPERATING ACTIVITIES

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations:		
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
— Salaries and allowances	**74,582**	77,522
— Retirement benefits scheme contributions	**6,438**	6,696
Total staff costs	**81,020**	84,218
Auditors' remuneration	**1,649**	2,503
Amortisation of intangible assets	**588**	618
Amortisation of land use rights	**–**	372
Cost of inventories recognised as expenses	**57,234**	60,954
Loss on disposal of property, plant and equipment	**841**	208
Depreciation of property, plant and equipment	**17,730**	18,655
Depreciation of right-of-use assets	**6,883**	–
Allowance for expected credit losses of trade receivables	**5,154**	1,881
Allowance for expected credit losses of short-term loans receivables	**243**	324
Impairment loss of intangible assets	**–**	876
Impairment loss of goodwill	**61,091**	–
Research and development costs	**1,617**	6,214
Minimum lease payment under operating leases	**–**	11,723
Expenses relating to short-term lease	**59**	–

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

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2019, the emoluments paid or payable to each of the eight (2018: eight) directors and the chief executive of the Company were as follows:

For the years ended 31 December 2019 and 2018:

	Fees		Salaries, allowance and benefits in kind		Retirement benefits scheme contributions		Share-based payments		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Ma Chenshan (note (a))	–	–	–	–	–	–	–	–	–	–
Ng Kwong Chue, Paul	120	120	1,428	1,323	18	18	–	–	1,566	1,461
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
Su Bo (note (b))	90	120	–	–	–	–	–	–	90	120
	1,290	1,320	1,428	1,323	18	18	–	–	2,736	2,661

Notes:

(a) Mr. Ma Chenshan was appointed as an executive director and the chairman of the board of the Company on 30 December 2019.

(b) Mr. Su Bo was removed as the executive director on 22 January 2020.

Neither the chief executive nor any of the directors waived any emoluments for the year ended 31 December 2019 (2018: 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 (2018: 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 (2018: one) was a director of the Company whose emolument is set out in note (a) above. For the year ended 31 December 2019, the emoluments of the remaining four (2018: four) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**2,856**	1,896
Retirement benefits scheme contribution	**71**	83
	2,927	1,979

The emoluments of the remaining four (2018: four) individuals with the highest emoluments are within the following band:

	2019 Number of individuals	2018 Number of individuals
Up to HK$1,000,000	**4**	4
	4	4

(c) Emoluments of senior management

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

	2019 Number of individuals	2018 Number of individuals
Up to HK$1,000,000	**3**	5

12. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Continuing operations		
Interest expenses on bank borrowings	**16,579**	15,414
Interest expenses on loan from an immediate holding company	**33,004**	30,313
Finance charges on lease liabilities	**2,196**	–
	51,779	45,727
Less: Amounts capitalised in the cost of qualifying assets	**(46,568)**	(42,846)
	5,211	2,881

Borrowing costs capitalised to properties under development at a rate of 6.06% (2018: 2.25%) per annum.

13. TAXATION

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax		
— current year	**3,995**	3,595
— (over)/under-provision in prior year	**(2,703)**	983
Other than Hong Kong and the PRC	**11**	818
Deferred tax (note 33)	**(1,004)**	(280)
	299	5,116

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

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

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.

13. TAXATION *(Continued)*

PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC, the PRC income tax rate for the Company's subsidiaries established in the PRC was 25% for both years.

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 from continuing operations at the statutory tax rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense 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:

	2019		2018	
	HK$'000	**%**	HK$'000 (Restated)	%
Continuing operations: — loss before taxation	**(110,481)**		(39,734)	
Tax at the Hong Kong Tax rate of 16.5% (2018: 16.5%)	**(18,229)**	**16.5**	(6,556)	16.5
Effect of different tax rates of subsidiaries operating in other countries	**(1,105)**	**1.0**	(1,478)	3.7
Tax effect of tax losses not recognised	**5,972**	**(10.7)**	10,946	(27.5)
Tax effect of income not taxable for tax purpose	**(3,628)**	**3.0**	(2,645)	6.7
Tax effect of expenses not deductible for tax purpose	**11,234**	**(4.2)**	3,845	(9.7)
Tax effect of temporary difference not recognised	**8,758**	**(8.3)**	21	(0.1)
(Over)/under provision in prior year	**(2,703)**	**2.4**	983	(2.5)
Tax charge for the year	**299**	**(0.3)**	5,116	(12.9)

In accordance with the accounting policy set out in note 3, the deferred tax assets in respect of cumulative tax losses of HK$107,375,000 (2018: HK$81,803,000) are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

14. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

15. (LOSS)/EARNING PER SHARE

(a) Continuing and discontinued operations

The calculation of basic and diluted (loss)/earning per share from continuing and discontinued operations are based on the following data:

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earning per share	**(188,729)**	64,413

	Number of shares 2019	2018
Weighted average number of shares for the purposes of basic and diluted (loss)/earning per share	**3,835,388,934**	3,661,086,179

(b) Continuing operations

The calculation of basic and diluted loss per share from continuing operations are based on the following data:

	2019 HK$'000	2018 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(80,380)**	(37,936)

The denominators used are the same as those detailed above for both basic and diluted (loss)/earning per share from continuing and discontinued operations.

(c) Discontinued operations

The calculation of basic and diluted (loss)/earning per share from discontinued operations are based on the following data:

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earning per share	**(108,349)**	102,349

The denominators used are the same as those detailed above for both basic and diluted (loss)/earning per share from continuing and discontinued operations.

For the years ended 31 December 2019 and 2018, the computations of diluted (loss)/earning per share were on the assumption that the Company's share options would not be exercised as the exercise price of these share options was higher than the average market price of the shares.

Diluted (loss)/earning per share and the basic (loss)/earning per share for the years ended 31 December 2019 and 2018 were the same as there were no potential dilutive ordinary shares in these years.

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
Outside Hong Kong, held on:	
Lease period between 30 to 50 years	30,491
Cost	
At 1 January	40,199
Exchange alignment	(2,101)
Additions	1,557
At 31 December	39,655
Accumulated amortisation	
At 1 January	8,647
Exchange alignment	(480)
Charge for the year	997
At 31 December	9,164
Carrying amount	
At 31 December	30,491

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 were pledged as securities for the Group's bank borrowing.

17. RIGHT-OF-USE ASSETS

	Office premises HK$'000	Warehouse HK$'000	Farmland HK$'000	Land use rights HK$'000	Total HK$'000
Cost					
At 31 December 2018	–	–	–	–	–
Impact on initial application of HKFRS 16 (note 2)	16,579	246	20,484	39,655	76,964
At 1 January 2019 (Restated)	16,579	246	20,484	39,655	76,964
Disposal of subsidiaries (note 49(b))	–	–	–	(27,525)	(27,525)
Exchange alignment	(262)	(5)	(406)	(788)	(1,461)
At 31 December 2019	**16,317**	**241**	**20,078**	**11,342**	**47,978**
Accumulated depreciation					
At 31 December 2018	–	–	–	–	–
Impact on initial application of HKFRS 16 (note 2)	–	–	–	9,164	9,164
At 1 January 2019 (Restated)	–	–	–	9,164	9,164
Charge for the year	5,071	47	895	870	6,883
Disposal of subsidiaries (note 49(b))	–	–	–	(6,678)	(6,678)
Exchange alignment	–	–	(16)	(134)	(150)
At 31 December 2019	**5,071**	**47**	**879**	**3,222**	**9,219**
Carrying amounts					
At 31 December 2019	**11,246**	**194**	**19,199**	**8,120**	**38,759**

Due to the adoption of HKFRS 16, effective on 1 January 2019, the carrying amount of land use rights of HK$30,491,000 were reclassified to right-of-use assets.

Asset pledged as securities

As at 31 December 2019, the Group's right-of-use assets with carrying amount of approximately HK$5,106,000 were pledged as securities for the Group's bank borrowing.

18. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Properties under development HK$'000	Land HK$'000	Hotel properties HK$'000	Leasehold improvements HK$'000	Plant and building HK$'000	Machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Facilities appliances HK$'000	Total HK$'000
Cost												
At 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 48)	-	-	-	-	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 and 1 January 2019	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
Exchange alignment	3,731	(9,129)	(3,525)	(2,003)	54	(3,638)	(2,519)	(1,438)	(369)	(266)	(453)	(19,555)
Transfer to plant and building and machinery	(150)	-	-	-	-	-	150	-	-	-	-	-
Disposal of subsidiaries (note 49)	(39,372)	-	-	-	-	(48,710)	(42,106)	(7,670)	(1,538)	(4,057)	-	(143,453)
Additions	2,117	59,535	-	1,044	-	919	1,860	10	365	1,144	-	66,994
Write off/disposal	-	-	-	-	(3,321)	(31,159)	(1,050)	-	(271)	(1,708)	-	(37,509)
At 31 December 2019	**80,153**	**460,308**	**174,085**	**99,918**	**1,046**	**100,157**	**88,910**	**4,911**	**9,675**	**6,257**	**6,107**	**1,031,527**
Accumulated depreciation												
At 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 48)	-	-	-	-	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 and 1 January 2019	-	-	-	3,728	1,837	60,794	98,484	5,629	6,146	7,764	4,980	189,362
Exchange alignment	-	-	-	(94)	12	(1,863)	(2,214)	(38)	(252)	(214)	(391)	(5,054)
Disposal of subsidiaries (note 49)	-	-	-	-	-	(13,324)	(30,523)	(4,760)	(1,050)	(4,029)	-	(53,686)
Charge for the year	-	-	-	1,063	145	9,648	7,773	1,700	1,762	2,139	1,434	25,664
Write off/disposal	-	-	-	-	(1,571)	(17,396)	(455)	-	(124)	(1,626)	-	(21,172)
At 31 December 2019	**-**	**-**	**-**	**4,697**	**423**	**37,859**	**73,065**	**2,531**	**6,482**	**4,034**	**6,023**	**135,114**
Carrying amounts												
At 31 December 2019	**80,153**	**460,308**	**174,085**	**95,221**	**623**	**62,298**	**15,845**	**2,380**	**3,193**	**2,223**	**84**	**896,413**
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

Assets pledged as securities

As at 31 December 2019, the Group's buildings with carrying amount of approximately HK$17,841,000 (2018: HK$23,141,000) 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.

19. INTANGIBLE ASSETS

	Farmland development HK$'000	Entertainment license HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Internet finance platform HK$'000	Total HK$'000
Cost						
At 1 January 2018	15,324	482,624	1,828	25,633	–	525,409
Acquisition of a subsidiary (note 48)	–	–	–	–	941,132	941,132
Exchange alignment	(725)	(20,439)	(93)	(1,306)	(9,476)	(32,039)
At 31 December 2018 and 1 January 2019	14,599	462,185	1,735	24,327	931,656	1,434,502
Disposal of a subsidiaries (note 49)	–	–	–	(23,262)	(929,708)	(952,970)
Exchange alignment	(269)	(18,330)	(34)	(483)	(1,948)	(21,064)
At 31 December 2019	**14,330**	**443,855**	**1,701**	**582**	**–**	**460,468**
Accumulated amortisation and impairment						
At 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 and 1 January 2019	9,746	–	1,735	24,327	–	35,808
Exchange alignment	(183)	–	(34)	(483)	–	(700)
Charge for the year	588	–	–	–	–	588
Disposal of a subsidiaries (note 49)	–	–	–	(23,262)	–	(23,262)
At 31 December 2019	**10,151**	**–**	**1,701**	**582**	**–**	**12,434**
Carrying amounts						
At 31 December 2019	**4,179**	**443,855**	**–**	**–**	**–**	**448,034**
At 31 December 2018	4,853	462,185	–	–	931,656	1,398,694

Internet finance platform

During the year ended 31 December 2018, the Group acquired the internet finance platform through a business combination, which was derecognised upon the disposal of a subsidiary during the year ended 31 December 2019.

19. INTANGIBLE ASSETS *(Continued)*

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$588,000 (2018: approximately HK$618,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of approximately HK$4,179,000 (2018: approximately HK$4,853,000) 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 3 to 11 years (2018: 4 to 12 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.

Entertainment license

The directors of the Company considered that the legal right 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.

Impairment test of intangible assets with indefinite useful life

Entertainment license

Entertainment license with indefinite useful life of approximately HK$443,855,000 (2018: approximately HK$462,185,000) has been allocated to the Group's CGU of entertainment business. The recoverable amount of the entertainment license has been determined based on a value-in-use calculation as disclosed in note 22.

During the years ended 31 December 2019 and 2018, management of the Group determines that there is no impairment of entertainment license with indefinite useful life.

19. INTANGIBLE ASSETS *(Continued)*

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

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. During the year ended 31 December 2019, the trademark was derecognised upon the disposal of subsidiaries.

Internet finance platform

As at 31 December 2018, the internet finance platform with indefinite useful life of approximately HK$931,656,000 has been allocated to the Group's CGU of internet finance facilitation service business. The recoverable amount of the internet finance 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. The growth rate used is based on the estimated growth of internet finance facilitation service business taking into the account of industry growth rate, past experience and the medium or long-term growth target of internet finance 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 finance platform with indefinite useful life.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000
Financial asset at FVTOCI	4,211

Financial asset at FVTOCI includes the following:

	2018 HK$'000
Unlisted securities:	
Equity securities — PRC	4,211

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.

During the year ended 31 December 2019, the financial asset at FVTOCI was derecognised upon the disposal of subsidiaries which was disclosed in note 49(b).

21. INTEREST IN AN ASSOCIATE

On 30 May 2017 (Toronto time), NSR Toronto Holdings Ltd. ("NSR Toronto"), a wholly-owned subsidiary of the Company, acquired 49 shares in CIM Global Development Inc. ("CIM Global") at a consideration of CAD49 (equivalent to approximately HK$298), representing 49% interests in CIM Global.

21. INTEREST IN AN ASSOCIATE *(Continued)*

	2018 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 was as follows:

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

Note: CIM Global was disposed on 29 November 2019 (Toronto time) as disclosed in note 50.

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
Current assets	74,972
Non-current assets	124
Current liabilities	(75,420)
Non-current liabilities	–
Net liabilities	(324)

	29 November 2019 HK$'000	2018 HK$'000
Revenue	**3,680**	4,819
(Loss)/profit for the year	**(4)**	9
Other comprehensive (loss)/income	**(9)**	31
Total comprehensive (loss)/income	**(13)**	40

21. 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
Net liabilities of CIM Global	(324)
Proportion of the Group's interest in CIM Global	49%
The carrying amount of the Group's interest in CIM Global	(159)

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

	29 November 2019 HK$'000	2018 HK$'000
The unrecognised share of (loss)/profit of CIM Global for the period/year	**(2)**	4
The cumulative share of loss of CIM Global	**(170)**	(168)

22. GOODWILL

	HK$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	253,180
Accumulated impairment losses	
At 1 January 2018 and 31 December 2018	177,959
Impairment charged	61,091
At 31 December 2019	239,050
Carrying amounts	
At 31 December 2019	**14,130**
At 31 December 2018	75,221

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

	2019 HK$'000	2018 HK$'000
Entertainment business	**14,130**	75,221

22. GOODWILL *(Continued)*

Impairment test of goodwill

Entertainment business

For the years ended 31 December 2019 and 2018, the recoverable amounts of the above CGU of entertainment 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 and average growth rate of 11% and 20% per annum respectively (2018: 11% and 20%). The cash flows beyond this 5-year period are extrapolated using a 3% (2018: 3%) growth rate. The growth rates used are based on the estimated growth rate of the CGU taking into account the past performance and management expectation of future business performance and prospect of the CGU. Another key assumption for the value-in-use calculation is the budgeted gross margin, which is determined based on the CGU's past performance. In view of the deteriorated operating results of the CGU and the unfavourable changes in the market conditions, the recoverable amount was adjusted downward and an impairment loss of approximately HK$61,091,000 (2018: Nil) was recognised during the year.

23. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2019 and 2018 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 2019 %	Directly 2018 %	Indirectly 2019 %	Indirectly 2018 %	Principal activities
Shangri-la Winery Company Limited ("Shangri-la Winery") (note (i))	The PRC	RMB56,560,000	**–**	–	**95.0**	95.0	Production and distribution of wine and investment holding
Shangri-la (Qinhuangdao) Winery Company Limited ("Shangri-la (Qinhuangdao)") (note (i))	The PRC	RMB40,000,000	**–**	–	**96.3**	96.3	Production of winery products
Diqing Shangri-la Economics Development Zone Tinlai Winery Company Limited	The PRC	RMB8,200,000	**–**	–	**95.0**	95.0	Distribution of winery products
Yunnan Diqing Shangri-la YuQuan Investment Company Limited ("YuQuan Investment")*	The PRC	RMB10,000,000	**–**	–	**66.5**	66.5	Investment holding
Qinhuangdao Shangri-la Grape Plantation Company Limited	The PRC	RMB2,000,000	**–**	–	**96.3**	96.3	Procurement and distribution of grape
Yantai Shangri-la Masang Château Company Limited	The PRC	RMB50,000,000	**–**	–	**100.0**	100.0	Production of winery products
Diqing Zimi Trading Company Limited	The PRC	RMB2,000,000	**–**	–	**95.0**	95.0	Distribution of winery products
Heilongjiang Province YuQuan Winery Company Limited (note (ii))	The PRC	RMB4,060,000	**–**	–	**–**	66.5	Investment holding
Harbin City Xinlong Winery Company Limited (note (ii))	The PRC	RMB500,000	**–**	–	**–**	66.5	Production of Chinese baijiu
Harbin City Longcheng Winery Company Limited (note (ii))	The PRC	RMB500,000	**–**	–	**–**	66.5	Production of Chinese baijiu

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Registered/ paid up capital	Proportion of equity interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
			%	%	**%**	%	
MegaLuck Co. Ltd. ("MegaLuck")	South Korea	KRW2,000,000,000	**72.0**	72.0	**–**	–	Operation of entertainment 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. (note (ii))	Canada	CAD100	**–**	–	**–**	51.0	Development and operation of real estate
CIM Development (Markham) LP ("Residential LP") (note (ii))	Canada	CAD23,790,000	**–**	–	**–**	51.0	Development and operation of real estate
CIM Commercial LP ("Commercial LP") (note (ii))	Canada	CAD7,930,000	**–**	–	**–**	51.0	Development and operation of real estate
Macrolink Australia Development Pty Limited	Australia	AUD100	**–**	–	**100.0**	100.0	Development and operation of real estate
Macrolink & Landream Australia Land Pty Limited ("MLAL")	Australia	AUD100	**–**	–	**80.0**	80.0	Development and operation of real estate
Shenzhen Niiwoo Financial Information Services Ltd. (note (iii))	The PRC	RMB10,380,000	**–**	–	**–**	100.0	Provision of the internet finance facilitation services

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) These subsidiaries were disposed during the year ended 31 December 2019.

(iii) The subsidiary was acquired during the year ended 31 December 2018 and disposed during the year ended 31 December 2019.

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.

23. 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	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
YuQuan Investment (note i)	The PRC	**–**	33.5%	**(10,826)**	(2,116)	**–**	18,562
MegaLuck	South Korea	**28.0%**	28.0%	**(21,383)**	(1,406)	**70,127**	96,968
Glorious Hill	South Korea	**45.0%**	45.0%	**(4,063)**	(4,003)	**105,360**	111,636
Residential LP (note ii)	Canada	**–**	49.0%	**136**	(182)	**–**	129,733
Commercial LP (note ii)	Canada	**–**	49.0%	**15**	(36)	**–**	43,872
MLAL	Australia	**20.0%**	20.0%	**(3,076)**	(1,306)	**178,595**	188,180
Individually immaterial subsidiaries with non-controlling interests				**(1,570)**	19	**37,197**	39,059
				(40,767)	(9,030)	**391,279**	628,010

Notes:

(i) On 20 November 2019, the Group completed the disposal of 70% of the equity interests of YuQuan Investment. The Group did not hold any equity interests in YuQuan Investment after the disposal. Details of which was set out in note 49.

(ii) On 29 November 2019 (Toronto time), the Group completed the disposal of all units in the capital of limited partnerships and all shares of corporations in the Mackenzie Creek Project (collectively, the "MC Entities"). The Group did not hold any interests in the MC Entities after the disposal. Details of which was set out in note 50.

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.

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

YuQuan Investment

	2018 HK$'000
Current assets	93,932
Non-current assets	126,608
Current liabilities	(158,826)
Non-current liabilities	(6,304)
Equity attributable to owners of the company	36,848
Non-controlling interests	18,562
Revenue	80,316
Expenses	(86,635)
Loss for the year	(6,319)
Loss attributable to owners of the company	(4,203)
Loss attributable to non-controlling interests	(2,116)
Loss for the year	(6,319)
Other comprehensive loss attributable to owners of the company	(606)
Other comprehensive loss attributable to non-controlling interests	(305)
Other comprehensive loss for the year	(911)
Total comprehensive loss attributable to owners of the company	(4,998)
Total comprehensive loss attributable to non-controlling interests	(2,232)
Total comprehensive loss for the year	(7,230)
Dividend paid to non-controlling interests	–
Net cash generated from operating activities	9,292
Net cash generated from financing activities	–
Net cash used in investing activities	(3,690)
Net increase in cash and cash equivalents	5,602

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

MegaLuck

	2019 HK$'000	2018 HK$'000
Current assets	**41,125**	48,289
Non-current assets	**388,378**	469,079
Current liabilities	**(72,619)**	(67,148)
Non-current liabilities	**(105,097)**	(103,349)
Equity attributable to owners of the company	**181,660**	249,903
Non-controlling interests	**70,127**	96,968
Revenue	**84,645**	107,611
Expenses	**(161,013)**	(112,633)
Loss for the year	**(76,368)**	(5,022)
Loss attributable to owners of the company	**(54,985)**	(3,616)
Loss attributable to non-controlling interests	**(21,383)**	(1,406)
Loss for the year	**(76,368)**	(5,022)
Other comprehensive loss attributable to owners of the company	**(14,033)**	(13,542)
Other comprehensive loss attributable to non-controlling interests	**(5,457)**	(5,266)
Other comprehensive loss for the year	**(19,490)**	(18,808)
Total comprehensive loss attributable to owners of the company	**(69,018)**	(17,158)
Total comprehensive loss attributable to non-controlling interests	**(26,840)**	(6,672)
Total comprehensive loss for the year	**(95,858)**	(23,830)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(17,220)**	(19,322)
Net cash generated from financing activities	**9,205**	8,184
Net cash used in investing activities	**(726)**	(1,215)
Net decrease in cash and cash equivalents	**(8,741)**	(12,353)

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glorious Hill

	2019 HK$'000	2018 HK$'000
Current assets	**41,577**	45,500
Non-current assets	**730,346**	685,915
Current liabilities	**(537,707)**	(482,314)
Non-current liabilities	**(498)**	(1,447)
Equity attributable to owners of the company	**128,358**	136,018
Non-controlling interests	**105,360**	111,636
Revenue	**1,024**	1,020
Expenses	**(10,041)**	(9,915)
Loss for the year	**(9,017)**	(8,895)
Loss attributable to owners of the company	**(4,954)**	(4,892)
Loss attributable to non-controlling interests	**(4,063)**	(4,003)
Loss for the year	**(9,017)**	(8,895)
Other comprehensive loss attributable to owners of the company	**(2,616)**	(7,369)
Other comprehensive loss attributable to non-controlling interests	**(2,213)**	(6,024)
Other comprehensive loss for the year	**(4,829)**	(13,393)
Total comprehensive loss attributable to owners of the company	**(7,570)**	(12,261)
Total comprehensive loss attributable to non-controlling interests	**(6,276)**	(10,027)
Total comprehensive loss for the year	**(13,846)**	(22,288)
Dividend paid to non-controlling interests	**–**	–
Net cash generated from/(used in) operating activities	**14,163**	(4,141)
Net cash generated from financing activities	**7,905**	10,355
Net cash used in investing activities	**(23,117)**	(11,188)
Net decrease in cash and cash equivalents	**(1,049)**	(4,974)

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

Residential LP

	2018 HK$'000
Current assets	622,863
Non-current assets	–
Current liabilities	(308,352)
Non-current liabilities	(49,749)
Equity attributable to owners of the company	135,029
Non-controlling interests	129,733
Revenue	40
Expenses	(411)
Loss for the year	(371)
Loss attributable to owners of the company	(189)
Loss attributable to non-controlling interests	(182)
Loss for the year	(371)
Other comprehensive loss attributable to owners of the company	(5,486)
Other comprehensive loss attributable to non-controlling interests	(5,271)
Other comprehensive loss for the year	(10,757)
Total comprehensive loss attributable to owners of the company	(5,675)
Total comprehensive loss attributable to non-controlling interests	(5,453)
Total comprehensive loss for the year	(11,128)
Net cash used in operating activities	(168,604)
Net cash generated from financing activities	54,101
Net cash generated from investing activities	–
Net decrease in cash and cash equivalents	(114,503)

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

Commercial LP

	2018 HK$'000
Current assets	178,435
Non-current assets	–
Current liabilities	(76,569)
Non-current liabilities	(12,331)
Equity attributable to owners of the company	45,663
Non-controlling interests	43,872
Revenue	5
Expenses	(78)
Loss for the year	(73)
Loss attributable to owners of the company	(37)
Loss attributable to non-controlling interests	(36)
Loss for the year	(73)
Other comprehensive loss attributable to owners of the company	(2,393)
Other comprehensive loss attributable to non-controlling interests	(2,299)
Other comprehensive loss for the year	(4,692)
Total comprehensive loss attributable to owners of the company	(2,430)
Total comprehensive loss attributable to non-controlling interests	(2,335)
Total comprehensive loss for the year	(4,765)
Net cash used in operating activities	(41,196)
Net cash used in from financing activities	–
Net cash used in investing activities	(1,289)
Net decrease in cash and cash equivalents	(42,485)

23. PARTICULARS OF SUBSIDIARIES *(Continued)*

MLAL

	2019 HK$'000	2018 HK$'000
Current assets	**1,867,481**	1,511,822
Non-current assets	**12,111**	2,297
Current liabilities	**(30,103)**	(677,584)
Non-current liabilities	**(1,993,873)**	(932,924)
Equity attributable to owners of the company	**(322,979)**	(284,569)
Non-controlling interests	**178,595**	188,180
Revenue	**1,448**	2,100
Expenses	**(16,897)**	(8,631)
Loss for the year	**(15,449)**	(6,531)
Loss attributable to owners of the company	**(12,373)**	(5,225)
Loss attributable to non-controlling interests	**(3,076)**	(1,306)
Loss for the year	**(15,449)**	(6,531)
Other comprehensive loss attributable to owners of the company	**(26,037)**	(58,263)
Other comprehensive loss attributable to non-controlling interests	**(6,509)**	(14,567)
Other comprehensive loss for the year	**(32,546)**	(72,830)
Total comprehensive loss attributable to owners of the company	**(38,411)**	(63,490)
Total comprehensive loss attributable to non-controlling interests	**(9,584)**	(15,871)
Total comprehensive loss for the year	**(47,995)**	(79,361)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(276,589)**	(190,239)
Net cash generated from financing activities	**380,990**	189,763
Net cash used in investing activities	**–**	(5)
Net increase/(decrease) in cash and cash equivalents	**104,401**	(481)

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**108,064**	139,330
Work in progress	**40,437**	40,815
Finished goods	**61,497**	84,740
	209,998	264,885

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2019 and have considered no write-down of obsolete inventories to be made (2018: Nil).

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$57,234,000 (restated in 2018: approximately HK$60,954,000).

Included in raw materials of approximately HK$103,604,000 (2018: approximately HK$100,871,000) were unprocessed wines.

25. STOCK OF PROPERTIES

	2019 HK$'000	2018 HK$'000
Properties under development	**1,539,538**	1,900,707

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 (2018: Australia and Canada). As at 31 December 2019, the Group's freehold lands in Australia (2018: Australia and Canada) as included in the above properties under development was pledged as securities for the Group's borrowing.

26. TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade and bills receivables	**5,738**	51,403
Receivables from entertainment business	**22,700**	22,257
Less: allowance for expected credit losses	**(6,442)**	(3,440)
	21,996	70,220

The Group generally allows an average credit period ranging from 30 to 90 days (2018: 30 to 90 days) to its trade customers. For receivables of entertainment business, a credit period is generally six months.

(i) Trade and bills receivables

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:

	2019 HK$'000	2018 HK$'000
Within 30 days	**3,567**	48,089
More than 30 days and within 60 days	**748**	371
More than 60 days and within 90 days	**–**	430
More than 90 days and within 180 days	**155**	519
More than 180 days and within 360 days	**195**	89
At 31 December	**4,665**	49,498

An aged analysis of trade receivables which are past due but not impaired as follows:

	2019 HK$'000	2018 HK$'000
Current (not past due)	**4,470**	48,890
1 to 90 days past due	**176**	519
91–180 days past due	**19**	89
At 31 December	**4,665**	49,498

All trade and bills receivables were denominated in RMB.

26. TRADE AND BILLS RECEIVABLES *(Continued)*

(i) Trade and bills receivables *(Continued)*

The movements in allowance for expected credit losses of trade receivables were as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**1,905**	–
Exchange alignment	**(44)**	–
Recognised during the year	**647**	1,905
Disposal of subsidiaries	**(1,383)**	–
Amounts recovered during the year	**(52)**	–
At 31 December	**1,073**	1,905

The Group does not hold any collateral over these balances.

(ii) Receivables of entertainment business

An aged analysis of the receivables of entertainment business which are past due but not impaired as follows:

	2019 HK$'000	2018 HK$'000
Current (not past due)	**31**	–
1 to 90 days past due	**–**	20,722
91–180 days past due	**5,888**	–
181–365 days past due	**11,412**	–
At 31 December	**17,331**	20,722

All receivables of entertainment business were denominated in KRW.

The movements in allowance for expected credit losses of receivables of entertainment business were as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**1,535**	158
Exchange alignment	**(212)**	(6)
Recognised during the year	**4,507**	1,383
Amounts recovered during the year	**(461)**	–
At 31 December	**5,369**	1,535

The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and bills receivables for the year ended 31 December 2019 were set out in note 4.2.

27. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments (note (i))	**68,617**	107,406
Deposits paid (note (ii))	**85,316**	89,250
Other receivables (note (iii))	**257,125**	127,091
	411,058	323,747
Less: allowance for expected credit losses of other receivables	**(51)**	(10,871)
	411,007	312,876
Represented by:		
Amounts due from related parties	**35,000**	73,019
Amounts due from third parties	**376,007**	239,857
	411,007	312,876

Notes:

Included in the Group's "Prepayments, deposits paid and other receivables" under current assets as at 31 December 2019 and 2018 were as follows:

(i) Prepayment made to a non-controlling shareholder of a subsidiary amounted to approximately HK$35,000,000 (2018: approximately HK$35,710,000) and local residents amounted to approximately HK$5,768,000 (2018: approximately HK$7,725,000) for the purpose of acquisition of land in Jeju, South Korea.

(ii) Deposits paid of approximately HK$72,868,000 (2018: approximately HK$75,991,000) was guaranteed deposits denominated in AUD for construction of the property placed in designated accounts in accordance with relevant government requirements.

(iii) Other receivables of approximately HK$230,792,000 (2018: Nil) was the outstanding consideration denominated in CAD for disposal of the Mackenzie Creek Project. Details of which were set out in note 50.

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

The movements in allowance for expected credit losses of other receivables were as follows:

	2019 **HK$'000**	2018 HK$'000
At the beginning of the year	**10,871**	9,542
Exchange alignment	**(2)**	(485)
Disposal of subsidiaries	**(10,818)**	–
Recognised during the year	**–**	1,814
	51	10,871

Included in the allowance for expected credit losses above with an aggregate balance of approximately HK$51,000 (2018: approximately HK$9,057,000) 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 and determined no impairment during the year (2018: approximately HK$1,814,000). The Group does not hold any collateral over these balances.

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

28. CONTRACT COSTS

	2019 **HK$'000**	2018 HK$'000
Incremental costs of obtain contracts	**31,303**	45,106

Contract costs capitalised relate 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 (2018: Nil).

29. SHORT-TERM LOANS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loans receivables:		
Unsecured	**6,841**	7,191
Less: allowance for expected credit losses	**(4,657)**	(4,598)
	2,184	2,593
The movement in allowance for expected credit losses of short-term loans receivables were as follows:		
At the beginning of the year	**4,598**	4,463
Exchange alignment	**(184)**	(189)
Recognised during the year	**243**	324
	4,657	4,598

The loans were interest free and recoverable on demand.

Loss allowance of approximately HK$243,000 was recognised by applying 12m-ECL during the year (2018: approximately HK$324,000).

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

30. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Bank balances and cash	**266,197**	216,758
Restricted bank deposits	**–**	30,410
	266,197	247,168

The restricted bank deposits are denominated in CAD which was derecognised upon the disposal of the Mackenzie Creek Project during the year. 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$39,240,000 (2018: approximately HK$70,419,000). 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.

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.

31. SHARE CAPITAL

	Number of shares		Par value	
	2019	2018	**2019**	2018
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary share of HK$0.01 each	**16,000,000**	16,000,000	**160,000**	160,000
Issued and fully paid:				
At the beginning of the year	**4,293,592**	3,207,592	**42,936**	32,076
Issuance of consideration shares (note (i))	**–**	1,086,000	**–**	10,860
Share repurchase (note (ii))	**(1,086,000)**	–	**(10,860)**	–
At the end of the year	**3,207,592**	4,293,592	**32,076**	42,936

Notes:

(i) On 1 August 2018, the Company issued and allotted 1,086,000,000 ordinary shares of HK$0.01 each at an issue price of HK$1.30 per share for the consideration in relation to the acquisition of an internet finance facilitation service business. Details of which were set out in note 48.

(ii) On 31 July 2019, the Company completed the share repurchase of 1,086,000,000 ordinary shares in respect of the termination of the internet finance facilitation service business. Details of which were set out in note 49.

32. 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 84 to 85.

33. 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	Defined benefit obligation	Total
	HK$'000	HK$'000	HK$'000
At 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 and 1 January 2019	811	1,361	2,172
Exchange alignment	(16)	(63)	(79)
Disposal of a subsidiaries (note 49)	(498)	–	(498)
Credited to consolidated statement of profit or loss	620	384	1,004
At 31 December 2019	**917**	**1,682**	**2,599**

33. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities

	Intangible assets HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2018	(98,084)	(71,747)	(169,831)
Exchange alignment	1,621	510	2,131
Acquisition of subsidiaries (note 48)	(141,170)	–	(141,170)
Credited to consolidated statement of profit or loss	–	514	514
At 31 December 2018 and 1 January 2019	(237,633)	(70,723)	(308,356)
Exchange alignment	303	65	368
Disposal of subsidiaries (notes 49 (a) and 50)	139,456	62,080	201,536
Credited to consolidated statement of profit or loss	–	6,301	6,301
At 31 December 2019	**(97,874)**	**(2,277)**	**(100,151)**

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:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**2,599**	2,172
Deferred tax liabilities	**(100,151)**	(308,356)
	(97,552)	(306,184)

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.

34. LOANS FROM IMMEDIATE HOLDING COMPANIES

	2019 HK$'000	2018 HK$'000
Unsecured loans due after one year (note (i))	**24,906**	717,222
Unsecured loan due within one year (note (ii))	**–**	66,401

Notes:

(i) The amount is unsecured with effective interest rate of 5.03% (2018: 5.03%) per annum and repayable within 5 years.

(ii) The amount was unsecured and interest-free and repayable on demand. During the year ended 31 December 2019, the loan was derecognised upon the disposal of the subsidiary (note 49(a)).

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

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

36. 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 2019 and 2018, 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:

	2019	2018
Discount rate	**2.24%–2.25%**	2.46%–2.51%
Expected rate of salary increase	**2.00%–4.50%**	2.00%–4.07%

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:

	2019 HK$'000	2018 HK$'000
Present value of funded defined benefit obligation	**13,564**	11,901
Fair value of plan assets	**(5,842)**	(4,990)
Net liability arising from defined benefit obligation	**7,722**	6,911

36. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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

	2019 HK$'000	2018 HK$'000
At 1 January	**11,901**	12,925
Current service costs	**3,104**	4,029
Interest cost on benefit obligations	**261**	315
Benefits paid during the year	**(2,485)**	(4,064)
Re-measurement losses/(gain) recognised in other comprehensive income	**1,258**	(786)
Exchange alignment	**(475)**	(518)
At 31 December	**13,564**	11,901

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

	2019 HK$'000	2018 HK$'000
At 1 January	**(4,990)**	(5,659)
Interest income	**(155)**	(213)
Return on plan asset	**–**	151
Contributions by the Group	**(3,133)**	(3,064)
Benefit paid by plan assets	**2,048**	3,093
Exchange alignment	**388**	702
At 31 December	**(5,842)**	(4,990)

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 2019, if the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by approximately HK$2,564,000 (2018: HK$2,102,000) (increase by approximately HK$3,033,000 (2018: approximately HK$2,492,000)).

— for the year ended 31 December 2019, if the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by approximately HK$3,023,000 (2018: HK$2,487,000) (decrease by approximately HK$2,575,000 (2018: approximately HK$2,112,000)).

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.

36. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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 2019 is 11.20 years for MegaLuck and 10.07 years for Glorious Hill (2018: 9.15 years for MegaLuck and 8.27 years for Glorious Hill).

For the year ended 31 December 2019, the Group expects to make a contribution of approximately HK$1,017,000 (2018: approximately HK$1,261,800) to the defined benefit plan during the next financial year.

37. 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:

	2019 HK$'000	2018 HK$'000
Within 90 days	**33,398**	31,091
More than 90 days and within 180 days	**1,553**	5,288
More than 180 days and within 360 days	**11,067**	32,813
	46,018	69,192

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

38. ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accruals	**28,099**	38,143
Other payables (note)	**95,837**	71,788
	123,936	109,931

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.

Note: Other payables of approximately HK$30,752,000 was previously recognised as amounts due to related parties as at 31 December 2018.

39. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Sales of goods (note (i))	**35,666**	99,952
Sales of properties (note (ii))	**–**	119,764
	35,666	219,716

Notes:

(i) 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.

(ii) 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.

Movements in contract liabilities

	2019 HK$'000	2018 HK$'000
At 1 January	**219,716**	220,471
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(37,676)**	(755)
Increase in contract liabilities as a result of receive in advance of sales of good	**21,114**	–
Disposal of subsidiaries	**(167,488)**	–
At 31 December	**35,666**	219,716

40. AMOUNTS DUE TO RELATED PARTIES

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

	2019 HK$'000	2018 HK$'000
Beijing Macrolink Land Limited (note (i))	**5,461**	4,088
Macrolink Culturaltainment Development Co., Limited ("MCD") (note (i))	**1,588**	181
Yunnan Huayue Trading Limited (note (i))	**–**	30,752
Yunnan Jinliufu Trading Limited ("Yunnan JLF Trading") (note (ii))	**78**	10,075
Others (note (iii))	**–**	5,546
	7,127	50,642

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.

41. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank and other borrowings comprised of:		
Bank loans — secured (note (i), (ii) and (iv))	**1,255,303**	192,526
Mortgage loan — secured (note (iii))	**–**	157,040
	1,255,303	349,566
The borrowings are repayable as follows:		
Within one year or on demand	**–**	204,876
More than one year, but not exceeding two years	**1,255,303**	144,690
Total bank and other borrowings	**1,255,303**	349,566

41. BANK AND OTHER BORROWINGS *(Continued)*

The exposure of the Group's borrowings are as follows:

	2019 HK$'000	2018 HK$'000
Fixed-rate borrowings	**1,173,513**	349,566
Variable-rate borrowings	**81,790**	–
	1,255,303	349,566

The Group's variable-rate borrowings carry interest at 1.7% plus base rate, effective interest rate at 2.7%.

The Group's fixed-rate borrowings carry effective interest rate range from 2.9% to 6.3%.

The Group's borrowings that are denominated in foreign currencies of the relevant group entities are set out below:

	2019 HK$'000	2018 HK$'000
RMB	**55,817**	47,836
CAD	**–**	157,040
AUD	**1,199,486**	–
US dollar	**–**	144,690
	1,255,303	349,566

Notes:

(i) As at 31 December 2019, bank loan of approximately HK$55,817,000 (2018: HK$47,836,000) was secured by (1) the Group's building and right-of-use assets located in the PRC with carrying amounts of approximately HK$17,841,000 and HK$5,106,000 respectively (2018: building HK$23,141,000 and land use rights: HK$5,564,000); and (2) personal guarantee from Mr. Wu Shui Lin (2018: Mr. Wu Shui Lin), a director of certain subsidiaries of the Group.

(ii) As at 31 December 2018, 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. During the year ended 31 December 2019, the mortgage loan was derecognised upon the disposal of the subsidiaries (note 50).

(iv) As at 31 December 2019, bank loan of approximately HK$1,199,486,000 was secured by the Group's properties under development located in Sydney, Australia with carrying amounts of approximately HK$1,539,538,000.

As at 31 December 2018, the Group has undrawn borrowing facilities of approximately AUD139,969,000 (equivalent to HK$763,192,000).

42. 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.

43. LEASE LIABILITIES

	As at 31 December 2019	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	3,606	5,507
After 1 year but within 2 years	3,013	4,727
After 2 years but within 5 years	7,725	11,675
Over 5 years	17,226	34,692
	31,570	56,601
Less: total future interest expenses		(25,031)
Total lease liabilities		31,570
Less: non-current portion		(27,964)
Current portion		3,606

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases.

Further details on the impact of the transition to HKFRS 16 are set out in note 2.

44. PLEDGE OF ASSETS

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

	2019 **HK$'000**	2018 HK$'000
Land use right (note 16)	**–**	5,564
Right-of-use assets (note 17)	**5,106**	–
Building (note 18)	**17,841**	23,141
Stock of properties (note 25)	**1,539,538**	1,900,707
	1,562,485	1,929,412

45. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 31 December 2018, 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
Within one year	18,201
In the second to fifth year inclusive	21,648
Over five years	39,136
	78,985

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.

The Group is the lessee in respect of a number of offices premises which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 43.

46. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for:		
In connection with the property development expenditure	**581,877**	794,137
In connection with acquisition of plant and equipment	**–**	262
	581,877	794,399

47. CONTINGENT CONSIDERATION RECEIVABLE

Contingent consideration receivable represents the profit guarantee arising from the acquisition of the internet finance facilitation service business during the year ended 31 December 2018 as detailed in note 48 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 follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**10,374**	–
Arising from acquisition of a subsidiary (note 48)	**–**	10,479
Fair value change	**–**	(105)
Disposal of a subsidiary (note 49(a))	**(10,374)**	–
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.

48. BUSINESS COMBINATION

Acquisition of the internet finance facilitation service business

On 13 October 2017, the Company entered into a sale and purchase agreement (as supplemented) (the "S&P Agreements") with a PRC vendor (the "PRC Vendor"), pursuant to which, the Company, through a then wholly-owned subsidiary of the Company, acquired the controlling right and the entire economic benefits of the internet finance facilitation service business through a series of variable interest entity contracts (the "VIE Contracts"). The acquisition has been accounted for using the acquisition method.

Pursuant to the S&P Agreements, the PRC Vendor warranted to the Company that the audited net profit after tax but before any extraordinary or exceptional items of the internet finance facilitation service business 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"), the PRC Vendor 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.

48. BUSINESS COMBINATION *(Continued)*

Acquisition of the internet finance facilitation service business *(Continued)*

The consideration was satisfied by the allotment and issuance of 1,086,000,000 shares (the "Consideration Shares") which were held in escrow and locked-up by an escrow agent and would be released when the relevant Guaranteed Profit with respect to each Guaranteed Period has been 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.

Consideration transferred

	HK$'000
Consideration Shares	771,060
Less: Contingent consideration receivable (note 47)	(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 18)	8,249
Intangible assets — internet finance platform (note 19)	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 33)	(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.

49. DISCONTINUED OPERATIONS

(a) Internet finance facilitation service business

As disclosed in note 48, the Group acquired the internet finance facilitation service business on 1 August 2018. As the application for the License was rejected, on 8 April 2019, the Group served a notice to the PRC Vendor for termination of the VIE Contracts and cancellation of the Consideration Shares pursuant to the condition subsequent of the S&P Agreements. The transaction was completed on 31 July 2019. The fair value of the Consideration Shares, valued at HK$0.72 per Consideration Share, being the closing price of the Shares as quoted by the Stock Exchange on 31 July 2019, amounted to HK$781,920,000. Details of which were set out in the circular and announcement of the Company dated 5 July 2019 and 31 July 2019 respectively.

The (loss)/profit for the period(s) from the internet finance facilitation service business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income and related notes have been represented as discontinued operation.

	From 1 January 2019 to 31 July 2019 HK$'000	From 1 August 2018 to 31 December 2018 HK$'000
(Loss)/profit for the period	**(22,417)**	106,552
Loss on disposal	**(73,170)**	–
(Loss)/profit for the period from discontinued operation	**(95,587)**	106,552
Attributable to:		
Owners of the Company	**(95,587)**	106,552
Non-controlling interests	**–**	–
	(95,587)	106,552

49. DISCONTINUED OPERATIONS *(Continued)*

(a) Internet finance facilitation service business *(Continued)*

Analysis of the results of the discontinued operation is set out below:

	From 1 January 2019 to 31 July 2019 HK$'000	From 1 August 2018 to 31 December 2018 HK$'000
Revenue	**12,981**	153,085
Cost of sales	**(63)**	(503)
Gross profit	**12,918**	152,582
Other revenue	**1,737**	111
Selling and distribution expenses	**(7,635)**	(7,364)
Administrative expenses and other operating expenses	**(29,422)**	(39,216)
(Loss)/profit from operating activities	**(22,402)**	106,113
Finance costs	**–**	–
(Loss)/profit before taxation	**(22,402)**	106,113
Taxation	**(15)**	439
(Loss)/profit for the period	**(22,417)**	106,552
Attributable to:		
Owners of the Company	**(22,417)**	106,552
Non-controlling interests	**–**	–
	(22,417)	106,552

49. DISCONTINUED OPERATIONS *(Continued)*

(a) Internet finance facilitation service business *(Continued)*

	31 July 2019 HK$'000
Fair value of Consideration Shares	**781,920**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**3,373**
Intangible asset — internet finance platform (note 19)	**929,708**
Contingent consideration receivables	**10,374**
Deferred tax assets	**455**
Trade receivables	**39,462**
Prepayment and other receivables	**92,524**
Cash and cash equivalents	**6,144**
Trade payables	**(105)**
Accruals and other payables	**(33,987)**
Amount due to an immediate holding company	**(66,262)**
Contract liabilities	**(68)**
Tax payables	**(92)**
Deferred tax liabilities	**(139,456)**
Net asset disposed of	**842,070**
Loss on disposal of the internet finance facilitation service business:	
Fair value of Consideration Shares	**781,920**
Less: net assets disposed	**(842,070)**
Less: release of translation reserve	**(13,020)**
	(73,170)
Net cash outflows arising on disposal:	
Consideration received in cash and cash equivalents	**–**
Less: cash and cash equivalents disposed of	**(6,144)**
	(6,144)

Cash flows for the periods from the discontinued operation is set out below:

	From 1 January 2019 to 31 July 2019 HK$'000	From 1 August 2018 to 31 December 2018 HK$'000
Net cash (used in)/generated from operating activities	**(11,201)**	8,540
Net cash used in investing activities	**–**	(543)
Net cash (outflow)/inflow	**(11,201)**	7,997

49. DISCONTINUED OPERATIONS *(Continued)*

(b) Chinese baijiu business

In November 2019, Shangri-la Winery, an indirect 95%-owned subsidiary of the Company, entered into the sale and purchase agreement for disposal of 70% of the equity interests of and the shareholder's loan owed by YuQuan Investment, which in turn owned the entire equity interests in Harbin City Xinlong Winery Co., Ltd. and Heilongjiang Province YuQuan Winery Co., Ltd, at the cash consideration of RMB70,000,000 (equivalent to approximately HK$78,145,000). The disposal was completed on 20 November 2019. Details of which were set out in the announcements of the Company dated 15 November 2019 and 20 November 2019.

The loss for the period/year from the Chinese baijiu business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income and related notes have been represented as discontinued operation.

	From 1 January 2019 to 20 November 2019 HK$'000	From 1 January 2018 to 31 December 2018 HK$'000
Loss for the period/year	**(32,316)**	(6,319)
Gain on disposal	**9,187**	–
Loss for the period/year from discontinued operation	**(23,129)**	(6,319)
Attributable to:		
Owners of the Company	**(12,762)**	(4,203)
Non-controlling interests	**(10,367)**	(2,116)
	(23,129)	(6,319)

49. DISCONTINUED OPERATIONS *(Continued)*

(b) Chinese baijiu business *(Continued)*

Analysis of the results of the discontinued operation is set out below:

	From 1 January 2019 to 20 November 2019 HK$'000	From 1 January 2018 to 31 December 2018 HK$'000
Revenue	**59,414**	79,824
Cost of revenue	**(31,436)**	(40,422)
Gross profit	**27,978**	39,402
Other revenue	**2,253**	702
Selling and distribution expenses	**(40,632)**	(29,783)
Administrative expenses and other operating expenses	**(27,513)**	(15,876)
Loss from operating activities	**(37,914)**	(5,555)
Finance costs	**–**	–
Loss before taxation	**(37,914)**	(5,555)
Taxation	**5,598**	(764)
Loss for the period/year	**(32,316)**	(6,319)
Attributable to:		
Owners of the Company	**(21,490)**	(4,203)
Non-controlling interests	**(10,826)**	(2,116)
	(32,316)	(6,319)

49. DISCONTINUED OPERATIONS *(Continued)*

(b) Chinese baijiu business *(Continued)*

	20 November 2019 HK$'000
Cash consideration received	**78,145**
Analysis of assets and liabilities over which control was lost:	
Right-of-use assets	**20,847**
Property, plant and equipment	**86,394**
Financial assets at FVTOCI	**3,746**
Deferred tax assets	**43**
Inventories	**57,022**
Trade receivables	**2,615**
Prepayment and other receivables	**20,808**
Cash and cash equivalents	**10,962**
Trade payables	**(24,783)**
Accruals and other payables	**(41,415)**
Shareholder's loan	**(53,105)**
Amount due to a related party	**(7,036)**
Contract liabilities	**(53,452)**
Tax payables	**(406)**
Net asset disposed of	**22,240**
Gain on disposal of YuQuan Investment:	
Consideration received	**78,145**
Less: net assets attributable to 70% equity interests disposed of	**(15,568)**
Less: shareholder's loan	**(53,105)**
Less: release of translation reserve	**(285)**
	9,187
Net cash inflows arising on disposal:	
Consideration received in cash and cash equivalents	**78,145**
Less: cash and cash equivalents disposed of	**(10,962)**
	67,183

49. DISCONTINUED OPERATIONS *(Continued)*

(b) Chinese baijiu business *(Continued)*

Cash flows for the period/year from the discontinued operation is set out below:

	From 1 January 2019 to 20 November 2019 HK$'000	From 1 January 2018 to 31 December 2018 HK$'000
Net cash (used in)/generated from operating activities	**(20,563)**	9,292
Net cash used in investing activities	**(1,942)**	(3,690)
Net cash (outflow)/inflow	**(22,505)**	5,602

50. DISPOSAL OF SUBSIDIARIES

In October 2019, NSR Toronto, an indirect wholly-owned subsidiary of the Company, entered into the securities purchase agreement with an independent third party (the "Purchaser") for disposal of all units in the capital and shares of the MC Entities. The disposal was completed on 29 November 2019 (Toronto time) (the "Closing Date"). The contract price was CAD41,700,000 (equivalent to approximately HK$245,797,000) which is subject to post-closing adjustments as detailed in the note below. On the Closing Date, the aggregate amount of CAD3,000,000 (equivalent to approximately HK$17,863,000) was received by NSR Toronto and the balance will be settled by the Purchaser under certain conditions. If, for any reason, these conditions have not been met by 30 June 2022, all outstanding consideration will be payable on that date. Details of which were set out in the announcements of the Company dated 11 October 2019 and 4 December 2019.

	29 November 2019 HK$'000
Consideration receivable	**245,797**
Contingent consideration payable (note)	**(44,721)**
Total consideration receivable	**201,076**
Analysis of assets and liabilities over which control was lost:	
Stock of properties	**639,602**
Other receivables	**37,152**
Contract assets	**9,372**
Cash and cash equivalents	**35,115**
Other payables	**(16,802)**
Amount due to an immediate holding company	**(11,633)**
Contract liabilities	**(113,968)**
Other borrowing	**(162,464)**
Deferred tax liabilities	**(62,080)**
Net assets disposed of	**354,294**

50. DISPOSAL OF SUBSIDIARIES *(Continued)*

	29 November 2019 HK$'000
Gain on disposal of the Mackenzie Creek Project:	
Total consideration	**201,076**
Less: net assets attributable to 51% ownerships disposed of	**(180,690)**
Add: release of translation reserve	**729**
	21,115
Net cash outflows arising on disposal:	
Consideration received in cash and cash equivalents	**17,863**
Less: cash and cash equivalents disposed of	**(35,115)**
	(17,252)

Note: The contingent consideration payable represents the possible adjustment on the consideration with reference to the working capital and the long-term indebtedness recorded in the financial statements of the MC Entities at the Closing Date. As the final price is yet to be determined at the reporting date, a contingent consideration payable of approximately CAD7,587,000 (equivalent to approximately HK$44,721,000) was recorded in the consolidated statement of financial position based on proposed adjustment prepared by the Purchaser.

51. CONTINGENT LIABILITIES

	2019 HK$'000	2018 HK$'000
Guarantee given to a financial institution in connection with a mortgage loan (note (iii))	–	204,167

Notes:

(i) Legal proceedings of MegaLuck

MegaLuck, a non-wholly owned subsidiary of the Company, has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office (the "Prosecutor Office") for outsourcing management of slot machines operation under 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 (the "Act") in Korea. The judgement was made by Jeju District Court in December 2019 that MegaLuck was given an acquittal on non-violation of the Act. However, the Prosecutor Office has filed an appeal against the judgement with the Appellate Division of Jeju District Court. As at the reporting date, the appeal is pending for court hearing date. A maximum fine of KRW20 million (equivalent to approximately HK$135,000) will be imposed if MegaLuck has been convicted by violation of the Act.

In view of the favourable judgement was first made by the Jeju District Court in December 2019 and the fine is insignificant to the Group as a whole, no provision for any liability that may result has been made in the consolidated financial statements.

51. CONTINGENT LIABILITIES *(Continued)*

Notes: (Continued)

(ii) Legal proceedings of NSR Toronto

(a) NSR Toronto issued a notice of action dated 30 May 2019 and filed a statement of claim dated 27 June 2019 (the "2019 Claim") in the Superior Court of Justice in Ontario (the "Ontario Court") against CIM Development (Markham) LP, CIM Mackenzie Creek Residential GP Inc., CIM Commercial LP, CIM Mackenzie Creek Commercial GP Inc., CIM Mackenzie Creek Inc. (collectively, the "Project Companies Defendants"), which were all the then non-wholly owned subsidiaries of the Company, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., CIM Global Development Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "CIM Defendants", together with the Project Companies Defendants, collectively, the "Defendants"). Pursuant to the 2019 Claim, NSR Toronto seeks damages for breach of contract and breach of the duty of good faith, for accounting and disgorgement of profits for breach of fiduciary duty and breach of trust for failure or refusal to disclose self-dealing transactions that harmed NSR Toronto's interests, and for specific performance (or damages in lieu thereof) for refusal to honour their obligations under the agreement entered into with the Group dated 30 May 2017 in amounts to be particularised in the course of proceedings together with interest and costs.

The Defendants filed a statement of defence and counterclaim dated 16 August 2019 (the "Counterclaim") in Ontario Court, among other matters, (a) to deny any and all liability to NSR Toronto; (b) to ask the action be dismissed; and (c) to claim against NSR Toronto for damages, in an amount to be determined prior to trial, relating to the Defendants' lost profits in the development project.

On 4 October 2019, NSR Toronto filed an amended notice of motion in Ontario Court for, among other matters, (a) an order staying or dismissing the Counterclaim brought on behalf of the Project Companies Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim commenced without authority of the Project Companies Defendants which were controlled by NSR Toronto at the time being.

On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in name of the Project Companies Defendants should be stayed and the CIM Defendants were ordered to pay NSR Toronto's costs incurred in the motion.

(b) On 13 March 2020 (Toronto time), NSR Toronto and its officer were served in Ontario, Canada, with a statement of claim dated 21 February 2020 (the "2020 Claim") filed in the Ontario Court by two Ontario companies (collectively, the "Plaintiffs"). The 2020 Claim raises a number of legal and factual allegations against the Company, NSR Toronto, a direct wholly-owned subsidiary of the Company in Hong Kong and the officers of NSR Toronto (collectively, the "NSR Defendants") as well as against a number of entities not related to the Group (the "Other Defendants"). As against the NSR Defendants, the Plaintiffs seek CAD8 million (equivalent to about HK$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019. Similar claims are being advanced against the Other Defendants.

As it is premature to assess the likelihood of the potential financial impact of the Counterclaim and the 2020 claim on the Company, the Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no provision for any liability that may result has been made in the consolidated financial statements.

(iii) Guarantee provided by the Group

For the year ended 31 December 2018, the Group provided guarantees to secure obligations of CIM Mackenzie Creek Inc. (the "Borrower"), which was the bare trustee for the land situated in Markham, Ontario, Canada (the "Land") and the then 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 would be 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.

The guarantee arrangement was ceased following the disposal of the Mackenzie Creek Project during the year.

52. 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 36).

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

53. 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.

53. SHARE OPTION SCHEME *(Continued)*

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.

Details of the outstanding share options during the year ended 31 December 2019 are as follows:

				Number of share options		
Name and category of participants	**Date of grant**	**Exercise period**	**Exercise price per share HK$**	**Outstanding at 31.12.2018**	**Lapsed in 2019**	**Outstanding at 31.12.2019**
Directors						
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
Mr. Su Bo (Note)	4.7.2016	4.7.2016 to 3.7.2026	2.0381	11,775,600	–	11,775,600
Other employees or participants	4.7.2016	4.7.2016 to 3.7.2026	2.0381	82,429,200	–	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	31.3.2017	31.3.2017 to 30.3.2027	2.0000	10,000,000	–	10,000,000
Total				138,606,400	–	138,606,400

Note: Mr. Su Bo was removed as the executive director of the Company on 22 January 2020. As at the reporting date, he ceased to have all interest in the share options.

54. 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$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2018	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
Impact on initial application of HKFRS 16 (note 2)	–	–	–	37,309	37,309
Cash inflow/(outflow):					
Exchange alignment	4,255	(17,976)	(2,407)	(200)	(16,328)
Disposal of subsidiaries	(162,464)	(66,262)	–	–	(228,726)
Proceeds from borrowings	1,256,472	156,320	–	–	1,412,792
Repayment of borrowings	(192,526)	(830,799)	–	–	(1,023,325)
Repayment of lease liabilities	–	–	–	(7,735)	(7,735)
Interest on lease liabilities	–	–	–	2,196	2,196
As at 31 December 2019	**1,255,303**	**24,906**	**101,969**	**31,570**	**1,413,748**

55. 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.

	2019 HK$'000	2018 HK$'000
Sales of goods		
Yunnan JLF Trading (note (i))	**2,850**	7,783
Service income		
MACRO-LINK International Investment Co., Ltd. (note (ii))	**–**	1,532

55. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) It is a related party of the Group as Mr. Fu is the brother-in-law of Mr. Wu Xiang Dong, who is a substantial shareholder of the company.

The sale of goods made by the Group to Yunnan JLF Trading for the year ended 31 December 2019 was conducted on normal commercial terms or better and was de minimis transactions. Accordingly, it was the fully exempted continuing connected transaction of the Company under the Listing Rules.

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 master sales agreement dated 28 September 2018 entered into with Yunnan JLF Trading which was a continuing connected transaction under the Listing Rules.

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 was 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:

	2019 **HK$'000**	2018 HK$'000
Short-term benefit	**2,718**	2,643
Post-employment benefits	**18**	18
	2,736	2,661

(c) Balances with related parties

Details of the balances with related parties at the end of reporting period are set out in notes 34, 35 and 40.

(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 41.

(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 41.

56. GOVERNMENT GRANTS

During the year ended 31 December 2019, the Group recognised of approximately HK$6,345,000 (restated in 2018: approximately HK$8,616,000) 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.

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

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,389**	1,964
Interests in subsidiaries	**2,049,037**	3,736,180
Right-of-use assets	**860**	–
	2,051,286	3,738,144
Current assets		
Prepayments, deposits paid and other receivables	**10,871**	12,088
Cash and cash equivalents	**18,058**	3,981
	28,929	16,069
Total assets	**2,080,215**	3,754,213
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**32,076**	42,936
Reserves	**2,014,603**	2,988,760
Total equity	**2,046,679**	3,031,696
LIABILITIES		
Non-current liabilities		
Loan from an immediate holding company	**24,906**	717,222
	24,906	717,222
Current liabilities		
Accruals and other payables	**6,271**	5,125
Lease liabilities	**781**	–
Amount due to an intermediate holding company	**1,578**	170
	8,630	5,295
Total liabilities	**33,536**	722,517
Total equity and liabilities	**2,080,215**	3,754,213
Net current assets	**20,299**	10,774
Total assets less current liabilities	**2,071,585**	3,748,918

Approved and authorised for issue by the Board of Directors on 8 May 2020 and signed on its behalf by:

Ma Chenshan
Director

Ng Kwong Chue, Paul
Director

57. 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 2018	2,286,570	57,008	(152,179)	2,191,399
Issuance of offer 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 and 1 January 2019	3,046,770	51,887	(109,897)	2,988,760
Share repurchase	(771,060)	–	–	(771,060)
Loss for the year	–	–	(203,097)	(203,097)
At 31 December 2019	**2,275,710**	**51,887**	**(312,994)**	**2,014,603**

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

58. EVENT AFTER THE REPORTING PERIOD

(a) on 13 March 2020 (Toronto time), NSR Toronto and its officer were served in Ontario, Canada with the 2020 Claim filed in the Ontario Court by the Plaintiffs. The 2020 Claim raises a number of legal and factual allegations against the NSR Defendants. The Plaintiffs seek CAD8 million (equivalent to about HK$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019 against the NSR Defendants. As it would be premature to assess the likelihood of the potential financial impact on the Company, no provision has been made in the accounts in respect of the 2020 Claim.

(b) Since early 2020, the epidemic of COVID-19 has spread across the PRC and other countries and it has affected the business of the Group to some extent. As at the date of this report, the overall financial effect cannot be reliably assessed. The Group will pay close attention to the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

59. COMPARATIVE FIGURES

The comparative statement of profit or loss has been restated as if the discontinued operations during the current year had been discontinued at the beginning of the comparative year.

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

In addition, certain comparative figures have been reclassified to be consistent with the current year presentation.

60. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 8 May 2020.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000 (Restated)	**2019** **HK$'000**
Revenue	241,225	273,710	295,487	227,852	**211,185**
Loss from operating activities	(34,500)	(87,153)	(83,340)	(36,853)	**(105,270)**
Finance costs	(3,544)	(10,778)	(2,885)	(2,881)	**(5,211)**
Loss before taxation	(38,044)	(97,931)	(86,225)	(39,734)	**(110,481)**
Taxation	(2,846)	(1,211)	(3,087)	(5,116)	**(299)**
Profit/(loss) from discontinued operations	–	–	–	100,233	**(118,716)**
(Loss)/profit for the year	(40,890)	(99,142)	(89,312)	55,383	**(229,496)**
Attributable to:					
Owners of the Company	(35,336)	(92,482)	(70,986)	64,413	**(188,729)**
Non-controlling interests	(5,554)	(6,660)	(18,326)	(9,030)	**(40,767)**
(Loss)/profit for the year	(40,890)	(99,142)	(89,312)	55,383	**(229,496)**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	2,091,820	4,513,068	4,253,273	5,340,406	**3,882,158**
Total liabilities	(977,003)	(3,597,982)	(1,643,161)	(2,008,154)	**(1,782,380)**
Non-controlling interests	(367,112)	(480,294)	(671,481)	(628,010)	**(391,279)**
Shareholders' funds	747,705	434,792	1,938,631	2,704,242	**1,708,499**

PROPERTY PORTFOLIO

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
Nos. 71–79, Macquaire Street, Sydney, New South Wales, Australia	Residential and commercial	Under construction	2021	1,207	13,309	80%
Zone A, Hallim Eup, Kumak-ri Jejusi, Jejudo, Korea	Integrated resort, residential and commercial	Under development	N/A	1,242,774	226,746	55%