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 2020 to 31 December 2020

2020 Annual Report

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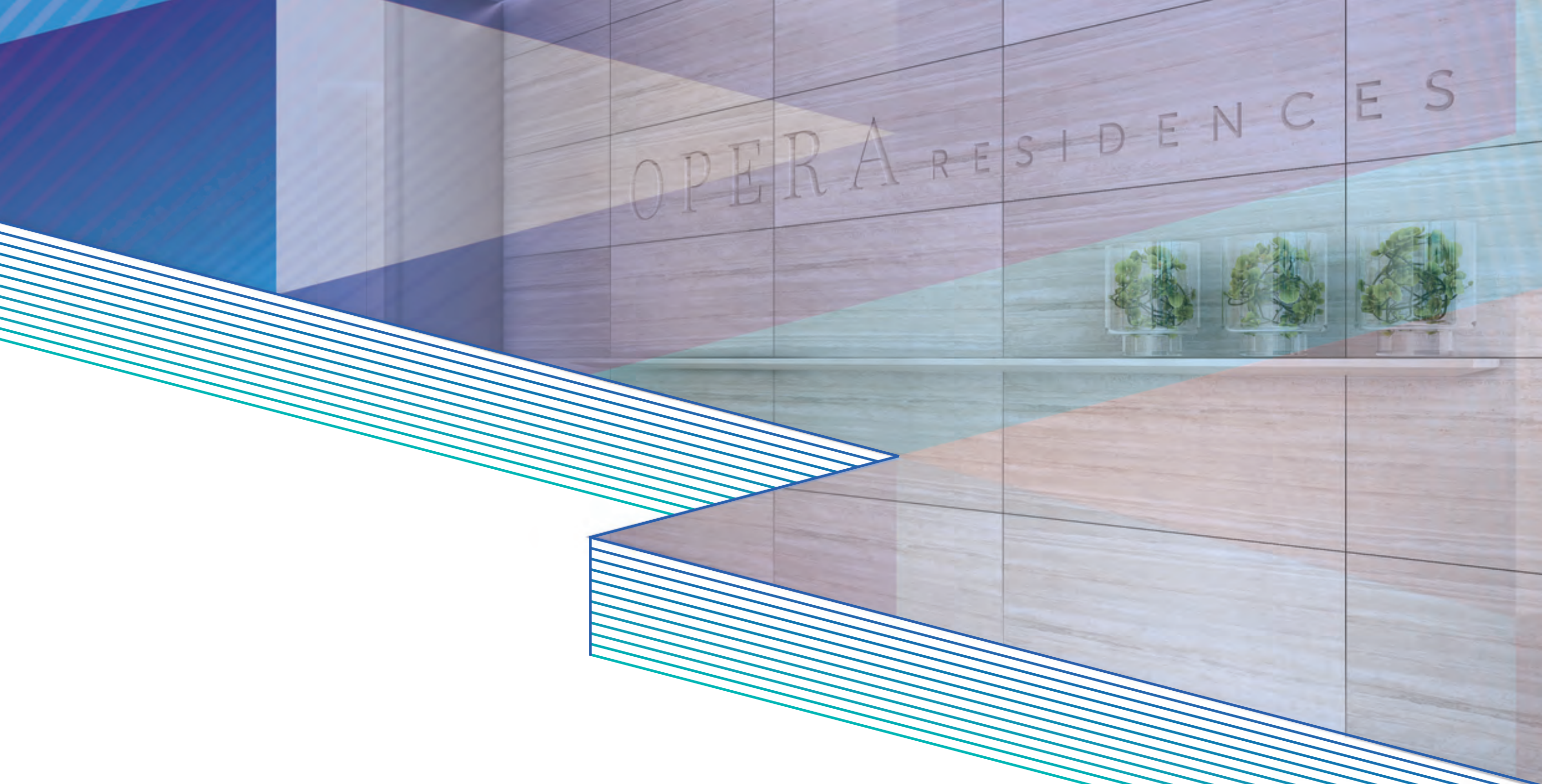

OPERA RESIDENCES

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Ma Chenshan (Chairman)
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
Mr. Ng Mo Chun
(Appointed on 18 September 2020)

COMPANY SECRETARY

Mr. Ng Mo Chun
(Appointed on 18 September 2020)

NOMINATION COMMITTEE

Mr. Ma Chenshan (Chairman)
Mr. Ting Leung Huel, Stephen
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

REMUNERATION COMMITTEE

Mr. Ting Leung Huel, Stephen (Chairman)
Mr. Ma Chenshan
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

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2/F., 625 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
National Australia Bank
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,

On behalf of the board of directors (the "Board") of New Silkroad Culturaltainment Limited (the "Company") and its subsidiaries (together, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2020.

The past year of 2020 was an extremely extraordinary year. Raging almost throughout the whole year, the early-year outbreak and the spread of the novel coronavirus disease 2019 ("COVID-19") epidemic across the globe led to the epidemic prevention measures for lock-downs and ground restrictions imposed by the local governments in many countries. Business activities drastically shrunk. It brought many unprecedented impacts on global economic stability and social development. As a result of the effective pandemic prevention and control policies of the Chinese government, the pandemic has been rapidly controlled in China. The economy of China has gradually come out of the trough with unchanged favorable fundamentals in its long-term economy.

The Group's wine business was affected by the COVID-19 pandemic during the year. Yet, the revenue from the wine business fell by only 8.9% to HK$117.2 million (2019: HK$128.5 million). In response to the business risks caused by the epidemic, Shangri-la Winery adjusted its business strategy in a timely manner by adopting a usher-out-welcome-in sales plan to activate retaliatory consumption after the epidemic. It is expected that the wine business will still account for the majority of the Group's total revenue until the revenue from the real estate project in Australia is recognised as described below. For this reason, we will focus on marketing and revenue generation and review the possibility of restructuring of business structure in order to be ready to respond to market changes at any time.

Among the two businesses of the Group in Jeju, South Korea, the hotel development project approval of Glorious Hill was obtained, but it was delayed due to project financing obstacles. In addition, operation at the entertainment venue has been suspended temporarily for most of the time in the last year in order to cope with the epidemic prevention measures of the local government. If the epidemic is not brought under control this year, the business prospect in South Korea is arduous. However, the Group will continue to implement cost control measures in response to the adverse business environment. The management is closely monitoring, and will respond cautiously and adjust the business strategy timely.

The Opera Residence in Sydney, Australia topped out in October 2020 and the buyers will be delivered vacant possession in around second quarter of year 2021. The relevant revenue and profit are expected to be recorded in the financial statement of 2021, bringing relatively significant income and investment return to the Group.

As a result of the pandemic effect, the overall revenue of the Group for the year decreased by 44.3% to HK$117.6 million (2019: HK$211.2 million), and a loss of HK$114.3 million (2019: loss of HK$110.8 million from continuing operations) was recorded. Loss attributable to shareholders of the Company was HK$92.0 million (2019: loss of HK$80.4 million from continuing operations). Basic loss per share was HK2.87 cents (2019: loss of HK2.10 cents from continuing operations). As at 31 December 2020, the Group had total assets and net assets valued at HK$4,371.0 million and HK$2,067.9 million respectively.

Despite the impacts of the pandemic, the accelerated approvals of vaccine emergency applications and arrangements of citizen vaccine injection plan by the governments are expected to bring the global economies to the post COVID-19 period. The first priority of the governments is to boost the local economy and retrieve the excessive abundant liquidity released during the pandemic. Real estates are the mainstay stones for steady investment and national GDP which is still favored by consumers as stable assets. The oversea real estate and the tourism market have gradually emerged from the impact of the pandemic and will enter the normal operational channel.

The Group believes that, with our quality strategic resources and improved industrial chain building, and a dedicated and proactive core management team, it will continue making progress to move towards a new journey with a surpassing trend.

On behalf of the Board, I would like to express my sincere gratitude to the support and trust of our shareholders and business partners as well as the dedicated efforts of all our employees.

Ma Chenshan
Chairman

Hong Kong, 29 March 2021

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL INFORMATION

The Group's operating results for the year ended 31 December 2020 (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 People's Republic of China (the "PRC"); and (iv) operation of entertainment business in South Korea.

Revenue

Revenue for the Year decreased by 44.3% to approximately HK$117.6 million (2019: HK$211.2 million) mainly attributable to the severe impact of the COVID-19 pandemic, resulting in a significant drop in the entertainment revenue.

The unexpected outbreak of COVID-19 has caused international travel to nearly come to a halt since early 2020. In addition, the implementation of prevention measures by the Jeju government has led to a significant decrease in visitors. According to the data from Jeju Tourism Organization, visitation to Jeju dramatically decreased by 87.7% in 2020 as compared to 2019. The entertainment revenue plunged by 99.5% to approximately HK$0.4 million (2019: HK$82.6 million).

The revenue of wine business, which remained relatively stable as benefiting from the sales promotions on slow-moving inventories, decreased only by 8.9% to approximately HK$117.2 million (2019: HK$128.5 million).

Gross Profit

Gross profit dropped by 61.1% to approximately HK$29.5 million (2019: HK$75.8 million) primarily because of gross loss of approximately HK$7.8 million (2019: gross profit of HK$12.3 million) incurred in the entertainment business.

Gross profit of the wine business also declined by 41.3% to approximately HK$37.3 million (2019: HK$63.5 million). To minimise the adverse impact of COVID-19 on the business operation, we have implemented a destocking strategy by offering promotion discounts on the slow-moving inventories which aimed at improving the inventories turnover and cash inflows. As a result, the gross profit margin dropped by 17.6 percentage points to 31.8% (2019: 49.4%).

Other Revenue

Other revenue soared by 130.3% to approximately HK$30.6 million (2019: HK$13.3 million) mainly driven by an increase in government grants for supporting the local employment and business operations during the COVID-19 crisis. Among it, government grants rapidly increased by 194.3% to approximately HK$18.7 million (2019: HK$6.3 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 12.3% to approximately HK$43.7 million (2019: HK$49.8 million). Selling and distribution expenses as a percentage of revenue increased by 13.6 percentage points to 37.2% (2019: 23.6%) as revenue dropped.

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. The Group has implemented various effective cost-saving measures in response to the adverse operating environment. As such, the administrative and other operating expenses decreased by 20.5% to approximately HK$79.2 million (2019: HK$99.7 million).

FINANCIAL INFORMATION *(Continued)*

Impairment losses of goodwill and intangible assets

In view of the deteriorated performance of the entertainment business and the unfavorable changes in market conditions, the Group recognised impairment losses of goodwill and intangible assets of approximately HK$13.9 million (2019: HK$61.1 million) and HK$20.0 million (2019: Nil) respectively based on a business valuation prepared by an independent professional valuer.

Loss before Taxation

The Group's loss before taxation for the Year was approximately HK$122.1 million (2019: HK$110.5 million).

Taxation

Taxation of the Group mainly comprised current income tax expenses of approximately HK$1.0 million (2019: HK$1.3 million) and deferred tax credit of approximately HK$8.8 million (2019: HK$1.0 million) recognised for the impairment loss of intangible assets and the allowance of expected credit losses.

Loss Attributable to Owners of the Company

Taking into consideration the abovementioned factors, loss after taxation for the Year was approximately HK$114.3 million (2019: HK$110.8 million from continuing operations). Loss attributable to owners of the Company was approximately HK$92.0 million (2019: HK$80.4 million from continuing operations). Basic loss per share attributable to owners of the Company was HK2.87 cents (2019: HK2.10 cents from continuing operations).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were mainly generated from operating activities, advances from immediate holding company as well as loan facilities provided by financial institutions. As at 31 December 2020, the Group recorded a decrease in cash and cash equivalents by 19.8% to approximately HK$213.4 million (2019: HK$266.2 million).

As at 31 December 2020, total borrowings (excluding lease liabilities) increased by 36.0% to approximately HK$1,880.3 million (2019: HK$1,382.9 million) as new loans of approximately HK$348.2 million were drawn 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.

Capital Expenditure

During the Year, our total capital expenditure amounted to approximately HK$412.7 million (2019: HK$312.7 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate project. For year 2021, we have budgeted approximately HK$437.6 million for capital expenditure mainly on the development of the Opera Residence Project in Sydney, Australia and Glorious Hill Project in Jeju, South Korea.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 31 December 2020, the Group's inventories decreased slightly by 0.3% to approximately HK$209.3 million (2019: HK$210.0 million). Finished goods also decreased by 52.0% to approximately HK$29.5 million (2019: HK$61.5 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) improved to 204 days for the Year (2019: 379 days) mainly due to destocking of wine inventories.

Balance Sheet Analysis

As at 31 December 2020, total assets of the Group increased by 12.6% to approximately HK$4,371.0 million (2019: HK$3,882.2 million). Total assets were composed of current assets of approximately HK$2,858.4 million (2019: HK$2,410.2 million) and non-current assets of approximately HK$1,512.6 million (2019: HK$1,472.0 million). The increase in total assets was primarily due to the construction costs incurred in the properties under development.

As at 31 December 2020, total liabilities, which included current liabilities of approximately HK$2,133.6 million (2019: HK$264.4 million) and non-current liabilities of approximately HK$169.4 million (2019: HK$1,518.0 million), increased by 29.2% to approximately HK$2,303.0 million (2019: HK$1,782.4 million) mainly because of the increase of bank borrowing for the real estate project in Australia.

As at 31 December 2020, our total equity was composed of owners' equity of approximately HK$1,694.6 million (2019: HK$1,708.5 million) and non-controlling interests of approximately HK$373.3 million (2019: HK$391.3 million).

The Group's current ratio as at 31 December 2020 lowered to 1.3 (2019: 9.1) as a result of the reclassification of the long-term debts to be due within one year. Gearing ratio, representing total borrowings (excluding lease liabilities) divided by total equity, increased to 90.9% (2019: 65.8%) as a results of new loans drawn.

Trade receivables turnover ratio (being average trade receivables divided by revenue) for the Year decreased to 47 days (2019: 80 days).

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 26.7% (2019: 24.9%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 10.7% (2019: 8.0%). The Group's five largest customers accounted for 14.8% (2019: 9.6%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 3.9% (2019: 3.5%).

None of the directors (the "Directors"), their close associates (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) or shareholders of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the five largest suppliers or customers of the Group.

GOVERNMENT SUBSIDIES

During the Year, the Group has been granted subsidies for an aggregate amount of approximately HK$18.7 million (2019: HK$6.3 million) from the respective local government for subsidising the Group's technical development and supporting of the local employment.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2019: Nil).

PLEDGE OF ASSETS

At 31 December 2020, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK$23.7 million (2019: HK$22.9 million) to secure general bank facilities granted. In addition, the Group pledged the properties under development located in Sydney, Australia in favour of a financial institution which amounted to a book value of approximately HK$2,135.1 million (2019: 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 44 to the consolidated financial statements, the Group had no other material contingent liabilities as at 31 December 2020 and 31 December 2019.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in HK$, RMB, AUD, Canadian dollar(s) ("CAD") and South Korean 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

During the Year, there was no material acquisition and disposal of subsidiaries, associates or joint ventures by the Group.

SIGNIFICANT INVESTMENT

As at 31 December 2020, the Group had no significant investment with a value of 5% or more of the Group's total assets.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2020, the Group employed a total of 381 (2019: 453) 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 proceeding 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., allegedly in violation of the Tourism Promotion Act (the "Act") in South Korea.

The judgement was made by Jeju District Court in December 2019 that MegaLuck was given an acquittal on non-violation of the Act (the "First Trial"). However, the Prosecutor Office has filed an appeal against the judgement (the "Appeal") with the Appellate Division of Jeju District Court. In January 2021, the judgement was handed down by the Jeju District Court dismissing the Appeal and upholding the judgement of the First Trial.

Legal proceedings of NSR Toronto Holdings Ltd. ("NSR Toronto")

(i) NSR Toronto, a wholly-owned subsidiary of the Company, 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. and CIM Global Development Inc. (collectively, the "Project Companies Defendants"), which were all the then non-wholly owned subsidiaries and/or the associate of the Company, CIM Mackenzie Creek Limited Partnership, CIM Homes 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 the Ontario Court to (a) deny any and all liability to NSR Toronto; (b) ask that the action be dismissed; and (c) 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 was commenced without the authority of the Project Companies Defendants which were controlled by NSR Toronto at the time.

    On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in the name of the Project Companies Defendants be stayed and the CIM Defendants were ordered to pay NSR Toronto's costs incurred on 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. On 16 June 2020, the CIM Defendants served a fresh as amended statement of defence and counterclaim (the "Amended Counterclaim") to claim against NSR Toronto for breach of contract, breach of fiduciary duties, breach of good faith and misrepresentation for damages in the amount of CAD50 million (equivalent to about HK$290 million). On 11 September 2020, NSR Toronto delivered reply and defence to the Amended Counterclaim.

    As at the date of this report, NSR Toronto is working with its Canadian legal counsel to prepare a discovery plan and consider whether to proceed with a motion to strike out some of the allegations in CIM Defendants' fresh as amended pleading.

LITIGATION UPDATE *(Continued)*

Legal proceedings of NSR Toronto Holdings Ltd. ("NSR Toronto") *(Continued)*

(ii) On 13 March 2020 (Toronto time), NSR Toronto and one of its officers 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 officer 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 (the "Disposal"). Similar claims are being advanced against the Other Defendants.

On 11 May 2020, the NSR Defendants filed a statement of defence in the Ontario Court to deny the allegations of wrongdoing as alleged in the 2020 Claim and to request the action be dismissed.

Subsequently, on 11 February 2021, one of the Plaintiffs served a motion record on the NSR Defendants requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim (the "Amended 2020 Claim"); (b) an order validating service of the Plaintiff's motion record on the co-Plaintiff; (c) an order dispensing with service or allowing substitutional service by mail on other defendants not yet served with the 2020 Claim; (d) the payment of CAD5 million into the court by each of the NSR Defendants and the Other Defendants pending determination of the Plaintiffs' rights regarding the consulting fee as stated above; and (e) a certificate of pending litigation as against the lands in the Disposal. The Plaintiff's motion is scheduled to be heard on 15 June 2021 in the Ontario Court.

On March 11, 2021, the NSR Defendants took steps to schedule a motion to strike out the allegations in the Amended 2020 Claim for failing to disclose a reasonable cause of action against them. As at the date of this report, the Ontario Court has yet to schedule a hearing date for the motion.

Based on the advice from the Canadian legal counsel, the Directors consider that 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 Amended Counterclaim and the Amended 2020 Claim.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MA CHENSHAN

Chairman and Executive Director

Mr. Ma Chenshan, aged 45, 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.

ZHANG JIAN

Executive Director

Mr. Zhang Jian, aged 47, 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 Industrial Group 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.

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 49, 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 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 67, 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 66, 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 70, 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.

NG MO CHUN

Company Secretary

Mr. Ng Mo Chun, aged 36, is the company secretary and the authorised representative of the Company since 18 September 2020. He is a member of the Hong Kong Institute of Certified Public Accountants. He holds a bachelor degree in business administration and a master degree in economics from the University of Hong Kong. Mr. Ng has extensive experience in accounting, financial management, mergers and acquisitions, capital financing and listing compliance. Prior to joining of the Company, he has worked at a reputable audit firm and has held the finance and company secretary positions for a company listed on the main board of the Stock Exchange.

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 2020.

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 49 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 2020 is set out in the section headed "Chairman's Statement" on pages 3 to 4 of this annual report.

Key financial and business performance indicators

An analysis of the Group's performance during the year using key financial and business 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 5 to 11 of this annual report.

Environmental policies and performance

The Group is committed to environmental conservation. We have adopted environmental, social and governance policy, leading us in pursuit of sustainable business operation. With the implementation of various environmental initiatives and practices in our business segments, the Group strives for effective air emissions control, proper waste management and wastewater treatment, optimising resource efficiency and building climate resilience, in order to minimise the adverse impacts on the environment and continually improve our environmental performance. The Group also ensures that all businesses operations in our businesses strictly complied with all applicable environmental laws and regulations. For further details of the ESG initiatives, practices and performance of the Group, please refer to the section headed "Environmental, Social and Governance Report" on pages 43 to 73 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 of Hong Kong Limited (the "Stock Exchange"). As far as the Directors are aware, there was no material impact on the Group resulting from non-compliance with any relevant laws and regulations.

The Company has complied with the Securities and Futures Ordinance (Chapter 571) ("SFO"), the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange, the Hong Kong Companies Ordinance (Chapter 622), the Codes on Takeovers and Mergers and Share Buy-backs and other relevant rules and regulations during the year. 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 43 to 73 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 and macro-economic conditions*

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. In addition, if any event arises which materially and adversely affects the social environment of the markets where we operate, such as the pandemic, it may cause a significant impact on our ability to operate business in a normal manner. Such event may cause disruptions to our normal business activities and suspension of our business operation temporarily.

(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.

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 be impacted adversely.

Risks related to our wine business in the PRC

(i) *Macroeconomic environment*

Our wine business may be affected by the volatility and uncertainty of local and global macroeconomic conditions, particularly the changes in domestic economy and local customer preferences. The unfavourable factors and market uncertainty affecting China's consumer market 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 wine 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 wine 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 43 to 73 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 4 of this annual report.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 80.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

CHARITABLE DONATION

Charitable donation made by the Group during the year ended 31 December 2020 amounted to approximately HK$1,500,000.

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 171.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 June 2021 to Wednesday, 9 June 2021 (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 "2021 AGM") to be held on Wednesday, 9 June 2021. In order to qualify for attending and voting at the 2021 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 Thursday, 3 June 2021.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 34 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 page 84 and note 50 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any distributable reserves.

EQUITY FUND RAISING ACTIVITIES

There was no equity fund raising by the Company during the year, nor were there any proceeds brought forward from any issue of equity securities made in previous financial years.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 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)
Mr. Zhang Jian
Mr. Hang Guanyu
Mr. Liu Huaming

Mr. Su Bo (removed on 22 January 2020)
Mr. Ng Kwong Chue, Paul (retired on 18 June 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. Liu Huaming, Mr. Ting Leung Huel, Stephen and Mr. Cao Kuangyu will retire from office by rotation and, being eligible, offer themselves for re-election at the 2021 AGM. None of the Directors proposed for re-election at the 2021 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 12 to 13 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 28 and 47 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 or any of its subsidiaries during the year ended 31 December 2020.

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 2020, 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. 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%

(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 Limited	Beneficial owner	RMB6,715,000	3.36%

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS *(Continued)*

(b) Interests of substantial shareholders

As at 31 December 2020, 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 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%	

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 Limited, as to 2.83% by Mr. Fu Kwan and as to the remaining 3.77% by five individuals.

5. Cheung Shek Investment 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.

Save as disclosed above, as at 31 December 2020, 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 41 to the consolidated financial statements. Details of the outstanding share options during the year ended 31 December 2020 are as follows:

Name and category of participants	Options to subscribe for shares								
	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 01/01/2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31/12/2020
Directors									
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 1	04/07/2016	04/07/2016 to 03/07/2026	2.0381	11,775,600	–	–	–	(11,775,600)	–
Mr. Ng Kwong Chue, Paul Note 1	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	(7,850,400)	–
Other employees or participants	04/07/2016	04/07/2016 to 03/07/2026	2.0381	82,429,200	–	–	–	(14,719,500)	67,709,700
	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	–	–	–	(34,345,500)	104,260,900

Notes:

1. Mr. Su Bo was removed as the executive Director on 22 January 2020 and Mr. Ng Kwong Chue, Paul retired as Director on 18 June 2020.

2. All the share options granted on 4 July 2016 and 31 March 2017 have no vesting periods or vesting conditions.

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 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year are set out in note 47 to the consolidated financial statements. The transactions in paragraph (a) and the balance in paragraph (b) of the said note fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules, all of them were fully exempted from disclosure under the de minimis rule.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 24 to 42 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 2020. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

AUDITOR

The Board considered that changing the auditor of the Company at an appropriate time would encourage the independence of its auditor and would therefore enhance and facilitate the level of corporate governance of the Company. Thus, HLB Hodgson Impey Cheng Limited ("HLB"), the Company's auditor since 2006, was not re-appointed as auditor of the Company at the annual general meeting of the Company held on 18 June 2020. Subsequently, Baker Tilly Hong Kong Limited ("Baker Tilly") was appointed as the new auditor of the Company to fill the causal vacancy of auditor following the non-reappointment of HLB. A special general meeting of the Company was held on 29 September 2020 and an ordinary resolution to approve the appointment was passed.

The consolidated financial statements for the year ended 31 December 2020 were audited by Baker Tilly whose term of office will expire upon the 2021 AGM. A resolution for the re-appointment of Baker Tilly as the auditor of the Company for the subsequent year is to be proposed at the 2021 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, 29 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2020.

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 2020, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the deviations from code provision A.2.1. and A.6.7 which are explained as follows:

Code provision A.2.1 provides that the responsibilities between the chairman and chief executive should be divided. Mr. Ma Chenshan, the chairman of the Company, currently performs the duties of chief executive since the retirement of Mr. Ng Kwong Chue, Paul. The Board believes that vesting the roles of both chairman and chief executive in the same person can ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors. However, the Group will also regularly review the board composition and appoint a chief executive if a suitable candidate is identified.

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Each of Mr. Cao Kuangyu and Mr. Tse Kwong Hon, being the independent non-executive Director, was unable to attend the special general meeting of the Company held on 22 January 2020 due to their respective other overseas business engagement, and the annual general meeting of the Company held on 18 June 2020 due to the travel and entry restrictions in force brought by the worldwide COVID-19 outbreak. In addition, Mr. Cao Kuangyu was unable to attend the special general meeting of the Company held on 29 September 2020 due to his other 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 2020.

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 2020.

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 2020, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code.

THE BOARD *(Continued)*

Composition

The Board currently comprises four 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 with reference to the board diversity policy (the "Board Diversity Policy") adopted by the Company, 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 2020, 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. Zhang Jian	Executive Director	25/2/2004	18/6/2020
Mr. Hang Guanyu	Executive Director	8/6/2015	18/6/2020
Mr. Liu Huaming	Executive Director	8/6/2015	10/5/2019
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	18/6/2020
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 12 to 13 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 appoint 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.

Board Diversity Policy

The Board adopted 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 Company 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 any casual vacancy on the Board 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 2020, no new Director was appointed.

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 2020, the Board held 14 meetings. The attendance records of the Directors are set out below:

	Number of meetings attended/Number of meetings held
Executive Directors	
Mr. Ma Chenshan	13/14
Mr. Zhang Jian	14/14
Mr. Hang Guanyu	14/14
Mr. Liu Huaming	14/14
Mr. Su Bo[1]	N/A
Mr. Ng Kwong Chue, Paul[2]	7/7
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	14/14
Mr. Tse Kwong Hon	14/14
Mr. Cao Kuangyu	14/14

Notes:

1. Mr. Su Bo was removed as executive Director on 22 January 2020.

2. Mr. Ng Kwong Chue, Paul retired as Director on 18 June 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.

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 2020. The training attended by the Directors during the year are as follows:

	Corporate governance/updates on laws, rules and regulations/finance/business	
Directors	**Read materials**	**Attended seminars/ briefings**
Executive Directors		
Mr. Ma Chenshan	✔	✔
Mr. Zhang Jian	✔	
Mr. Hang Guanyu	✔	✔
Mr. Liu Huaming	✔	✔
Independent non-executive Directors		
Mr. Ting Leung Huel, Stephen		✔
Mr. Tse Kwong Hon	✔	✔
Mr. Cao Kuangyu		✔

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive are not separate and Mr. Ma Chenshan currently performs these two roles.

Mr. Ma was appointed as the executive Director and chairman of the Board on 30 December 2019. 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. Besides, he currently performs the duties of chief executive to undertake the day-to-day management of the Company's businesses and strategic planning of the Group.

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

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

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

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

(1) Nomination Committee

The Nomination Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The Nomination Committee comprises one executive Director namely Mr. 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 once during the year ended 31 December 2020. 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 board diversity policy and the nomination policy;
- reviewed the independence of independent non-executive Directors; and
- made recommendations to the Board on the retirement and re-appointment of Directors by rotation at the annual general meeting of the Company.

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

Name of members	Number of meeting attended/ Number of meeting held
Mr. Ma Chenshan (Chairman)	0/1
Mr. Ting Leung Huel, Stephen	1/1
Mr. Tse Kwong Hon	1/1
Mr. Cao Kuangyu	1/1

(2) Remuneration Committee

The Remuneration Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The Remuneration Committee comprises two executive Directors namely Mr. 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 or 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	2
HK$1,000,001 to HK$1,500,000	2

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 9 to the consolidated financial statements as set out on pages 120 to 122 of this annual report.

The Remuneration Committee met twice during the year ended 31 December 2020, during which it conducted the annual review for the remuneration packages of the Directors, and made recommendation to the Board on the remuneration package of the senior management.

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

Name of members	Number of meetings attended/Number of meetings held
Mr. Ting Leung Huel, Stephen (Chairman)	2/2
Mr. Ma Chenshan	1/2
Mr. Liu Huaming	2/2
Mr. Tse Kwong Hon	2/2
Mr. Cao Kuangyu	2/2

BOARD COMMITTEES *(Continued)*

(3) Audit Committee

The Audit Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The 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 auditor.

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 four times during the year ended 31 December 2020. Executive Directors and the external auditor 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 2019 annual results and 2020 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 the effectiveness and adequacy of the internal control and risk management systems of the Company;
- considered and proposed the change of external auditor of the Company;
- considered the independence and the appointment of the external auditor; 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)	4/4
Mr. Tse Kwong Hon	4/4
Mr. Cao Kuangyu	4/4

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 2020 has been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the remuneration paid/payable to the Company's external auditor, Baker Tilly Hong Kong Limited ("Baker Tilly") in respect of their audit and non-audit services (if any) is set out as follows:

Type of services	Fees paid/payable
Audit of annual financial statements	HK$1,200,000
Non-audit service	Nil

Baker Tilly was appointed as auditor of the Company to fill the causal vacancy of auditor arising from the non-reappointment of HLB Hodgson Impey Cheng Limited. A special general meeting of the Company was held on 29 September 2020 and an ordinary resolution to approve the appointment was passed.

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibilities for preparing the financial statement of the Company for the year ended 31 December 2020 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 Baker Tilly, being the external auditor of the Company, reporting their responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 74 to 79.

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 AND INTERNAL CONTROL *(Continued)*

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board 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 (if any); and

— the financial reporting and status of compliance with the Listing Rules by the Group.

During the year ended 31 December 2020, 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.

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

The Group complied with requirements of the Securities and Futures Ordinance and the Listing Rules in relation to inside information during the year. 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 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 Mo Chun was appointed as the Company Secretary by the Board on 18 September 2020 in place of Mr. Ng Kwong Chue, Paul. He 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 2020, Mr. Ng Mo Chun has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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 auditor are normally available to answer questions at the shareholders' meetings.

During the year, three general meetings were held. The 2020 annual general meeting was held on 18 June 2020 and two special general meetings were held on 22 January 2020 and 29 September 2020 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	1/3
Mr. Zhang Jian	0/3
Mr. Hang Guanyu	2/3
Mr. Liu Huaming	1/3
Mr. Su Bo (removed on 22 January 2020)	N/A
Mr. Ng Kwong Chue, Paul (retired on 18 June 2020)	2/2
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	3/3
Mr. Tse Kwong Hon	1/3
Mr. Cao Kuangyu	0/3

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

Constitutional Documents

During the year ended 31 December 2020, there was no change to the Company's constitutional documents. A consolidated version of the Memorandum of Association and the Bye-laws is available on the websites of the Company and the Stock Exchange.

Dividend Policy

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

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

SHAREHOLDERS' RIGHTS

Procedure for shareholders to convene a special general meeting

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

Procedure for shareholders to put forward proposals at general meetings

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

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

- not less than 100 shareholders.

The written requisitions must:

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

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

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

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

SHAREHOLDERS' 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 annual environmental, social and governance ("ESG") report ("the Report") of New Silkroad Culturaltainment Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020 (the "Reporting Year") . The Report summaries the Group's commitments, policies, approaches, initiatives and annual performance in ESG, in creating values for the environment, people and the community as well as maintaining responsible operations to foster the sustainable development.

Reporting Standard and Reporting Principles

The 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"), as well as adhering to the ESG reporting principles of materiality, quantitative, balance and consistency. The application of the reporting principles is elaborated as follows:

Materiality

- We identified the ESG topics that matter most to the Group through materiality assessment focused the material ESG topics for disclosure in the Report.

Quantitative

- We disclosed the information of the standards, methodologies and source of conversion factors adopted for the reporting of emissions and energy consumption. Please refer to the relevant section in the Report for details.

Consistency

- Compared with the previous year of ESG report, the method of data conversion and calculation for part of the environmental key performance indicators during the Reporting Year was adjusted due to improved data presentation and data capture. The explanation was described in the corresponding section. The Group will follow the confirmed statistic method in the following years and will be consistent with that of the Reporting Year.

The Report has complied with the "comply or explain" provisions set out in the ESG Reporting Guide. With the exception for the provisions that the Group considers to be inapplicable to our business operations or provides partial disclosure, explanations are illustrated in the corresponding section as well as the index of ESG Reporting Guide at the end of the Report. The Report has been reviewed and approved by the board of directors of the Company (the "Board").

Reporting Scope

The Report covers the core business segments of the Group, including (1) entertainment, real estate, integrated resorts and cultural tourism businesses in South Korea; (2) real estate development and operation in Australia; and (3) wine production and distribution in the People's Republic of China ("PRC"). Since the business segment of Chinese baijiu was disposed of on 20 November 2019, the reporting scope of which is excluded for the Reporting Year as compared with the 2019 ESG report.

Unless otherwise stated, the Report covers the Group's ESG policies and strategies as well as its environmental and social performance during the Reporting Year. For information of the corporate governance, please refer to the section headed "Corporate Governance Report" on pages 24 to 42 of our 2020 annual report.

1 REPORT OVERVIEW *(Continued)*

1.1 About the Report *(Continued)*

Contact and Feedback

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

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 positive impacts and benefits to the stakeholders. Maintaining an open and ongoing dialogue with our internal and external stakeholders, which forms part of our day-to-day operations, is crucial for better understanding of their concerns and expectations in relevance to our business operation and their own interests, as well as optimising the refinement and implementation of the ESG strategies. We have identified the key stakeholders of the Group and established various communication channels to ensure the quality of stakeholder engagement and maintain a close relationship with them.

Communication with key stakeholders

Customers

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

Employees

- Employee activities
- Employee handbook
- Employee satisfaction survey
- Annual congress, intranet, internal publications, bulletin board system, social media and seminars
- Education and training
- Employee performance appraisal

Media & The Public

- Product launches
- Media interviews, press conferences
- Social media platform
- Company website
- Emails and phone call

Investors/shareholders

- Corporate communications
- Company website
- General meetings
- Site visits

Suppliers & Business Partners

- Supplier site inspections and audits
- Supplier performance selection and assessment
- Procurement and tendering
- Strategic cooperation negotiation
- Information and experience sharing
- Business meetings

Government & Regulators

- Document submission
- Meetings with regulatory authorities
- Site investigations
- Compliance assessment reports
- Forum, seminar and conference

1 REPORT OVERVIEW *(Continued)*

1.3 Materiality Assessment

According to the reporting principle of "Materiality", we conducted a materiality assessment to identify the ESG topics that are material to the Group and our stakeholders so as to determine the direction of ESG strategy formulation and reporting disclosure.

Process of materiality assessment

1

Identification of relevant ESG topics

With reference to different levels of environmental and social aspects specified in the ESG Reporting Guide and international reporting standards/guidance (such as the GRI and The Sustainability Accounting Standards Board's Materiality Map), as well as the ESG disclosure of the peers in the same industry, we have identified 27 ESG topics that are possibly related to our business operations and ESG reporting.

2

Survey on stakeholders

We invited the key stakeholder groups to fill in an online questionnaire to rate 27 ESG topics based on the importance and relevance of each ESG topics pertaining to the Group's business operations and stakeholders themselves respectively and share their ESG perspectives accordingly.

3

Prioritisation and mapping the material ESG topics

We performed a materiality assessment and prioritised the ESG topics that matter most to the Group according to the collected results of the survey. A materiality matrix was then plotted based on its level of materiality and the ESG topics which are put in the top right quadrant of the materiality matrix are categorised as highly important.

4

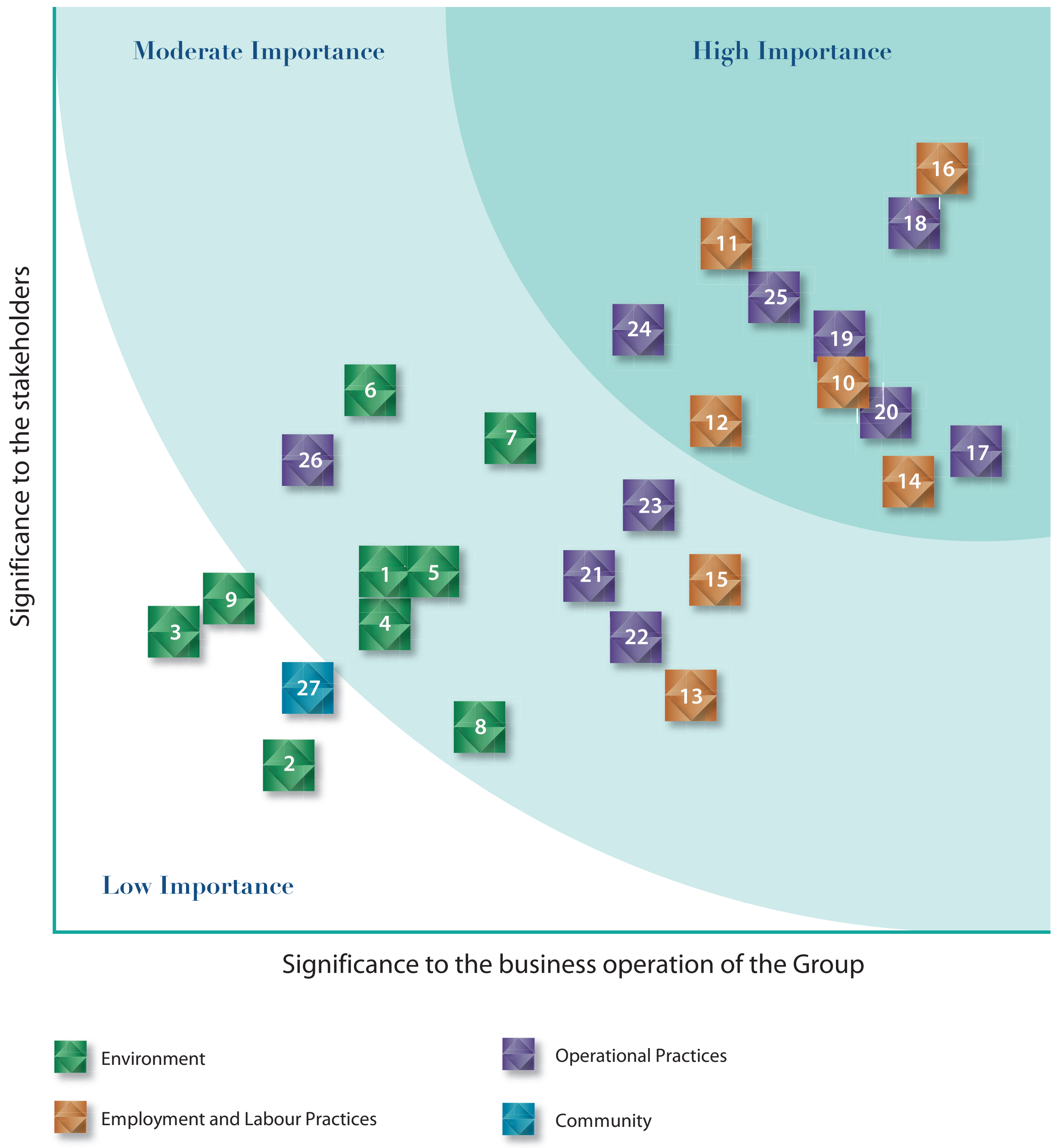
Validation

The result of materiality assessment and the Report are reviewed and validated by the Board.

1 REPORT OVERVIEW *(Continued)*

1.3 Materiality Assessment *(Continued)*

Process of materiality assessment *(Continued)*



1 REPORT OVERVIEW *(Continued)*

1.3 Materiality Assessment *(Continued)*

Process of materiality assessment *(Continued)*

Environment

01 Energy efficiency
02 Greenhouse gas emissions and management
03 Response to climate change
04 Air emissions
05 Waste management
06 Wastewater management
07 Water management
08 Materials consumption
09 Green procurement

Employment And Labour Practices

10 Employment rights and benefits
11 Employee recruitment and retention
12 Employee engagement
13 Diversity and equal opportunities
14 Occupational health and safety
15 Employee training and career development
16 Elimination of child and forced labour

Operational Practices

17 Product and service quality
18 Customer health and safety
19 Protection of customer data privacy
20 Customer satisfaction
21 Supply chain management
22 Product labelling
23 Sales, advertising and marketing practices and compliance
24 Intellectual property rights protection
25 Anti-corruption and business ethics
26 Anti-competitive behaviour

Community

27 Community investment

Based on the result of materiality assessment and the reporting principle, the disclosure of the Report is mainly focused on the issues categorised as being of high importance. The Group considers providing the overall management approaches on such ESG issues categorised as being of moderate importance and low importance of the Group in order to provide the overall picture to stakeholder in ESG management. The Group will continue to review the existing ESG strategies, policies and objectives so as to optimise the ESG performance and reporting disclosure in pursue of continuous improvement.

1 REPORT OVERVIEW *(Continued)*

1.4 Management Approach in ESG

The Group recognises that a sound ESG management approach can foster sustainable business development and achieve competitive advantage, as well as bringing long-term benefits for our stakeholders and the Group. The Board has responsibility to oversee the overall management of ESG, determine the direction of ESG strategies, policies and goals, and ensure the adequacy and effectiveness of internal control management system for ESG risk control. We have formulated the ESG policy in guiding us to implement initiatives and practices to promote sustainable development. We put the focus in four key areas, namely, environment, employees, business operation and community to sustain the future growth.

2 OUR PEOPLE

Our employees are regarded as the most valuable assets to the Group and the backbone of our long-term business development. Adhering to the people-oriented management philosophy, the Group is devoted to creating a fair, inclusive and safe working environment for our people, nurturing their potentials as well as complying with the relevant local employment laws and regulations, including but not limited to Labour Law of the PRC, Labour Contract Law of the PRC, Law of the PRC on the Protection of Minors, Provisions on the Prohibition of Using Child Labour, (Cap. 57) Employment Ordinance of Hong Kong Special Administrative Region ("HKSAR"), (Cap. 608) Minimum Wage Ordinance of HKSAR, Fair Work Act 2009 and Fair Work Regulations 2009 in Australia, and Labour Standard Act of Republic of Korea.

2.1 Employment Practices and Labour Standards

The Group has formulated relevant human resources policies and management measures in each business segment to manage the labour affairs. Stipulated in the "Employment Standard and Human Resource Management Policy", employee handbook and employment contract, the Group had clearly specified the policies regarding remuneration composition, staff benefits, recruitment and promotion, working hours, rest periods, equal opportunities, anti-discrimination and arrangement in case of work-related injuries in protecting the employees' rights and interests. The human resources department of each business segment is responsible for monitoring the execution of the above policies, and organising briefing or training to interpret those policies for new hirers.

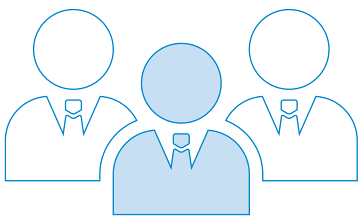
Remuneration and Benefits

The Group offers standardised remuneration package to employees. Benefits to full-time employees include paid vacation leave and family leaves (e.g., marriage leave, maternity/paternity leave and compassionate leave), insurance coverage and social security, accommodation allowances and educational subsidies etc. We have implemented standard working hour system for most of our employees, while some employees in special positions may be arranged irregular working hours. In addition, we have implemented different kinds of family-friendly measures to support employees in fulfilling their family responsibilities. For instance, 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, which enable them to manage their time on work and family.

The Group reviews the employee remuneration and benefits on an annual basis, with reference to the prevailing regional market level, industry benchmarking and employees' individual performance, such that they are rewarded with fair and competitive compensation. Employees with excellent performance may be awarded salary adjustment, promotion and/or discretionary bonus in recognition to their contribution.

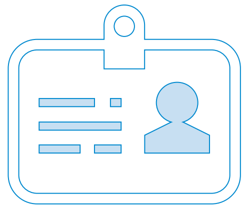
Recruitment, Promotion and Dismissal

Adhering to the principle of openness, fairness and selection of merits, the Group has formulated respective recruitment and performance review management procedure in each business segment to standardise the process in recruitment and promotion. We select suitable candidates based on the objective factors, such as their work experience, professional qualifications, merits, competencies and interview performance, in order to continually attract and retain talents. Employees are only dismissed for fair reasons such as non-renewal of employment contract, lack of competence or violation of company policies.



2 OUR PEOPLE *(Continued)*

2.1 Employment Practices and Labour Standards *(Continued)*



Diversity, Equal Opportunities and Anti-discrimination

We treasure the uniqueness of each employee and value their differences to create synergy and innovation in the workplace. Given the global presence of our business operation in Hong Kong, the PRC, South Korea and Australia, the Group strives to bring together talents from different cultures, backgrounds and levels, creating a diversified platform which allows our human resources to thrive.

The Group is committed to providing equal opportunities in our employment practices and creating a corporate culture with inclusiveness, trust and respect. Any form of harassment, as well as any discrimination on the ground of age, gender, race, ethnic origin, marital status, disability or religious belief in the workplace or in the process of recruitment, promotion, performance review and transferal are strictly prohibited. The Group has strictly complied with all relevant laws and regulations regarding anti-discrimination, such as Sex Discrimination Ordinance of HKSAR, Disability Discrimination Ordinance of HKSAR, Race Discrimination Ordinance of HKSAR, Family Status Discrimination Ordinance of HKSAR, Gender Equality Law, and Disability Employment Promotion and Re-employment Law of Republic of Korea during the Reporting Year.

Labour Standards

The Group respects human rights and protects the legitimate interests of our employees. We strictly forbid the use of child labour and forced labour in the workplace. During the recruitment process and upon employment, we examine the identity document, work visa and qualification of the applicants and successful candidates to ensure that they meet the legal requirements for working age and are eligible to work locally. All employees sign the employment contract with the Group and follow the obligations and requirements under the employment consensually. The Group has abided by the relevant laws and regulation, such as Employment of Children Regulations of HKSAR and Provisions on Prohibition of Child Labour of the PRC and that there was no non-compliance case during the Reporting Year.

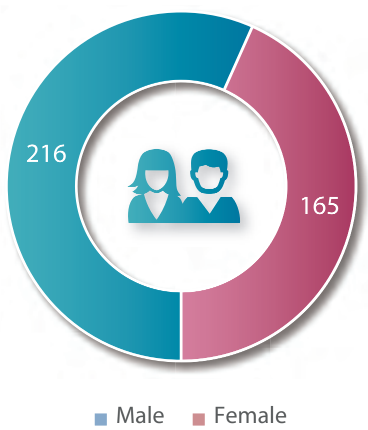
2 OUR PEOPLE *(Continued)*

2.1 Employment Practices and Labour Standards *(Continued)*

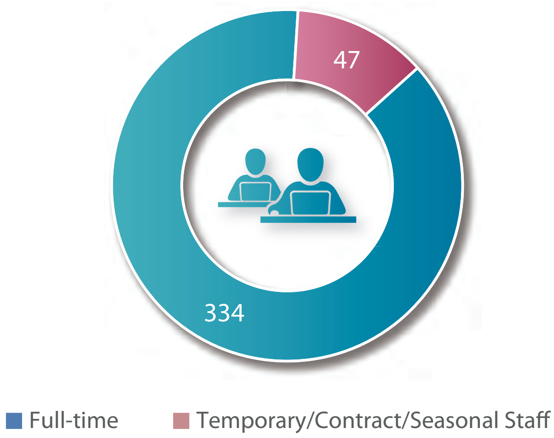
Employee Profile

As of 31 December 2020, we had 381 employees located in Hong Kong, the PRC, South Korea and Australia. The overall employee turnover rate was about 23.9% in 2020. The breakdown of the number of employees divided by gender, age, employment type and geographical region are shown below.

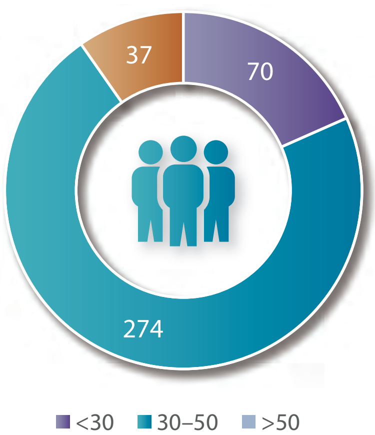
Number of employees by gender



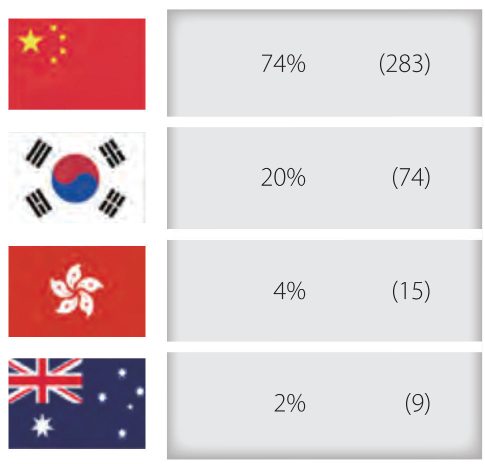
Number of employees by employment type



Number of employees by age

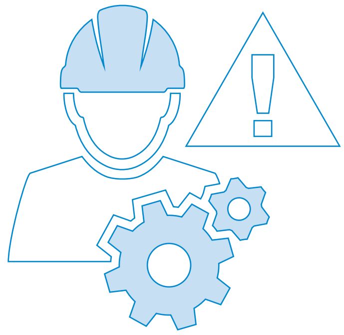


Number of employees by geographical region



2 OUR PEOPLE *(Continued)*

2.2 Occupational Health and Safety



Workplace health and safety comes first. To protect employees from workplace hazards, internal health and safety policies and management procedures are in place in each business segment to ensure that safety risks are orderly identified, prevented and managed. During the Reporting Year, the Group has complied with local and national laws, such as Occupational Safety and Health Ordinance of HKSAR, Work Safety Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases, Safety and Health Law of Republic of Korea and Work Health and Safety Act in Australia, and that there was no non-compliance case with the relevant safety and health laws and regulations.

In our real estate development and operation business in Australia, the project main contractor has formulated the "Health, Safety and Environmental Manual" and project safety plan in managing the safety and health issues along the project construction lifecycle. Meanwhile, an internal safety production responsibility system together with 6S management were implemented in our winery production and distribution business in the PRC for improving production efficiency and productivity as well as minimising the risk of industrial accidents. The "Occupational Disease Prevention Leading Group" was formed for the oversight of the onsite safety management to ensure the safety of wine production, equipment operation and operation process at the production sites. Regular safety inspections and audits are carried out to verify the effectiveness of the safety preventive measures and ensure that they are appropriately maintained. Body check-up was provided to the employees on a regular basis in entertainment and integrated resorts sector in South Korea.

With the outbreak of the worldwide novel coronavirus disease 2019 ("COVID-19"), the Group has been closely monitoring the COVID-19 situation throughout the regions where we operate. We have strictly abided by the epidemic policies, regulations and prevention measures of local governments to ensure the safety and wellbeing of the employees and workers for minimising the risk for spread of COVID-19. For instance, the entertainment business was temporarily suspended in operation in accordance with the local epidemic prevention measure. The Group has also taken the following preventive measures in our business segments to safeguard the employees' and workers' health in workplace, including but not limited to:

- Require employees undergo a daily body temperature prior to starting their work shift;
- Require employees to stay home when they feel unwell and/or are showing symptoms of COVID-19 and seek medical attention;
- Implement appropriate rostering arrangements (e.g., spilt employees into two teams to alternately work in office) to reduce the flow of people in workplace;
- Maintain regular cleaning and disinfection of working areas, frequently touched surfaces and common facilities;
- Wear surgical mask in office/manufacturing sites/construction site;
- Require employees to perform hand hygiene frequently and maintain good personal hygiene;
- Circulate the updated news and the health advice regarding COVID-19 epidemic through electronic means to remind employees on COVID-19 infection prevention;

2 OUR PEOPLE *(Continued)*

2.2 Occupational Health and Safety *(Continued)*

- Maintain strict visitor registration, check body temperature for visitors and require to perform hand hygiene and health declaration before entering premises;
- Maintain good indoor ventilation of working areas;
- Remind employees to avoid going to crowded places and unnecessary outbound travel; and
- Keep appropriate social distancing when having meals and meetings.

For our real estate development and operation, we followed the new rules introduced by the federal government in New South Wales regarding extending weekday construction site operating hours to weekends and public holidays, the Group has requested the project main contractor to adjust and extend the time of construction work to weekends in order to keep proper social distancing (at least 1.5 metre) when undergoing the building work to safeguard the workers' health while maintaining the progress of construction work. Our safety consultant team conducted regular safety inspections to ensure that the proper epidemic preventive measures and safety rules were effectively implemented onsite and strictly followed by the workers.

2.3 Development and Training

The Group strives to empower our people and nurtures their potentials through development and training. A series of universal on-the-job trainings (e.g., occupational safety and health, corporate culture and management system etc.) are provided to all levels of employees to strengthen the necessary skills in performing their job duties. We have also designed topic-specific training sessions based on different job nature and position grades. For instance, internal and external trainings, ranged from food safety, brewing and wine tasting, product design development and innovation strategy, certificate course for building and construction and latest requirements of laws and regulations on taxation and financial services, were delivered to staff in different business segments to equip them with professional and industry knowledge. Training performance evaluations are carried out after each training session to ensure the effectiveness of the training programmes.

Training on 6S management system and emergency drills in Yunnan Winery

3 OUR RESPONSIBLE BUSINESS OPERATION

With our vision to become one of the global pioneers, facilitators and integrators of cultural-tourism-entertainment, we endeavour to deliver quality services and products to the customers, with an objective to enhance the customer experience, gain high customer satisfaction and maintain good customer relationships. Meanwhile, upholding high ethical standard in our business practices is always the key to sustainable business operation and success.

3.1 Product and Service Excellence

Responsible Winery Business

The Group puts strong emphasis on delivering high-quality and safe products. To achieve the objective, we have established the quality management system accredited with ISO 9001:2015 standard and Hazard Analysis and Critical Control Point (HACCP) System, in governing each step of the wine production lifecycle, including grape cultivation and sourcing, wine-making, fertilisation and pest control, product sample inspection, product labelling and packaging, and sales and distribution, to ensure the product quality assurance and food safety, as well as compliance with the relevant laws and regulations and industry practices, such as Product Quality Law of the PRC, Product Safety Law of the PRC, Regulation on the Implementation of the Food Safety Law of the PRC and Agriculture Law of the PRC and General Hygienic Regulation for Food Manufacturing (GB 14881-2013) etc.

Food safety is of paramount importance of our wine products and branding. Our "Product Food Safety Policy" and relevant safety standard of operational procedures are in place for maintaining the hygiene of wine production sites and preventing contamination of water used in wine-making process. Regular water sampling tests are conducted to ensure the strictest compliance with Standards for Drinking Water Quality (GB5749-2006). Product sampling tests will also be carried out before product delivery to ensure the quality of wine products in conformance to statutory regulations.

We have 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.

Product recall management

In the event of any non-conformance of products regarding product quality and food safety issues are identified subject to recall, we strictly follow our "Product Recall Control Management Procedure" and "Control for Non-conforming Products Management Procedures" for handling such case and take timely remedial actions where appropriate. Analysis on the product recall incident will be conducted, with the emphasis on preventing the incident recurrence and continually improve the quality assurance practices. During the Reporting Year, none of our products sold was recalled due to health and safety reasons.

Product labelling

To comply with the requirements of National Food Safety Standard — Standard for Nutrition Labelling of Pre-packaged Foods and General Standard for the Labelling of Pre-packaged Alcoholic Beverage, appropriate food label is attached on each wine bottle with the necessary information, such as the description of the food name, the ingredient list and production date to better inform the consumers about the products composition, storage and handling. In addition, we understand the health risks and social impact on excessive drinking. Hence, we advocate responsible drinking by attaching warning message of excessive drinking on the packaging and product labels.

3 OUR RESPONSIBLE BUSINESS OPERATION *(Continued)*

3.1 Product and Service Excellence *(Continued)*

Responsible Entertainment Business

The Group has maintained all 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. 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 Real Estate Development Business

Recreational resorts require a quality environment and services while real estate development requires the quality and safe building for living. In the later construction stage of the real estate project development in Sydney, Australia, we closely monitored the deliverables of the contractors and conducted quality assurance inspections on the finished works in accordance with relevant building regulations. Profession-related and service-related training were given to relevant employees as well. Work-related injury insurance was purchased in 2020 for our employees.

Customer Feedback and Complaint Handing

Customer feedback is the key to drive our service excellence. We strive to maintain good customer relationship and collect customer feedback by means of customer satisfaction survey and hotline etc. for better understanding the quality and standard of our products and services delivered in pursuit of continuous improvement. On the other hand, we strive to undertake reviews of any complaint upon receipt, respond and address the issues in a timely manner to satisfy the customers' needs. Corrective actions will be taken to rectify the current practices, where necessary, to avoid the recurrence of the similar cases in the future. During the Reporting Year, the Group did not receive any complaint related to the products and services provided.

3 OUR RESPONSIBLE BUSINESS OPERATION *(Continued)*

3.2 Business Integrity

The Group is committed to upholding the highest level of business integrity throughout the operations in protecting the interests of both stakeholders and the Group. We have complied with the relevant laws and regulations, such as Prevention of Bribery Ordinance of HKSAR, Criminal Law of the PRC, Anti-money Laundering Law of the PRC, Anti-Unfair Competition Law of the PRC, Anti-Corruption Act of Republic of Korea, Criminal Code Act 1995 (Criminal Code) in Australia etc. During the Reporting Year, there was no reported violation case of bribery, extortion, fraud and money laundering.

Anti-corruption

We have an "Anti-Corruption Policy" and "Corporate Code of Conduct" in place, which set out the Group's standards of behaviours required for employees regarding business ethics, anti-corruption and anti-bribery, conflict of interests and data confidentiality, to ensure that our businesses and operations are of high ethical standard. For instance, all employees are strictly prohibited to offer or receive any forms of advantages (e.g., gifts, entertainment and commissions etc.) from our customers and business partners. We have established a whistle-blowing mechanism for the employees and external stakeholders to report any kinds of potential violations and suspected misconduct through our reporting channels. The Group protects the identity of whistle-blower and keeps the reported information confidential. Internal investigation will be undergone to verify the reported case(s) and remedial actions will be taken where necessary according to the investigation findings. We believe that 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.

The Group recognises the higher risks of money laundering in entertainment business and hence we maintain regular anti-corruption and anti-money laundering training session for the staff to raise their awareness on corruption-prone areas and potential traps in business activities.

Data Privacy

The Group attaches high emphasis to safeguard the data privacy and security as maintaining confidentiality is essential for a company to build trust with our stakeholders. Abided by our "Corporate Code of Conduct", the employees are strictly prohibited to divulge, copy, transfer and disclose any confidential or inside information including but not limited to trade secrets, customer business information and personal data, product technology and corporate financial information, to the unauthorised persons and third parties without prior approval from the management or customers. Stringent working procedures has been formulated to guide the employees in the collection, storage and handling of corporate sensitive or confidential information. The Group has implemented multiple administrative, physical and technical measures for data protection to prevent information leakage and unauthorised access. For the personnel responsible for management of confidential information, they are required to sign "Confidential and Non-Disclosure Agreement" to ensure that they fully understand their obligation and responsibility on information privacy. Any employee who breaches the regulations is subject to disciplinary actions and legitimate liability. 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.

3 OUR RESPONSIBLE BUSINESS OPERATION *(Continued)*

3.2 Business Integrity *(Continued)*

Protecting Intellectual Property Rights

The Group has established relevant policies in each business segment to safeguard intellectual property rights as well as preventing any infringement. For instance, in our wine production and distribution business, we have formulated "Trademark and Patent Management Procedure" and set up a management team to govern the overall use, registration and management of intangible intellectual property rights, enforce anti-counterfeiting measures and maintain our brand image. When we sign a contract agreement with a distributor, we will set out the terms and conditions on intellectual property rights, such as ranging the distributor to use designated trademarks, trade names and logos for distributing designated products in the agreed scope and duration of time. Besides, we have "IT Policy and Procedure" in place and strictly prohibited employees to install any unauthorised and illegal computer and application software to ensure that intellectual property rights are observed and protected.

3.3 Supply Chain Management

We embrace the close collaboration with a wide range of suppliers with diverse backgrounds, as they could contribute additional values to our businesses. The Group has "Tender and Procurement Management Policy" in place to specify our commitment in open, fair and effective competition in tendering and procurement process, and stringent management procedures in each business segment to carefully select suppliers with high standard of business integrity and product and service reliability. During the Reporting Year, we have engaged 97 suppliers, including 93 from Mainland China, 1 from Hong Kong and 3 from other countries.

Supplier Selection

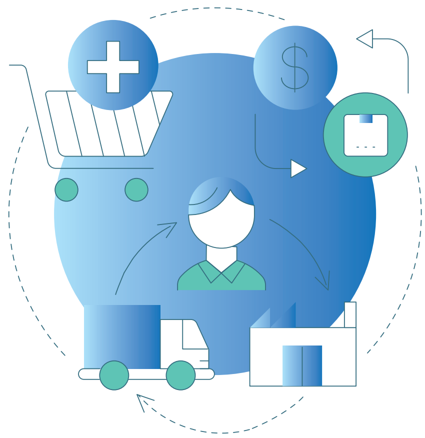
Before engaging with a new supplier, we conduct stringent supplier qualification assessment and relevant business reference check, based on the criteria including supplier quality, service quality, corporate reputation, background, legal compliance, certified quality system, after-sales services and prices. For the potential suppliers for supplying critical materials and services, we require them to provide relevant certification, sample product(s) and/or third-party assessment report pertaining to quality, and onsite inspection will be carried out by our procurement team where necessary to verify their capability. Only suppliers who can successfully meet all the specified requirements can be qualified as our approved suppliers. Relevant confidentiality agreement, business integrity declaration and quality assurance agreement will be signed with the engaged critical supplier(s) where appropriate to ensure the quality of deliverables and honest business dealings. The Group also gives priority to local suppliers with good track records in labour management, environmental and safety management as well as the provision of "greener" products whenever possible, to minimise the adverse impact on the environment and the society.

3 OUR RESPONSIBLE BUSINESS OPERATION *(Continued)*

3.3 Supply Chain Management *(Continued)*

Supplier Control and Performance Monitoring

To proper manage the environmental and social risks of our supply chain, the Group has outlined our expectations and requirements, including environmental and social performance, in our tendering documents and contract to ensure that they fully understand and oblige by the rules in our business activities. In addition, we conduct regular supplier performance assessments and evaluations, including on-site inspections and audits, for our existing on-list suppliers, with the aspect of delivery, quality of service, management system and price, to ensure they uphold the consistent products and services standard. In case of any non-conformity and/or unsatisfactory result identified, supplier(s) must take rectification in a timely manner. For those suppliers who consecutively fail to fulfil our required standards and are found in violation of laws and regulations, they will be disqualified and removed from the approved supplier list.



4 OUR ENVIRONMENT

The Group continues our dedication to optimising the utilisation of natural resources throughout our business operations and minimising environmental footprints arising from our business activities. Considering our business map through Hong Kong, Mainland China, South Korea and Australia, we have implemented various environmental management measures to prevent and mitigate the potential impact to the environment in each business segment as well as in conformance with the applicable environmental laws and regulations where we operate, such as 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). During the Reporting Year, the Group was not aware of material breaches of relevant laws and regulations relating to the air and greenhouse gas ("GHG") emission, discharges into water and land, and generation of hazardous waste and non-hazardous waste.

4.1 Air Emission Management

Wine Production and Distribution

Air emissions, including sulphur oxide (SOx) and nitrogen oxide (NOx), are mainly produced from coal combustion of boiler for production of Tibetan barley wine (青稞酒). In order to comply with the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) and Emission Standard of Air Pollutants for Coal-burning Boiler (鍋爐大氣污染物排放標準), all boilers are installed with bag filter equipment for desulfurization and denitrification to ensure that the exhaust gas emitted are sufficiently treated and met with the required emission standard. In another case at the wine production plant in Qinhuangdao, we have adopted oil boiler and phased out the coal-fuel burning boiler to reduce the air emission during our wine production. We periodically engage external qualified third party to conduct air quality monitoring of the air pollutants emission level and provide the test results to the local government when required.

With the hit of market under the outbreak of COVID-19, the Group has adjusted the market strategy, with focus on clearance sale of slow-moving inventories and adopting a strategy of fast-moving stock over gross profit to revitalise market demand. We did not produce Tibetan barley wine during the Reporting Year and thereby no air emission from coal combustion of boiler.

Real Estate Development and Operation

In our real estate development project in Australia, our project main contractor has implemented effective dust control measures at the construction site to reduce the generation of fugitive dust. For example, water sprays, vehicle wheels washing, controlling on-site vehicle speed, dust screens and impervious sheeting and restricting the height of stockpile. Also, the drilling or coring operations were undertaken by machine with vacuum cleaner.

4 OUR ENVIRONMENT *(Continued)*

4.1 Air Emission Management *(Continued)*

Following the result of materiality assessment, the issue of air emission is not considered as highly material for the Group. Hence, the Group did not disclose the emission target(s) during the Reporting Year. We will continue to monitor and evaluate its relevance and materiality to the Group and will disclose the determined target setting in future where appropriate.

4.2 Waste Management

Wastewater

The Group's wastewater mainly originates from the process of wine production, such as cleaning and washing operations during crushing and pressing of grapes, rinsing of tanks, barrel and bottle washing and container cleaning etc. Pursuant to the requirement of Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法), we have onsite wastewater treatment facilities with advanced biological aerated filter (BAF), with adopts anaerobic, aerobic and sedimentation method, for proper wastewater treatment. We keep monitoring on the quality of wastewater by external testing at least annually by a certified third party to ensure that the concentration of pollutants met with 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).

Organic Waste and Others

Wine Production and Distribution

Organic residues such as grape stem, seeds, skins, are generated during the wine production and such organic waste can be recycled and acted as organic fertilisers for plantation in order to reduce direct waste disposal. During the Reporting Year, 604.77 tonnes of organic waste was generated. All the waste was recycled, in which 168.26 tonnes of the grape organic residues were given to local farmers for use as organic fertiliser. We also set up waste recycling facilities for waste separation and recycled the waste where possible.

Real Estate Development and Operation

Under our real estate development project in Sydney, Australia, our project main contractor has formulated project waste management plan and implemented mitigation measures for handling the construction waste onsite, including waste material separation, waste reuse and recycling, in order to comply with local regulations.

Following the result of materiality assessment, the issues of wastewater management and waste management are not considered as highly material for the Group. Hence, the Group did not disclose the waste reduction target(s) during the Reporting Year. We will continue to monitor and evaluate its relevance and materiality to the Group and will disclose the determined target setting in future where appropriate.

4 OUR ENVIRONMENT *(Continued)*

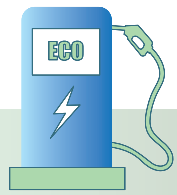
4.3 Use of Resources

The Group recognises our responsibility to protect the environment by mindful use of resources and minimisation of material wastage. We have taken different environmental initiatives to optimise the energy efficiency, water consumption and other materials used in our operations.

The Group believes that the behavioural change of our employees is vital to enhance the resource efficiency in our day-to-day operation. We have set up an incentive bonus program and relevant training program to help the employees to raise their awareness on environmental conservation and cultivate good habits in proper use of resources.

Energy efficiency and 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. As GHG emission is closely interconnected with the energy consumption in our business operation, we have implemented energy-saving measures to improve the energy efficiency in our business sectors and thereby reduce the carbon emission to tackle with climate change. For instance, we install lighting systems with LEDs and motion sensors to switch the lighting on/off automatically when needed, in order to reduce the energy use. We search for greener and energy-efficient products when purchasing new office appliance, manufacturing equipment and building materials, and replace the old or malfunctioned equipment to more energy-efficient ones in our business operations. We adopt the drip irrigation in vineyard of Qinhuangdao winery to reduce the electricity consumption in pumping. We also conduct periodic maintenance on building mechanical system in the venue of our entertainment business.



Direct Energy: 245.39
Megawatt-hour (MWh)

Indirect Energy:
69,086.58 MWh

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.

Following the result of materiality assessment, the issue of energy efficiency is not considered as highly material for the Group. Hence, the Group did not disclose the energy efficiency target(s) during the Reporting Year. We will continue to monitor and evaluate its relevance and materiality to the Group and will disclose the determined target setting in future where appropriate.

4 OUR ENVIRONMENT *(Continued)*

4.3 Use of Resources *(Continued)*

Energy efficiency and GHG Emission Management *(Continued)*

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

0.02% from Transportation

3.67% from Winery Production

96.31% from General Operation

Greenhouse gas emission category	Tonne of carbon dioxide equivalent ("tCO2e")
Direct GHG emissions (Scope 1 emission)	60.80
Energy indirect GHG emissions (Scope 2 emission)	37,448.34
Total GHG emissions	37,509.14

Water efficiency

In our wine production and distribution business, we have adopted dripping irrigation system in vineyard of Qinhuangdao winery, which annually contributes water savings of above 30%. With the water dripping slowly to the plant roots, this process can pour water into the plant roots directly and reduce the water evaporation from the leaves of grapevine plants and the humidity surrounding the grapevine plants, which can enhance the water efficiency for plant irrigation as well as preventing surface runoff and soil leakage.

In addition, it is vital to increase the employee awareness on water saving practices with respect to water conservation. We have formulated a water management plan in our winery operation, by regularly monitoring the performance of water consumption and conducting regular maintenance on water facilities to avoid water leakage, in order to optimise and reduce water use. We also encourage employees to put forward their own suggestions on water reduction and incentivise the employees who initiated the practices in water saving. During the Reporting Year, the Group did not encounter any issue in sourcing water that was fit for purpose for the business of the Group.

Water Consumption: 20,181 m^3

Following the result of materiality assessment, the issue of water management is not considered as highly material for the Group. Hence, the Group did not disclose the water efficiency target(s) during the Reporting Year. We will continue to monitor and evaluate its relevance and materiality to the Group and will disclose the determined target setting in future where appropriate.

4 OUR ENVIRONMENT *(Continued)*

4.3 Use of Resources *(Continued)*

Green Office

We have adopted general green office management practices in other non-production business segments and encouraged our employees to enhance the resource efficiency and reduce the waste disposal. For instance, we attempt to save daily paper use by printing documents with double-sided printing, reuse single-sided paper for printing as well as using word processing tools as opposed to printing. Besides, we widely apply the computer technology for communication by email and electronic administrative management system to reduce paper consumption. Meanwhile, we place the recycle bins nearby the photocopiers, work areas and pantries for collecting recyclable wastes such as paper, metal and plastic for recycling.

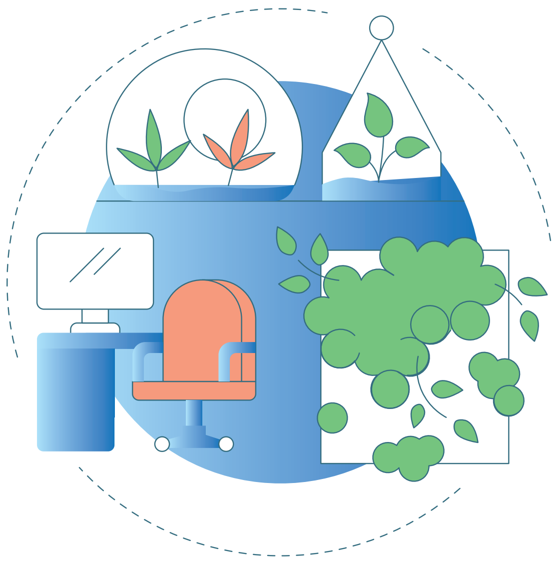
Packaging materials

The use of package materials (e.g. corks, wine bottles and carton boxes) mainly comes from our wine production and distribution business. We also recycled packaging waste where possible and established a centralised recycling system for waste sorting and the collected recyclables are handled by local recycling contractors.

4.4 The Environment and Natural Resource

Prior to the development of resort and real estate project, the Group strictly abides by the relevant national and local laws and regulations and appoints environmental consultants to conduct a comprehensive environmental impact assessment on our planned development project. Throughout the assessment, we can carefully evaluate the potential impacts on biodiversity, ecology, water and air, and formulate corresponding mitigation measures to avoid, minimise and control the adverse impacts on the environment.

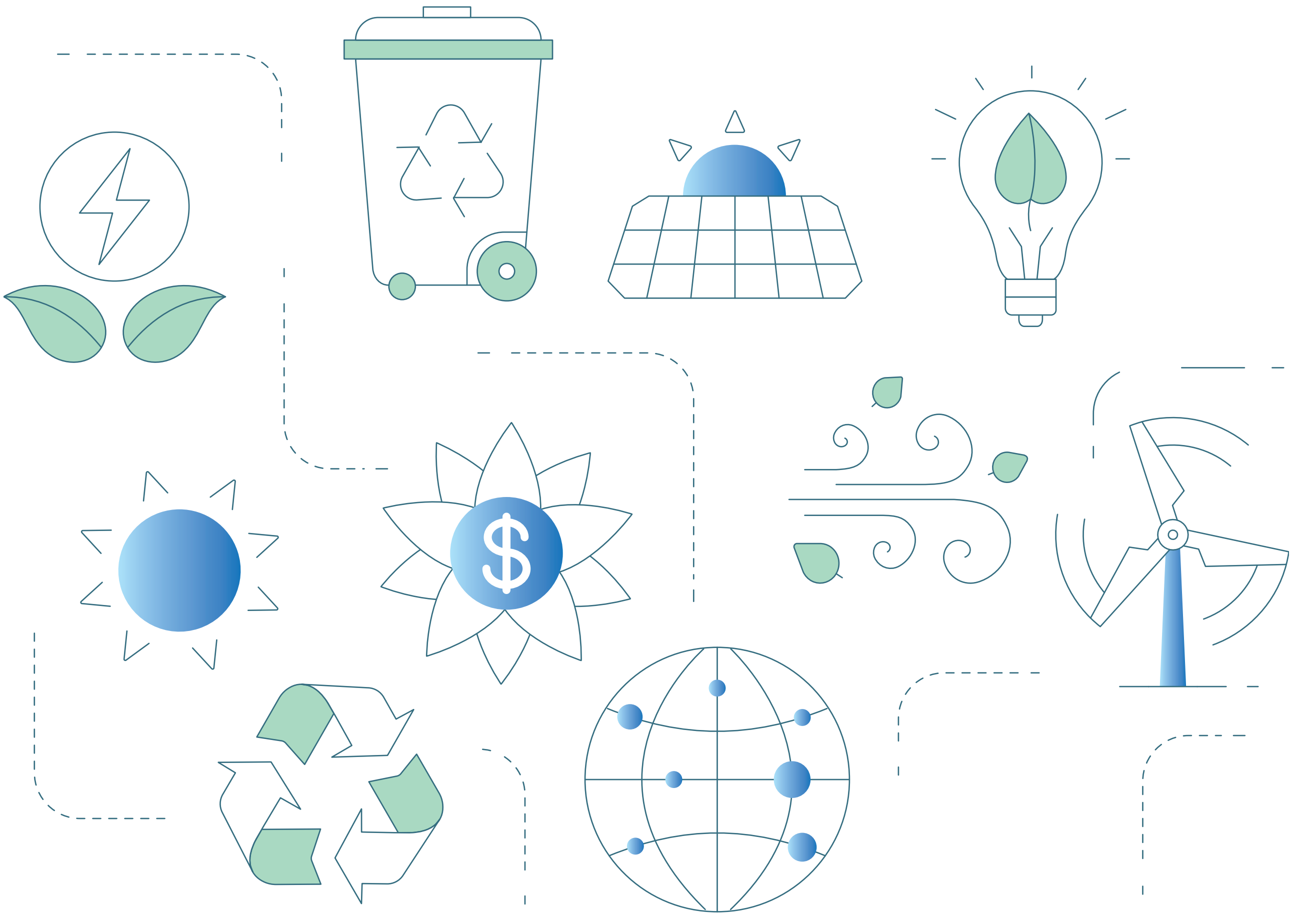
To maintain a sustainable viticulture in our vineyard, we have set out the technical management procedures for vineyard cultivation and adopted various measures to prevent unwanted crops and pests, as well as optimising the use of agricultural chemicals such as pesticides and fertilisers, in conserving water body and biodiversity and preventing surface runoff.



4 OUR ENVIRONMENT *(Continued)*

4.5 Response to Climate Change

With the global call for transitioning to low-carbon economy and the national commitment in pathway the net zero emissions by 2050 or 2060, the Group acknowledges the significance of addressing climate change in order to be more responsive to potential climate-related consequences. Though the impacts of climate change do not have material influence over our business operations in the current time, the Group will take into account the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) to enhance the governance processes and integrate the consideration of the climate-related risks and opportunities into our future risk assessment. In addition, the Group will keep closely monitoring the new national policies and regulations as well as the market actions in response to climate change and their associated impacts related to our financial capital, assets and revenues and the operational control of our business activities.



5 OUR COMMUNITY

Building a Better Community

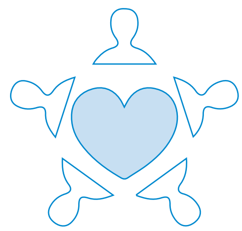
As a socially responsible company, the Group is devoted to understanding the needs of our community and giving back to the society, through leveraging our resources and networks.

Financial Assistance for Impoverished Students

To support the underprivileged and promote equitable opportunities for education, the Group made donation to and subsidised impoverished students with family financial difficulties in Liren Village Longdong and Luli Xingpian District, Yunnan, to support them to continue their studies for secondary and tertiary educations during the Reporting Year.

Combat against with COVID-19 epidemic together

Under the severe outbreak of COVID-19 across the PRC in early 2020, the demand of epidemic preventive materials was huge. The Group has proactively responded to the call from our holding company — Macrolink Group to make donation on epidemic preventive materials in supporting medical staff and our community to fight against the epidemic. By strategic use of our business operation network, the Group has successfully purchased surgical masks, protective clothing and other protective equipment, and donated such supplies to The Red Cross Society of Hunan Province (湖南省紅十字會) and non-governmental social welfare organization such as Renshou Charity Federation (仁壽縣慈善總會) in Sichuan, amounting to approximately RMB1,300,000 in total.



6 ESG DATA TABLE

Environmental KPI data[1]	Unit	**2020**	2019	2018
Greenhouse gas emissions[2]				
Scope 1[3]	tCO_2e	**60.80**	7,454.6	7,306.0
Scope 2[4]	tCO_2e	**37,448.34**	302,365.8	284,197.8
Total	tCO_2e	**37,509.14**	309,820.4	291,503.8
Intensity				
Wine production and distribution business	tCO_2e/product in L	**0.001**	–	–
Entertainment business	tCO_2e/revenue in HKD	**0.08**	–	–
Integrated resorts and cultural tourism and real estate development and operation businesses	tCO_2e/m^2	**11.77**	–	–
Air emissions[5]				
Nitrogen oxides (NO_x)	tonnes	**0**	9.2	11.0
Sulphur oxides (SO_x)	tonnes	**0**	3.5	2.4
Waste disposed (by types)				
Wastewater	m^3	**6,120.0**	13,480.0	12,273.0
Paper	tonnes	**0.76**	67.2	82.1
Plastic	tonnes	**0.07**	17.7	21.3
Cinder	tonnes	**0**	300	402.0
General waste	tonnes	**0.16**	0.8	0.9

Environmental KPI data[1]	Unit	**2020**	2019	2018
Use of resources[6]				
Direct energy				
Coal use	MWh	**0**	21,580.7	29,050.7
Diesel	MWh	**6.02**	114.1	–
Gasoline	MWh	**17.95**	61.4	–
Methanol	MWh	**221.42**	–	–
Indirect energy (Electricity use)	MWh	**69,086.58**	597,041.4	549,123.5
Total energy consumption	MWh	**69,331.97**	618,797.6	578,174.2
Intensity				
Wine production and distribution business	MWh/product in L	**0.001**	–	–
Entertainment business	MWh/revenue in HKD	**0.15**	–	–
Integrated resorts and cultural tourism and real estate development and operation businesses	MWh/m^2	**14.55**	–	–
Water use[7]	m^3	**20,181.0**	61,010.0	68,010.0
Intensity				
Wine production and distribution business	m^3/product in L	**0.01**	–	–
Entertainment business	m^3/revenue in HKD	**0.0003**	–	–
Integrated resorts and cultural tourism and real estate development and operation businesses	m^3/m^2	**0.72**	–	–
Packaging materials[8]				
Wine bottle	tonnes	**2,921.6**	2,617.1	3,821.9
Carton box	tonnes	**521.1**	511.0	645.9
Cork	tonnes	**22.4**	16.0	25.2
Paper box	tonnes	**32.4**	50.5	125.0
Wooden box	tonnes	**90.9**	91.8	66.4
Plastic bag	tonnes	**2.3**	1.7	0
Total Packaging materials	tonnes	**3,590.7**	3,288.1	4,684.4
Intensity	tonnes/product in L	**0.002**	–	–

Social KPIs data	Unit	**2020**	2019	2018
Total employees — by gender				
Female	number	**165**	226	491
Male	number	**216**	227	657
Total employees — by age				
< 30	number	**70**	105	373
30–50	number	**274**	318	678
> 50	number	**37**	30	97
Total employees — by category				
Senior	number	**28**	33	100
Middle	number	**70**	79	243
Junior	number	**236**	285	805
Temporary/contract/seasonal staff	number	**47**	56	10

Social KPIs data	Unit	**2020**	2019	2018
Total employees — by geographical region				
Hong Kong	number	**15**	16	14
Mainland China	number	**283**	300	986
South Korea	number	**74**	128	131
Canada	number	**N/A**	N/A	8
Australia	number	**9**	9	9
Employee turnover rate[9,10] — by gender[11]				
Female	%	**24.2**	12.4	26.3
Male	%	**23.6**	20.7	14.2
Employee turnover rate[9,10] — by age[12]				
< 30	%	**34.3**	14.3	30.6
30–50	%	**22.6**	16.7	12.4
> 50	%	**13.5**	23.3	24.7
Employee turnover rate[9,10] — by geographical region				
Hong Kong	%	**26.7**	0	35.7
Mainland China	%	**11.7**	13.7	14.8
South Korea	%	**73.0**	26.6	52.7
Australia	%	**0**	0	22.2
Occupational safety and health				
Lost days due to work injuries	day	**0**	30.5	44
Number of injuries cases	number	**0**	1	4
Number of fatalities	number	**0**	0	0
Percentage of employees trained[13] — by gender				
Female	%	**102.4**	96.5	91.2
Male	%	**103.2**	97.4	88.3
Percentage of employees trained[13] — by category				
Senior	%	**89.3**	75.8	68.0
Middle	%	**97.1**	94.9	74.5
Junior	%	**106.8**	99.3	96.8
Average training hours completed per employee — by gender				
Female	hours	**35.8**	17.8	13.2
Male	hours	**33.1**	18.0	12.9
Average training hours completed per employee — by category				
Senior	hours	**25.0**	38.7	14.4
Middle	hours	**46.9**	17.4	11.9
Junior	hours	**34.4**	17.7	13.2

Social KPIs data	Unit	2020	2019	2018
Number of suppliers — by geographical region				
Mainland China	number	**93**	58	47
Hong Kong	number	**1**	2	2
South Korea	number	**1**	1	1
Canada	number	**0**	1	1
France	number	**1**	1	1
Australia	number	**1**	1	1
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 Group or its employees during the Reporting Year	number	**0**	0	0

Notes:

1 The Chinese baijiu sector were excluded from the reporting scope in 2020 due to its disposal in November 2019. Compared to those in 2019, 2020 environmental performance data is significantly fluctuated. This is due to the temporary suspension of the operation of the entertainment business in accordance with the epidemic prevention measures of South Korean government and the decrease of wine production with the adjusted business strategy.

2 The calculation of greenhouse gas emissions is made with reference to "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEX and international standards, such as ISO 14064 and GHG Protocol, 2019 sustainability report of HK Electric, 2017 Emission Factors for purchased electricity within Mainland China issued by Ministry of Ecology and Environment of the PRC, National Greenhouse Accounts Factors, published by Department of the Environment and Energy, Australian Government and Country Profile South Korea 2019 published by Climate Transparency.

3 Scope 1 greenhouse gas emission covers the direct emissions from the combustion of fuels from stationary and mobile sources.

4 Scope 2 greenhouse gas emission covers the indirect energy emission from the purchased electricity consumption by the Group.

5 Air emission of the prior years was mainly generated from the coal combustion of boiler in wine and Chinese baijiu production. Due to the exclusion of Chinese baijiu business from the reporting scope in 2020 and no coal fuel burning for production of Tibetan barley wine during the Reporting Year, no air emission was recorded in 2020.

6 The figures of 2018 and 2019 energy consumption have been restated due to the standardisation of reporting units. The conversion factors from volumetric units of fuels consumption to energy units are with reference to CDP Technical note: Conversion of fuel data to MWh in 2020.

7 The data of water consumption covers the business of wine production and distribution, entertainment business, real estate, integrated resorts and cultural tourism businesses. The water consumption was significantly reduced due to the temporary suspension of the operation of the entertainment business and the decrease of wine production in 2020.

8 The packaging material data of prior years has been restated for enhancing data interpretation, in order to align with the revised types of packaging materials used in wine production and distribution business.

9 Our businesses were influenced by the outbreak of COVID-19 during the Reporting Year, in particular, our entertainment business. We have optimised the human resources structure through reducing positions and natural attrition and thus resulting in a higher overall employee turnover rate.

10 Employee turnover refers to voluntary resignations, retirement, dismissal or other reasons during the corresponding reporting periods.

11 Turnover rate refers to total number of employee turnover of the gender group divided by the total number of employees of the corresponding gender group.

12 Turnover rate refers to total number of employee turnover of the age group divided by the total number of employees of the corresponding age group.

13 The percentage of employees who have received training exceeding 100% is mainly due to the employee turnover during the Reporting Year.

7 HKEX ESG REPORTING GUIDE INDEX

ESG Reporting Guide		*Page(s)*	*Section*
Mandatory Disclosure Requirements			
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	N/A	The Group is undergoing the construction of necessary ESG governance structure. The relevant section will be disclosed in the next financial year.
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: **Materiality**: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative**: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency**: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	44, 46–48	Sections 1.1 & 1.3
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	44	Section 1.1

7 HKEX ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		*Page(s)*	*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.	59	Section 4.1
KPI A1.1	The types of emissions and respective emission data.	65	Section 6
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	65	Section 6
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	65	Section 6
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	65	Section 6
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	60	Section 4.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	60	Section 4.2
Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	61–63	Section 4.3
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	66	Section 6
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	66	Section 6
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	61	Section 4.3
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	62	Section 4.3
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	66	Section 6

7 HKEX ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		*Page(s)*	*Section*
A. Environmental *(Continued)*			
Aspect A3: The Environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	63	Section 4.4
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	63	Section 4.4
Aspect A4: Climate Change			
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	64	Section 4.5
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions.	64	Section 4.5
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.	51	Section 2.1
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	66–67	Section 6
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	67	Section 6
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.	53–54	Section 2.2
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	67	Section 6
KPI B2.2	Lost days due to work injury.	67	Section 6

7 HKEX ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		*Page(s)*	*Section*
B. Social *(Continued)*			
Aspect B2: Health and Safety *(Continued)*			
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	53–54	Section 2.2
Aspect B3: Development and Training			
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	54	Section 2.3
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	67	Section 6
KPI B3.2	The average training hours completed per employee by gender and employee category.	67	Section 6
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.	51	Section 2.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	51	Section 2.1
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	51	Section 2.1
Aspect B5: Supply Chain Management			
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	58–59	Section 3.3
KPI B5.1	Number of suppliers by geographical region.	68	Section 6
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	58–59	Section 3.3
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	58–59	Section 3.3
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	58–59	Section 3.3

7 HKEX ESG REPORTING GUIDE INDEX *(Continued)*

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INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

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 74 to 170, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 "Auditor's 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 judgement, 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 an intangible asset with indefinite useful life	
Refer to notes 16, 17 and the accounting policies in note 3.2 to the consolidated financial statements.	
We identified the impairment assessment of goodwill and an intangible asset with indefinite useful life, namely entertainment licence, which are allocated to the cash-generating unit ("CGU") of entertainment business as a key audit matter because of the significance of the balances to the consolidated statement of financial position as a whole and the significant degree of judgement made by management in the assessment process. Determining whether goodwill and the intangible asset with indefinite useful life are impaired requires management's estimation of the value in use of the CGU to which the goodwill and the intangible asset with indefinite useful life have been allocated. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGU, which includes key assumptions for cash flow projections, including yearly growth rates of revenue, profit margin, discount rate and management's expectation of market conditions. Where the actual future cash flows are less than expected, a material impairment loss may arise. As set out in notes 16 and 17 to the consolidated financial statements, the carrying amounts of goodwill and the intangible asset with indefinite useful life are HK$nil and HK$448,532,000, respectively, at 31 December 2020.	Our procedures in relation to the impairment assessment of goodwill and the intangible asset with indefinite useful life included: • Understanding the entity's key control in relation to the impairment assessment of goodwill and the intangible asset with indefinite useful life, including the process of preparation of the future cash flow projections and key assumptions adopted by management in the cash flow projections; • Evaluating the competence, capability and objectivity of the independent valuer engaged by the management; • Evaluating the appropriateness of the key assumptions in the cash flow projections, including yearly growth rates of revenue, profit margin and management's expectation of market conditions by reference to the historical performance, future business plan of the Group as well as industrial trends; • Involving our internal valuation expert to evaluate the appropriateness of the valuation methodology and the reasonableness of the discount rate used by management; • Obtaining the sensitivity analysis performed by management and assessing the extent of impact on the value in use; and • Reviewing the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Carrying values of properties under development	
Refer to note 19 and the accounting policies in note 3.2 to the consolidated financial statements.	
The carrying values of properties under development was HK$2,135,141,000 as at 31 December 2020, represented 48.8% of total assets. Properties under development are stated at the lower of cost and net realisable value. The net realisable value of properties under development is assessed with reference to valuations carried out by an independent professional valuer engaged by the Group. We identified the assessment of the net realisable value of the properties under development as a key audit matter because of their significance to the Group's total assets and significant judgement and estimation involved in the measurement of the net realisable value.	Our procedures in relation to the assessment of the carrying values of properties under development included: • Assessing the appropriateness of the determination of net realisable value of properties under development, on a sample basis, by comparing the value to market prices achieved in the same projects or comparable properties, based on the current market development trend and regulations in the real estate industry and our knowledge of the Group's business with reference to the valuation report prepared by the independent professional valuer; • Obtaining and inspecting the valuation report prepared by the independent professional valuer engaged by the management and on which the management's assessment of the net realisable value of the properties under development was based; • Evaluating the competence, capability and objectivity of the independent valuer engaged by the management; • Discussing with the independent professional valuer their valuation methodology and the key estimates and assumptions adopted in their valuation; and • Assessing the management's process in estimating the future costs to completion and estimated selling expenses for the properties under development, on a sample basis, by comparing them to the actual development cost and comparing the adjustments made by the management in the future costs to completion to current market data.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another independent auditor whose report dated of 8 May 2020 expressed an unmodified opinion on those consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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 THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S 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 auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement 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 auditor's 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 auditor's 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

From the matters communicated with those charged with governance, 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 auditor's 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 auditor's report is Wan Wing Ping.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 29 March 2021

Wan Wing Ping
Practicing certificate number P07471

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Continuing operations			
Revenue	5	**117,551**	211,185
Cost of revenue		**(88,070)**	(135,397)
Gross profit		**29,481**	75,788
Other revenue, gains and losses	7	**30,612**	13,290
Selling and distribution expenses		**(43,693)**	(49,823)
Administrative and other operating expenses		**(79,249)**	(99,665)
Impairment loss of goodwill	16	**(13,850)**	(61,091)
Impairment loss of intangible assets	17	**(19,961)**	–
Impairment loss under expected credit loss model, net of reversal		**(19,583)**	(4,884)
Gain on disposal of subsidiaries	43	**–**	21,115
Loss from operating activities	8	**(116,243)**	(105,270)
Finance costs	10	**(5,852)**	(5,211)
Loss before taxation		**(122,095)**	(110,481)
Income tax credit/(expense)	11	**7,785**	(299)
Loss for the year from continuing operations		**(114,310)**	(110,780)
Discontinued operations			
Loss for the year from discontinued operations, net of income tax	42	**–**	(118,716)
Loss for the year		**(114,310)**	(229,496)
Loss attributable to:			
Owners of the Company			
— from continuing operations		**(92,028)**	(80,380)
— from discontinued operations		**–**	(108,349)
		(92,028)	(188,729)
Non-controlling interests		**(22,282)**	(40,767)
		(114,310)	(229,496)
Loss per share from continuing and discontinued operations			
Basic and diluted	13	**HK(2.87) cents**	HK(4.92) cents
Loss per share from continuing operations			
Basic and diluted	13	**HK(2.87) cents**	HK(2.10) cents
Loss per share from discontinued operations			
Basic and diluted	13	**N/A**	HK(2.82) cents

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(114,310)**	(229,496)
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**1,641**	(1,258)
Change in fair value of financial asset at fair value through other comprehensive income	**–**	(434)
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**80,825**	(48,031)
Item that was reclassified to profit or loss:		
Release of translation reserve upon disposal of subsidiaries	**–**	12,576
Other comprehensive income/(loss) for the year, net of income tax	**82,466**	(37,147)
Total comprehensive loss for the year	**(31,844)**	(266,643)
Total comprehensive loss attributable to:		
Owner of the Company		
— from continuing operations	**(13,906)**	(105,474)
— from discontinued operations	**–**	(108,349)
	(13,906)	(213,823)
Non-controlling interests	**(17,938)**	(52,820)
	(31,844)	(266,643)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**958,281**	896,413
Right-of-use assets	15	**53,699**	38,759
Goodwill	16	**–**	14,130
Intangible assets	17	**452,400**	448,034
Prepayments for purchase of property, plant and equipment		**41,127**	40,768
Contract costs	22	**–**	31,303
Deferred tax assets	36	**7,065**	2,599
		1,512,572	1,472,006
Current assets			
Inventories	18	**209,264**	209,998
Properties under development	19	**2,135,141**	1,539,538
Trade receivables	20	**8,349**	21,996
Prepayments, deposits paid and other receivables	21	**257,580**	370,239
Contract costs	22	**34,567**	–
Short-term loan receivables	23	**63**	2,184
Cash and cash equivalents	24	**213,434**	266,197
		2,858,398	2,410,152
Current liabilities			
Trade payables	25	**56,114**	46,018
Accruals and other payables	26	**183,551**	123,232
Contract liabilities	27	**17,718**	35,666
Amounts due to related parties	28	**8,003**	7,127
Loans from non-controlling shareholders of subsidiaries	30	**112,157**	704
Bank borrowings — due within one year	31	**1,747,713**	–
Lease liabilities	32	**6,898**	3,606
Deferred revenue	33	**–**	134
Contingent consideration payable	43	**–**	45,246
Tax payable		**1,419**	2,632
		2,133,573	264,365
Net current assets		**724,825**	2,145,787
Total assets less current liabilities		**2,237,397**	3,617,793

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Capital and Reserves			
Share capital	34	**32,076**	32,076
Reserves	35	**1,662,517**	1,676,423
		1,694,593	1,708,499
Non-controlling interests		**373,341**	391,279
Total equity		**2,067,934**	2,099,778
Non-current liabilities			
Loan from immediate holding company	29	**20,396**	24,906
Loans from non-controlling shareholders of subsidiaries	30	**–**	101,969
Bank borrowings — due after one year	31	**–**	1,255,303
Lease liabilities	32	**41,378**	27,964
Deferred tax liabilities	36	**100,913**	100,151
Net defined benefits liabilities	38	**6,776**	7,722
		169,463	1,518,015
		2,237,397	3,617,793

The consolidated financial statements on pages 80 to 170 were approved and authorised for issue by the Board of Directors on 29 March 2021 and are signed on its behalf by:

Ma Chenshan
Director

Liu Huaming
Director

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Share option reserve**	**Translation reserve**	**Statutory reserve**	**Merger reserve**	**Other reserve**	**Fair value through other comprehensive income ("FVTOCI") revaluation reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2019	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 34)	(10,860)	(771,060)	–	–	–	–	–	–	–	(781,920)	–	(781,920)
As at 31 December 2019 and 1 January 2020	**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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(92,028)**	**(92,028)**	**(22,282)**	**(114,310)**
Other comprehensive income for the year												
Remeasurement of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,218**	**1,218**	**423**	**1,641**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**76,904**	**–**	**–**	**–**	**–**	**–**	**76,904**	**3,921**	**80,825**
Total comprehensive loss for the year	**–**	**–**	**–**	**76,904**	**–**	**–**	**–**	**–**	**(90,810)**	**(13,906)**	**(17,938)**	**(31,844)**
Lapse of share option	**–**	**–**	**(13,787)**	**–**	**–**	**–**	**–**	**–**	**13,787**	**–**	**–**	**–**
As at 31 December 2020	**32,076**	**2,275,710***	**38,100***	**71,390***	**35,949***	**(203,631)***	**(27,843)***	**–**	**(527,158)***	**1,694,593**	**373,341**	**2,067,934**

* The reserve accounts comprise the consolidated reserve of HK$1,662,517,000 (2019: HK$1,676,423,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Loss before taxation		
— From continuing operations	**(122,095)**	(110,481)
— From discontinued operations	**–**	(124,299)
	(122,095)	(234,780)
Adjustments for:		
Bank interest income	**(2,121)**	(2,971)
Impairment loss of goodwill	**13,850**	61,091
Impairment loss of intangible assets	**19,961**	–
Impairment loss under expected credit loss model, net of reversal		
— Trade receivables	**17,514**	4,641
— Short-term loan receivables	**2,069**	243
Depreciation of property, plant and equipment	**17,494**	25,664
Depreciation of right-of-use assets	**7,727**	6,883
Amortisation of intangible assets	**583**	588
Net (gain)/loss on disposal of property, plant and equipment	**(4,057)**	841
Write-off of property, plant and equipment	**–**	15,496
Finance costs	**5,852**	5,211
Government grant recognised in profit or loss	**(134)**	(1,232)
Gain on disposal of subsidiaries	**–**	(21,115)
Operating cash flows before movements in working capital	**(43,357)**	(139,440)
Increase in trade receivables	**(3,253)**	452
Decrease/(increase) in prepayments, deposits paid and other receivables	**20,957**	(1,167)
(Increase)/decrease in contract costs	**(1,184)**	4,170
Decrease in short-term loan receivables	**–**	64
Decrease/(increase) in inventories	**13,486**	(7,801)
Increase/(decrease) in amounts due to related parties	**416**	(43,453)
Increase in trade payables	**6,757**	1,714
Increase in accruals and other payables	**49,608**	168,469
Decrease in contract liabilities	**(19,166)**	(19,063)
Increase/(decrease) in net defined benefits liabilities	**238**	(678)
Increase in properties under development	**(382,617)**	(252,388)
Cash used in operations	**(358,115)**	(289,121)
Income tax paid	**(2,262)**	(3,361)
Net cash used in operating activities	**(360,377)**	(292,482)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Investing activities		
Bank interest received	**2,121**	2,971
Purchase of property, plant and equipment	**(30,090)**	(66,994)
Proceeds on disposal of property, plant and equipment	**14,719**	–
Decrease in other receivables	**63,609**	–
Net cash inflows from disposal of subsidiaries	**–**	43,787
Net cash from/(used in) investing activities	**50,359**	(20,236)
Financing activities		
Interest paid	**(76,561)**	(51,779)
Repayments of lease liabilities	**(5,472)**	(5,539)
New bank borrowings raised	**348,224**	1,256,472
Repayments of bank borrowings	**–**	(192,526)
Advances from non-controlling shareholders of subsidiaries	**660**	704
Advances from immediate holding company	**36,607**	156,320
Repayments to immediate holding company	**(42,679)**	(830,799)
Net cash from financing activities	**260,779**	332,853
Net (decrease)/increase in cash and cash equivalents	**(49,239)**	20,135
Cash and cash equivalents at beginning of the year	**266,197**	247,168
Effect of exchange rate changes on the balance of cash held in foreign currency	**(3,524)**	(1,106)
Cash and cash equivalents at end of the year	**213,434**	266,197
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**213,434**	266,197

The accompanying notes are an integral part of the 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 immediate parent is Macro-Link International Land Limited, a company incorporated in Hong Kong, and its ultimate parent is Cheung Shek Investment Limited, a company incorporated in The People's Republic of China (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 (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$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but 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 and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

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, 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.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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 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 "Financial Instruments" ("HKFRS 9"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in October 2010).

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Business combinations (Continued)

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

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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.

Revenue from contracts with customers

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is 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.

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.

Entertainment revenue

Entertainment revenue represents the aggregate net difference between wins and losses and is recognised in 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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.

Property, plant and equipment

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

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

Construction in progress includes properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. No depreciation is provided for 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, including golf 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 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 buildings	over the period of the relevant lease
Machinery	10%–25%
Office equipment	10%–50%
Furniture and fixtures	10%–25%
Motor vehicles	10%–33%
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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

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

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 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 FVTPL, except that at the date of initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)
A financial asset is classified as held for trading if:

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

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

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.

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, deposit paid, other receivables, short-term loan receivables and cash and cash equivalents). 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, 12-month ECL ("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.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

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

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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.

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, other payables, amounts due to related parties, loans from non-controlling shareholders of subsidiaries, bank borrowings, lease liabilities and loan from immediate holding company are 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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.

Properties under development

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Taxation

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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.

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.

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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that 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 consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated losses 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.

(ii) Termination benefits

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Employee benefits *(Continued)*

(iii) Short-term and other long-term employee benefits

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

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

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

(iv) 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 option 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 option 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 option reserve will be transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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 lives are finite) and impairment loss.

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

Trademarks with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that they may be impaired, by comparing their carrying amounts with their recoverable amounts.

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 licence

Entertainment licence 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, intangible assets and contract costs 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

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.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Provisions

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Contingent liabilities and contingent assets

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

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

Leases

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 on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 "Lease" 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. 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.

The Group as a lessee

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.

Short-term leases and leases of low-value assets

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities (Continued)

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

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, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Related parties

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

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

(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.

4. 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 statements.

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 statements.

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 and entertainment licence with indefinite useful life

Determining whether goodwill and entertainment licence with indefinite useful life are impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill and entertainment licence with indefinite useful life has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill and entertainment licence with indefinite useful life as at 31 December 2020 were HK$nil and HK$448,532,000 (2019: HK$14,130,000 and HK$443,855,000), respectively. Details of the impairment test of goodwill and entertainment licence with indefinite useful life are set out in notes 16 and 17, respectively.

(b) Estimated impairment of property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs

Property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement 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 2020, the carrying amounts of property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs are HK$958,281,000, HK$53,699,000, HK$3,868,000 and HK$34,567,000 (2019: HK$896,413,000, HK$38,759,000, HK$4,179,000 and HK$31,303,000), respectively.

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

(c) Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 45.2.

(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) Determination on incremental borrowing rates of lease contracts

In determining incremental borrowing rates of lease contracts, the Group applies judgement to determine the applicable rates, taking into account the nature of the underlying assets and the terms and condition of the leases at both the commencement date and the effective date of the modification to calculate the present value of lease payments. The incremental borrowing rates of the Group applied significantly affect the amounts of lease liabilities and right-of-use assets recognised.

(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) Deferred tax asset

As at 31 December 2020, no deferred tax asset has been recognised on the tax losses of HK$242,193,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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

(h) Net realisable value of properties under development

The Group assesses the net realisable value of properties under development according to realisability of these properties, estimated costs to completion (i.e. development cost and professional fees) based on past experience and committed contracts, estimated selling expenses, estimated net sales value based on prevailing market conditions and the Group's return. Write-down to net realisable value is made when events or changes in circumstances indicate that the carrying amounts may not be realised (i.e. net realisable value is lower than its carrying amounts). The assessment requires the use of judgement and estimates.

The Group estimates the costs to completion based on detailed budgetary information as developed by the management, and will be reassessed periodically, as the constructions progress. The Group also considers information from a variety of sources, including recent sales prices of similar properties in similar location, with adjustments to reflect any differences in conditions such as age, floor, views and size that occurred at those prices. The Group engaged an independent professional valuer to assess the net realisable value of the properties under development. Particulars of the properties under development of the Group are set out in note 19.

5. REVENUE

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

	2020 **HK$'000**	2019 HK$'000
Revenue recognised at a point in time:		
Production and distribution of wine	**117,160**	128,545
Entertainment business	**391**	82,640
	117,551	211,185

Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of the reporting period:

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is AUD553,529,000 (equivalent to HK$3,120,311,000) (2019: AUD553,529,000 (equivalent to HK$3,018,156,000)). 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 respect of the properties under development, when the properties are assigned to the customers, which is expected to occur within one year (2019: more than one year but not exceeding two years).

6. 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.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Continuing operations							
	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
SEGMENT REVENUE								
Revenue from external customers	**–**	–	**117,160**	128,545	**391**	82,640	**117,551**	211,185
Segment (loss)/profit	**(26,034)**	(10,626)	**(15,343)**	3,936	**(64,830)**	(76,973)	**(106,207)**	(83,663)
Unallocated corporate income							**1,017**	452
Unallocated corporate expenses							**(11,053)**	(22,059)
Finance costs							**(5,852)**	(5,211)
Loss before taxation							**(122,095)**	(110,481)

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 expenses and income including directors' emoluments, government grant, other income and finance costs. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

31 December 2020

	Continuing operations			
	Real estate, integrated resort and cultural tourism HK$'000	**Wine HK$'000**	**Entertainment business HK$'000**	**Total HK$'000**
Segment assets	**3,396,529**	**479,807**	**472,813**	**4,349,149**
Unallocated				**21,821**
Consolidated total assets				**4,370,970**
Segment liabilities	**1,879,829**	**255,171**	**139,988**	**2,274,988**
Unallocated				**28,048**
Consolidated total liabilities				**2,303,036**

31 December 2019

	Continuing operations			
	Real estate, integrated resort and cultural tourism HK$'000	Wine HK$'000	Entertainment business HK$'000	Total HK$'000
Segment assets	2,895,189	451,982	503,782	3,850,953
Unallocated				31,205
Consolidated total assets				3,882,158
Segment liabilities	1,397,701	217,314	133,828	1,748,843
Unallocated				33,537
Consolidated total liabilities				1,782,380

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; and
- all liabilities are allocated to reportable segments except for certain financial liabilities which are managed on a group basis.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

Continuing operations:

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:										
Additions to non-current assets (note)	**23,411**	61,687	**20,220**	3,711	**3,938**	726	**5,081**	–	**52,650**	66,124
Depreciation of property, plant and equipment	**3,984**	2,054	**12,233**	12,460	**1,277**	2,641	**–**	575	**17,494**	17,730
Depreciation of right-of-use assets	**2,539**	2,539	**2,293**	1,239	**130**	–	**2,765**	2,579	**7,727**	6,357
Amortisation of intangible assets	**–**	–	**583**	588	**–**	–	**–**	–	**583**	588
Impairment loss on trade receivables recognised in profit or loss, net of reversal	**–**	–	**523**	595	**16,991**	4,046	**–**	–	**17,514**	4,641
Impairment loss on short-term loan receivables recognised in profit or loss, net of reversal	**–**	–	**–**	–	**2,069**	243	**–**	–	**2,069**	243
Impairment loss of intangible assets	**–**	–	**–**	–	**19,961**	–	**–**	–	**19,961**	–
Impairment loss of goodwill	**–**	–	**–**	–	**13,850**	61,091	**–**	–	**13,850**	61,091
Amounts regularly provided to the Chief Operating Decision Marker but not included in the measure of segment profit or loss or segment assets:										
Interest income	**(1,703)**	(1,458)	**(76)**	(153)	**(15)**	(406)	**(327)**	(634)	**(2,121)**	(2,651)
Finance costs	**667**	797	**4,726**	4,005	**304**	303	**155**	106	**5,852**	5,211
Income tax expense/(credit)	**34**	62	**915**	1,144	**(8,734)**	(907)	**–**	–	**(7,785)**	299

Note: Non-current assets excluded those relating to discontinued operations and excluded goodwill, financial instruments and deferred tax assets.

Information about major customers

No single customer contributes over 10% of the Group's revenue for both years.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (including Hong Kong)	**117,160**	128,545	**212,386**	193,610
South Korea	**391**	82,640	**1,283,198**	1,232,383
Australia	**–**	–	**9,923**	43,414
	117,551	211,185	**1,505,507**	1,469,407

Note: Non-current assets excluded those relating to deferred tax assets.

7. OTHER REVENUE, GAINS AND LOSSES

	2020	2019
	HK$'000	HK$'000
Continuing operations:		
Government grants (note 33)	**18,671**	6,345
Bank interest income	**2,121**	2,651
Gain from default fine due to early termination of rental agreement (note)	**–**	1,388
Net gain/(loss) on disposal of property, plant and equipment	**4,057**	(841)
Net foreign exchange gain/(loss)	**2,577**	(208)
Others	**3,186**	3,955
	30,612	13,290

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

8. LOSS FROM OPERATING ACTIVITIES

	2020 HK$'000	2019 HK$'000
Continuing operations:		
Loss from operating activities has been arrived at after charging/(crediting):		
Staff costs, including directors' emoluments		
— Salaries and allowances	**41,223**	74,582
— Retirement benefits scheme contributions	**3,448**	6,438
Total staff costs	**44,671**	81,020
Auditor's remuneration		
— audit services	**1,200**	1,200
— non-audit services	**–**	449
Amortisation of intangible assets	**583**	588
Cost of inventories recognised as expenses	**73,293**	57,234
Net (gain)/loss on disposal of property, plant and equipment	**(4,057)**	841
Depreciation of property, plant and equipment	**17,494**	17,730
Depreciation of right-of-use assets	**7,727**	6,357
Impairment loss on trade receivables, net of reversal	**17,514**	4,641
Impairment loss on short-term loan receivables, net of reversal	**2,069**	243
Research and development costs (included in administrative and other operating expenses)	**714**	1,617

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

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2020

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Performance related bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Ma Chenshan (note (a))	**120**	**–**	**–**	**–**	**120**
Zhang Jian	**120**	**–**	**–**	**–**	**120**
Hang Guangyu	**120**	**–**	**–**	**–**	**120**
Liu Huaming	**120**	**–**	**–**	**–**	**120**
Ng Kwong Chue, Paul (note (b))	**56**	**653**	**–**	**9**	**718**
Su Bo (note (c))	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors					
Ting Leung Huel, Stephen	**360**	**–**	**–**	**–**	**360**
Tse Kwong Hon	**180**	**–**	**–**	**–**	**180**
Cao Kuangyu	**180**	**–**	**–**	**–**	**180**
	1,256	**653**	**–**	**9**	**1,918**

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

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

For the year ended 31 December 2019

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Performance related bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Ma Chenshan (note (a))	–	–	–	–	–
Zhang Jian	120	–	–	–	120
Hang Guangyu	120	–	–	–	120
Liu Huaming	120	–	–	–	120
Ng Kwong Chue, Paul (note (b))	120	1,428	–	18	1,566
Su Bo (note (c))	90	–	–	–	90
Independent non-executive directors					
Ting Leung Huel, Stephen	360	–	–	–	360
Tse Kwong Hon	180	–	–	–	180
Cao Kuangyu	180	–	–	–	180
	1,290	1,428	–	18	2,736

Notes:

(a) Mr. Ma Chenshan was appointed as an executive director and the chairman of the Board on 30 December 2019. He also acts on the chief executive of the Company.

(b) Mr. Ng Kwong Chue, Paul retired as director with effect from 18 June 2020.

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, while the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

None of the directors and the chief executive, or any of the non-director and the non-chief executive, highest paid employees were paid by the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2019: None).

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

(b) Employees' emoluments

The five highest paid employees of the Group during the year included one director (2019: one director), details of whose remuneration are set out in note 9(a) above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowance and benefits in kind	**3,949**	2,856
Performance related bonus	**–**	–
Retirement benefits scheme contributions	**279**	71
	4,228	2,927

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2020 Number of employees	2019 Number of employees
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**2**	–
	4	4

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Continuing operations:		
Interest on bank borrowings	**89,644**	16,579
Interest on loan from immediate holding company	**2,065**	33,004
Interest on lease liabilities	**3,770**	2,196
	95,479	51,779
Less: Amounts capitalised in the cost of qualifying assets	**(89,627)**	(46,568)
	5,852	5,211

Borrowing costs capitalised to construction in progress and properties under development at a rate of 5.01% (2019: 6.06%) per annum.

11. INCOME TAX (CREDIT)/EXPENSE

	2020 HK$'000	2019 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**920**	3,995
Other jurisdictions	**3**	11
Under/(over)provision in prior years:		
PRC Enterprise Income Tax	**126**	(2,703)
Deferred tax (note 36)	**(8,834)**	(1,004)
	(7,785)	299

Hong Kong Profits Tax

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.

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 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.

The tax (credit)/charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2020 **HK$'000**	2019 HK$'000
Continuing operations: — loss before taxation	**(122,095)**	(110,481)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**(20,146)**	(18,229)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,055)**	(1,105)
Tax effect of tax losses not recognised	**10,109**	5,972
Tax effect of income not taxable for tax purpose	**(2,808)**	(3,628)
Tax effect of expenses not deductible for tax purpose	**6,038**	11,234
Tax effect of temporary difference not recognised	**(49)**	8,758
Under/(over)provision in prior years	**126**	(2,703)
Tax (credit)/charge for the year	**(7,785)**	299

12. DIVIDEND

The board of directors (the "Board") of the Company does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

13. LOSS PER SHARE

(a) Continuing and discontinued operations

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

	2020 **HK$'000**	2019 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(92,028)**	(188,729)

	Number of shares **2020**	2019
Weighted average number of shares for the purposes of basic and diluted loss per share	**3,207,591,674**	3,835,388,934

(b) Continuing operations

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

	2020 **HK$'000**	2019 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(92,028)**	(80,380)

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

(c) Discontinued operations

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

	2020 **HK$'000**	2019 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**–**	(108,349)

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

For the years ended 31 December 2020 and 2019, the computations of diluted loss 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 per share and the basic loss per share for the years ended 31 December 2020 and 2019 were the same as there were no potential dilutive ordinary shares in both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Golf land HK$'000	Hotel properties HK$'000	Leasehold improvements HK$'000	Plant and buildings 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 2019	524,314	177,610	100,344	6,195	182,293	134,719	17,675	5,126	16,455	11,418	1,176,149
Exchange realignment	(5,461)	(3,525)	(1,992)	(30)	(3,631)	(2,306)	(1,676)	(62)	(379)	(453)	(19,515)
Transfer	(110)	–	–	–	110	–	–	–	–	–	–
Disposal of subsidiaries (note 42)	(39,372)	–	–	–	(48,710)	(42,106)	(7,670)	(1,538)	(4,057)	–	(143,453)
Additions	62,655	–	–	–	702	2,054	416	23	1,144	–	66,994
Write-off/disposals	–	–	–	(3,372)	(31,159)	(1,009)	(21)	(240)	(1,708)	–	(37,509)
At 31 December 2019 and 1 January 2020	542,026	174,085	98,352	2,793	99,605	91,352	8,724	3,309	11,455	10,965	1,042,666
Exchange realignment	35,646	11,198	6,327	69	6,446	5,959	529	174	288	938	67,574
Transfer	(685)	–	–	–	–	685	–	–	–	–	–
Transfer to farmland development (note 17)	(34)	–	–	–	–	–	–	–	–	–	(34)
Additions	24,408	–	–	–	701	3,261	129	21	24	3,611	32,155
Disposals	(9,811)	–	–	(73)	–	(1,143)	(10)	(55)	(4,787)	–	(15,879)
At 31 December 2020	**591,550**	**185,283**	**104,679**	**2,789**	**106,752**	**100,114**	**9,372**	**3,449**	**6,980**	**15,514**	**1,126,482**
Accumulated depreciation											
At 1 January 2019	–	–	3,727	2,497	61,287	98,890	8,794	2,746	12,683	9,838	200,462
Exchange realignment	–	–	(94)	(14)	(1,844)	(2,108)	(193)	(49)	(321)	(392)	(5,105)
Disposal of subsidiaries (note 42)	–	–	–	–	(13,325)	(30,522)	(4,760)	(1,050)	(4,029)	–	(53,686)
Provide for the year	–	–	1,063	497	8,215	9,239	2,189	819	2,208	1,434	25,664
Eliminated on write-off/disposals	–	–	–	(1,730)	(17,396)	(260)	(20)	(138)	(1,628)	–	(21,172)
At 31 December 2019 and 1 January 2020	–	–	4,696	1,250	36,937	75,239	6,010	2,328	8,913	10,880	146,253
Exchange realignment	–	–	478	37	2,637	5,018	452	147	245	657	9,671
Provide for the year	–	–	3,137	481	4,647	6,589	1,211	465	798	166	17,494
Eliminated on disposals	–	–	–	(66)	–	(1,113)	(4)	(52)	(3,982)	–	(5,217)
At 31 December 2020	**–**	**–**	**8,311**	**1,702**	**44,221**	**85,733**	**7,669**	**2,888**	**5,974**	**11,703**	**168,201**
Carrying amount											
At 31 December 2020	**591,550**	**185,283**	**96,368**	**1,087**	**62,531**	**14,381**	**1,703**	**561**	**1,006**	**3,811**	**958,281**
At 31 December 2019	542,026	174,085	93,656	1,543	62,668	16,113	2,714	981	2,542	85	896,413

Assets pledged as securities

As at 31 December 2020, the Group's buildings with carrying amount of HK$18,486,000 (2019: HK$17,841,000) were pledged as securities for the Group's bank borrowings.

15. RIGHT-OF-USE ASSETS

	Office premises HK$'000	Farmland HK$'000	Land use rights HK$'000	Total HK$'000
As at 31 December 2020				
Carrying amount	12,263	33,181	8,255	53,699
As at 31 December 2019				
Carrying amount	11,440	19,199	8,120	38,759
For the year ended 31 December 2020				
Depreciation charge	5,434	1,965	328	7,727
For the year ended 31 December 2019				
Depreciation charge	5,118	895	870	6,883

	Year ended 31/12/2020	Year ended 31/12/2019
Expense relating to short-term leases	**4,835**	5,620
Total cash outflow for leases	**14,077**	13,355
Additions to right-of-use assets	**20,495**	–

For both years, the Group leases various offices, farmland and land use rights for its operations. Lease contracts are entered into for fixed term of 6 months to 50 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2020, the Group's land use rights with carrying amount of HK$5,262,000 (2019: HK$5,106,000) were pledged as securities for the Group's bank borrowings.

Restrictions or covenants on leases

In addition, lease liabilities of HK$48,276,000 are recognised with related right-of-use assets of HK$53,699,000 as at 31 December 2020 (2019: lease liabilities of HK$31,570,000 and related right-of-use assets of HK$38,759,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. GOODWILL

	HK$'000
Cost	
At 1 January 2019	253,180
Disposal of subsidiaries	(47,531)
At 31 December 2019 and 1 January 2020	205,649
Exchange realignment	4,444
At 31 December 2020	**210,093**
Accumulated impairment losses	
At 1 January 2019	177,959
Impairment loss recognised in the year	61,091
Disposal of subsidiaries	(47,531)
At 31 December 2019 and 1 January 2020	191,519
Impairment loss recognised in the year	13,850
Exchange realignment	4,724
At 31 December 2020	**210,093**
Carrying amount	
At 31 December 2020	**–**
At 31 December 2019	14,130

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

	2020 **HK$'000**	2019 HK$'000
Entertainment business	**–**	14,130

16. GOODWILL *(Continued)*

Impairment test of entertainment business

For the years ended 31 December 2020 and 2019, 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 of 12% (2019: 11%). The cash flows beyond this 5-year period are extrapolated using a 3% (2019: 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, an impairment loss of HK$13,850,000 (2019: HK$61,091,000) is recognised for the year.

In addition to goodwill and entertainment licence, property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill and entertainment licence are also included in the respective CGU for the purpose of impairment assessment.

17. INTANGIBLE ASSETS

	Farmland development HK$'000	Entertainment licence HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Internet finance platform HK$'000	Total HK$'000
Cost						
At 1 January 2019	14,599	462,185	1,735	24,327	931,656	1,434,502
Disposal of subsidiaries (note 42)	–	–	–	(23,262)	(929,708)	(952,970)
Exchange realignment	(269)	(18,330)	(34)	(483)	(1,948)	(21,064)
At 31 December 2019 and 1 January 2020	14,330	443,855	1,701	582	–	460,468
Exchange realignment	855	26,241	110	40	–	27,246
Transfer from construction in progress (note 14)	34	–	–	–	–	34
At 31 December 2020	**15,219**	**470,096**	**1,811**	**622**	**–**	**487,748**
Accumulated amortisation and impairment						
At 1 January 2019	9,746	–	1,735	24,327	–	35,808
Exchange realignment	(183)	–	(34)	(483)	–	(700)
Charge for the year	588	–	–	–	–	588
Disposal of subsidiaries (note 42)	–	–	–	(23,262)	–	(23,262)
At 31 December 2019 and 1 January 2020	10,151	–	1,701	582	–	12,434
Exchange realignment	617	1,603	110	40	–	2,370
Charge for the year	583	–	–	–	–	583
Impairment loss	–	19,961	–	–	–	19,961
At 31 December 2020	**11,351**	**21,564**	**1,811**	**622**	**–**	**35,348**
Carrying amount						
At 31 December 2020	**3,868**	**448,532**	**–**	**–**	**–**	**452,400**
At 31 December 2019	4,179	443,855	–	–	–	448,034

17. 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

Amortisation expense of HK$583,000 (2019: HK$588,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of HK$3,868,000 (2019: HK$4,179,000) representing the carrying amount of farmland expenditure and cost for preparation works. The net carrying amount will be amortised over the remaining useful lives of 2 to 10 years (2019: 3 to 11 years).

Entertainment licence

The directors of the Company considered that the legal right of the licence is capable of being renewed indefinitely at insignificant cost and it is expected to generate positive cash flows indefinitely. The licence 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 annually and whenever there is an indication that may be impaired.

Impairment test of intangible assets with indefinite useful life

Entertainment licence

Entertainment licence with a carrying amount of HK$448,532,000 (2019: HK$443,855,000) has been allocated to the Group's CGU of entertainment business. The recoverable amount of the entertainment licence has been determined based on a value-in-use.

During the year ended 31 December 2020, in view of the deteriorated operating results of the CGU and the unfavourable changes in the market conditions, an impairment loss of HK$19,961,000 (2019: nil) is recognised during the year.

18. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**114,624**	108,064
Work in progress	**65,136**	40,437
Finished goods	**29,504**	61,497
	209,264	209,998

Included in raw materials of HK$112,587,000 (2019: HK$103,604,000) were unprocessed wines. The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2020 and have considered no write-down of obsolete inventories to be made (2019: Nil).

19. PROPERTIES UNDER DEVELOPMENT

Properties under development represented the project costs, land acquisition costs, finance costs and other preliminary infrastructure costs in relation to the Group's property development project in Australia. The Group estimated the net realisable value with no significant change in key assumptions and the net realisable value was determined by the management with reference to the valuation performed by an independent professional valuer. The valuation adopted the residual method, which is based on the completed gross development value and deducting development costs, estimated selling expenses and the Group's return.

As at 31 December 2020 and 2019, the Group's properties under development were pledged as securities for the Group's bank borrowings.

20. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	10,043	5,738
Receivables from entertainment business	24,042	22,700
Less: allowance for expected credit losses	(25,736)	(6,442)
	8,349	21,996

The Group generally allows an average credit period ranging from 30 to 180 days (2019: 30 to 180 days) to its trade customers. For receivables of entertainment business, a credit period is generally six months. The Group does not hold any collateral over these balances.

(i) Trade receivables

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

	2020 HK$'000	2019 HK$'000
Within 30 days	5,916	3,567
More than 30 days and within 60 days	1,085	748
More than 60 days and within 90 days	303	–
More than 90 days and within 180 days	770	155
More than 180 days and within 360 days	275	195
At 31 December	8,349	4,665

An aged analysis of trade receivables as at the end of the reporting period, based on due date and net of allowance for expected credit losses, is as follow:

	2020 HK$'000	2019 HK$'000
Current (not past due)	8,074	4,470
1 to 90 days past due	92	176
91 to 180 days past due	183	19
At 31 December	8,349	4,665

20. TRADE RECEIVABLES *(Continued)*

(ii) Receivables of entertainment business

An aged analysis of the receivables of entertainment business at the end of the reporting period, based on date of credit grant and net allowance for expected credit losses, is as follows:

	2020 **HK$'000**	2019 HK$'000
Current (not past due)	**–**	31
1 to 90 days past due	**–**	–
91 to 180 days past due	**–**	5,888
181 to 365 days past due	**–**	11,412
At 31 December	**–**	17,331

Details of impairment assessment of trade receivables are set out in note 45.2.

21. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Prepayments	**30,211**	27,849
Deposits paid (note (i))	**93,178**	85,316
Other receivables (note (ii))	**134,246**	257,125
	257,635	370,290
Less: allowance for expected credit losses of other receivables	**(55)**	(51)
	257,580	370,239

Notes:

(i) Included in year-end balance is an amount of HK$79,955,000 (2019: HK$72,868,000) relating to guaranteed deposits for construction of the property placed in designated accounts in accordance with relevant government requirements.

(ii) Included in year-end balance is an amount of HK$122,261,000 (2019: HK$230,792,000) representing the outstanding consideration denominated in Canadian Dollar ("CAD") for disposal of the Mackenzie Creek Project. To secure the Purchaser's obligation to pay the outstanding consideration, the Purchaser has pledged the security interest 51% of MC Entities (as defined in note 43) in favour of the Group's wholly-owned subsidiary, NSR Toronto Holdings Limited ("NSR Toronto").

Details of impairment assessment are set out in note 45.2.

22. CONTRACT COSTS

	2020 HK$'000	2019 HK$'000
Incremental costs to obtain contracts		
— current	**34,567**	–
— non-current	**–**	31,303

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 expected to be completed within next 12 months (2019: 24 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 (2019: Nil).

23. SHORT-TERM LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Loan receivables:		
Unsecured	**77**	6,841
Less: allowance for expected credit losses	**(14)**	(4,657)
	63	2,184

Details of impairment assessment are set out in note 45.2.

24. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Bank balances and cash	**213,434**	266,197

Bank balances carry interest at market rates which range from 0.001% to 0.350% (2019: 0.001% to 0.350%) per annum.

Details of impairment assessment are set out in note 45.2.

25. TRADE PAYABLES

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

	2020 **HK$'000**	2019 HK$'000
Within 90 days	**35,425**	33,398
More than 90 days and within 180 days	**8,513**	1,553
More than 180 days and within 360 days	**11,322**	4,133
More than 360 days	**854**	6,934
	56,114	46,018

The average credit period on purchase of goods is 90 days.

26. ACCRUALS AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Accruals	**26,848**	28,099
Construction cost payables	**56,253**	15,890
Dividend payable to non-controlling shareholders of subsidiaries	**3,891**	3,656
Amount due to third parties (note)	**70,536**	47,031
Other tax	**12,640**	15,574
Others	**13,383**	12,982
	183,551	123,232

Note: The amount due to third parties were unsecured, interest-free, and repayable on demand.

27. CONTRACT LIABILITIES

Contract liabilities represents the advances received from its customers in relation to wine business. Once the goods are delivered, the customers obtain control of the goods and the revenue is recognised from the contract liabilities.

As at 1 January 2019, contract liabilities were HK$219,716,000. Revenue recognised during the year ended 31 December 2020 related to contract liabilities at the beginning of the year was HK$35,666,000 (2019: HK$99,952,000).

28. AMOUNTS DUE TO RELATED PARTIES

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

	2020 HK$'000	2019 HK$'000
Beijing Macrolink Land Limited (note (i))	**7,057**	5,461
Macrolink Culturaltainment Development Co., Limited (note (i))	**–**	1,588
MACRO-LINK International Investment Co., Ltd. (note (i))	**946**	–
Yunnan Jinlifu Trading Limited ("Yunnan JLF Trading") (note (ii))	**–**	78
	8,003	7,127

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.

29. LOAN FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured with an effective interest rate of 7.32% (2019: 5.03%) per annum and the immediate holding company agreed not to demand for repayment within one year from the end of the reporting period.

30. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Except for an amount of HK$758,000 (2019: HK$704,000) which is unsecured, interest-bearing at 4.6% per annum and repayable within one year, the remaining amounts are unsecured, interest-free and repayable within one year (2019: more than one year but not exceeding two years).

31. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Secured (notes (i) and (ii))	**1,747,713**	1,255,303
Bank borrowings are repayable as follows:		
Within one year or on demand	**1,747,713**	–
More than one year, but not exceeding two years	**–**	1,255,303
Total bank borrowings	**1,747,713**	1,255,303

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

	2020 HK$'000	2019 HK$'000
Fixed-rate borrowings	**1,267,403**	1,173,513
Variable-rate borrowings	**480,310**	81,790
	1,747,713	1,255,303

Notes:

(i) As at 31 December 2020, bank loan of HK$59,408,000 (2019: HK$55,817,000) was secured by (1) the Group's buildings and land use rights located in the PRC with carrying amounts of HK$18,486,000 and HK$5,459,000 (2019: buildings HK$17,841,000 and land use rights HK$5,106,000), respectively, and (2) personal guarantee from Mr. Wu Shui Lin (2019: Mr. Wu Shui Lin), a director of the Group's subsidiaries.

(ii) As at 31 December 2020, bank loan of HK$1,688,305,000 (2019: HK$1,199,486,000) was secured by the Group's properties under development located in Sydney, Australia with carrying amounts of HK$2,135,141,000 (2019: HK$1,539,538,000).

The Group's variable-rate borrowings carry interest at 1.7% (2019: 1.7%) plus base rate and the effective interest rate at 1.8% (2019: 2.7%) per annum. The Group's fixed-rate borrowings carry an effective interest rate ranging from 3.0% to 6.3% (2019: 2.9% to 6.3%) per annum.

As at 31 December 2020, the Group has undrawn borrowing facilities of AUD73,330,000 (equivalent to HK$431,266,000) (2019: AUD139,969,000 (equivalent to HK$763,192,000)).

32. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**6,898**	3,606
Within a period of more than one year but not exceeding two years	**5,238**	3,013
Within a period of more than two years but not exceeding five years	**8,993**	7,724
Within a period of more than five years	**27,147**	17,227
	48,276	31,570
Less: Amount due for settlement with 12 months shown under current liabilities	**(6,898)**	(3,606)
Amount due for settlement after 12 months shown under non-current liabilities	**41,378**	27,964

The weighted average incremental borrowing rates applied to lease liabilities is 6.08% (2019: 6.44% per annum).

33. DEFERRED REVENUE

The Group received subsidies from government in respect of certain construction projects. Such subsidies are classified as deferred revenue in the consolidated statement of financial position and will be recognised in the consolidated statement of profit or loss over the estimated useful lives of the related fixed assets.

During the year ended 31 December 2020, the Group has recognised HK$18,671,000 (2019: HK$6,345,000) in the consolidated statement of profit or loss representing government grant received from various local governments for the contribution towards the business in the PRC (including Hong Kong), Australia and South Korea.

34. SHARE CAPITAL

	Number of shares		Par value	
	2020 '000	2019 '000	**2020 HK$'000**	2019 HK$'000
Authorised:				
Ordinary share of HK$0.01 each	**16,000,000**	16,000,000	**160,000**	160,000
Issued and fully paid:				
At the beginning of the year	**3,207,592**	4,293,592	**32,076**	42,936
Share repurchase (note)	**–**	(1,086,000)	**–**	(10,860)
At the end of the year	**3,207,592**	3,207,592	**32,076**	32,076

Note:

On 31 July 2019, the Company completed the share repurchase of 1,086,000,000 ordinary shares (the "Consideration Shares") in respect of the termination of the internet finance facilitation service business. Details of which were set out in note 42(a).

35. RESERVES

Share premium

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

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.

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 3.2.

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 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 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.

Fair value through other comprehensive income 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 3.2. These changes are accumulated within the fair value through other comprehensive income revaluation reserve within equity. The Group transfers amounts from this reserve to accumulated losses when the relevant equity securities are derecognised.

36. DEFERRED TAXATION

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

Deferred tax assets

	ECL provision HK$'000	Defined benefit obligation HK$'000	Total HK$'000
At 1 January 2019	811	1,361	2,172
Exchange realignment	(16)	(63)	(79)
Disposal of subsidiaries (note 42)	(498)	–	(498)
Credited to profit or loss	620	384	1,004
At 31 December 2019 and 1 January 2020	917	1,682	2,599
Exchange realignment	395	67	462
Credited/(charged) to profit or loss	4,263	(259)	4,004
At 31 December 2020	**5,575**	**1,490**	**7,065**

Deferred tax liabilities

	Fair value adjustment on intangible asset acquired in business combination HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2019	(237,633)	(70,723)	(308,356)
Exchange realignment	303	65	368
Disposal of subsidiaries (notes 42(a) and 43)	139,456	62,080	201,536
Credited to profit or loss	–	6,301	6,301
At 31 December 2019 and 1 January 2020	(97,874)	(2,277)	(100,151)
Exchange realignment	(5,398)	(194)	(5,592)
Credited to profit or loss	4,830	–	4,830
At 31 December 2020	**(98,442)**	**(2,471)**	**(100,913)**

36. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities *(Continued)*

At the end of the reporting period, the Group has unused tax losses of HK$242,193,000 (2019: HK$174,701,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The unrecognised tax losses in Hong Kong and Australia amounted to HK$90,221,000 (2019: HK$77,582,000) which can be carried forward indefinitely. The unrecognised tax losses relating to the subsidiaries incorporated in the PRC and South Korea can be carried forward up to five and ten years, respectively, from the year which the loss originated and will expire in the following years:

	2020 HK$'000	2019 HK$'000
Year of expiry		
2020	**–**	2,652
2021	**1,521**	1,429
2022	**6,547**	6,151
2023	**1,501**	1,411
2024	**2,592**	2,435
2025	**30,647**	1,239
2026	**15,593**	14,722
2027	**39,678**	37,464
2028	**13,725**	12,959
2029	**17,642**	16,657
2030	**22,526**	–
	151,972	97,119

Under the EIT Law, a withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$25,201,000 (2019: HK$33,970,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

37. RETIREMENT BENEFIT PLANS

(i) Plan for employees in Hong Kong

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 employees in the PRC

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 employees in South Korea

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 38).

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

38. NET DEFINED BENEFITS LIABILITIES

The Group operates a retirement benefits plan for the employees in South Korea. 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 2020 and 2019, 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:

	2020 **HK$'000**	2019 HK$'000
Discount rate	**2.34%–2.47%**	2.24%–2.25%
Expected rate of salary increase	**2.00%–4.50%**	2.00%–4.50%

38. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Present value of funded defined benefit obligation	**13,396**	13,564
Fair value of plan assets	**(6,620)**	(5,842)
Net liability arising from defined benefit obligation	**6,776**	7,722

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

	2020 HK$'000	2019 HK$'000
At 1 January	**13,564**	11,901
Current service costs	**2,885**	3,104
Interest cost on benefit obligations	**274**	261
Benefits paid during the year	**(2,592)**	(2,485)
Remeasurement (gain)/loss recognised in other comprehensive income	**(1,717)**	1,258
Exchange realignment	**982**	(475)
At 31 December	**13,396**	13,564

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

	2020 HK$'000	2019 HK$'000
At 1 January	**(5,842)**	(4,990)
Interest income	**(141)**	(155)
Remeasurement of defined benefit plans	**76**	–
Contributions by the Group	**(2,443)**	(3,133)
Benefit paid by plan assets	**2,362**	2,048
Exchange realignment	**(632)**	388
At 31 December	**(6,620)**	(5,842)

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

38. NET DEFINED BENEFITS LIABILITIES *(Continued)*

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.

— If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by HK$2,531,000 (increase by HK$3,118,000) (2019: decrease by HK$2,564,000 (increase by HK$3,033,000)).

— If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by HK$3,112,000 (decrease by HK$2,540,000) (2019: increase by HK$3,023,000 (decrease by HK$2,575,000)).

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

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

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

The weighted average duration of the benefit obligation at 31 December 2020 is 10.34 years for MegaLuck Co., Ltd ("MegaLuck") and 11.04 years for Glorious Hill (2019: 11.20 years for MegaLuck and 10.07 years for Glorious Hill).

For the year ended 31 December 2020, the Group expects to make a contribution of HK$723,000 (2019: HK$1,017,000) to the defined benefit plan during the next financial year.

39. PLEDGE OF ASSETS

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

	2020 **HK$'000**	2019 HK$'000
Property, plant and equipment (note 14)	**18,486**	17,841
Land use right (note 15)	**5,262**	5,106
Properties under development (note 19)	**2,135,141**	1,539,538
	2,158,889	1,562,485

40. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Contracted for but not provided for in the consolidated financial statements:		
In connection with acquisition of lands	**10,695**	10,098

41. 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 and the date of this report. The total number of shares in respect of which options may be granted to each eligible participant (including exercised and outstanding options) in any twelve-month period shall not exceed 1% of the number of shares in issue unless shareholders' approval is obtained in general meeting.

Options granted must be taken up within 30 days from the date of grant with payment of HK$1 per grant. Options may be exercised at any time from the date of grant up to the 10th anniversary of the date of grant. In each grant of options, the Board may at their discretion determine the specific exercise period. The exercise price is determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

On 4 July 2016, a total of 151,000,000 share options were granted to the directors, employees and other participants at an exercise price of HK$2.00 per share under the terms of the 2012 Scheme. The exercise price and the number of share options have been adjusted to HK$2.0381 and 148,176,300 respectively upon completion of the open offer. Details of which were set out in the Company's announcement dated 9 January 2017.

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

41. SHARE OPTION SCHEME *(Continued)*

Details of the outstanding share options during the year ended 31 December 2020 were as follows:

Name of category of participants	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding at 1.1.2019 and 31.12.2019	Lapsed during the year	Outstanding at 31.12.2020
Directors						
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. Ng Kwong Chue, Paul (Note)	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	(14,719,500)	67,709,700
	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	(34,345,500)	104,260,900
Exercisable at the end of year				138,606,400		104,260,900
Weighted average exercise price				2.0345	2.0381	2.0333

Note: Mr. Su Bo was removed as the executive director of the Company on 22 January 2020 and Mr. Ng Kwong Chue, Paul retired as the director with effect from 18 June 2020. They ceased to have all interest in the share options.

42. DISCONTINUED OPERATIONS

(a) Internet finance facilitation service business

As the application for the PRC value-added telecommunication business licence was rejected, on 8 April 2019, the Group served a notice to the PRC vendor for termination of the variable interest entity contracts and cancellation of the Consideration Shares pursuant to the condition subsequent of the sales and purchase agreements. The disposal was completed on 31 July 2019. The fair value of the Consideration Shares, valued at HK$0.72, 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.

42. DISCONTINUED OPERATIONS *(Continued)*

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

The loss for the period from the internet finance facilitation service business was set out below.

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

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

	From 1 January 2019 to 31 July 2019 HK$'000
Revenue	12,981
Cost of revenue	(63)
Gross profit	12,918
Other revenue	1,737
Selling and distribution expenses	(7,635)
Administrative expenses and other operating expenses	(29,422)
Loss from operating activities	(22,402)
Finance costs	–
Loss before taxation	(22,402)
Income tax expense	(15)
Loss for the period	(22,417)
Attributable to:	
Owners of the Company	(22,417)
Non-controlling interests	–
	(22,417)

42. 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 17)	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)
Loan from immediate holding company	(66,262)
Contract liabilities	(68)
Tax payable	(92)
Deferred tax liabilities	(139,456)
Net assets 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)

42. DISCONTINUED OPERATIONS *(Continued)*

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

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

	From 1 January 2019 to 31 July 2019 HK$'000
Net cash used in operating activities	(11,201)
Net cash used in investing activities	–
Net cash used in financial activities	–
Net cash outflow	(11,201)

(b) Chinese baijiu business

In November 2019, Shangri-la Winery Company Limited ("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 Yunnan Diqing Shangri-la YuQuan Investment Company Limited ("YuQuan Investment"). YuQuan Investment owned the entire equity interests in Heilongjiang Province YuQuan Winery Co., Ltd, which in turn owned the entire equity interest in Harbin City Xinlong Winery Co., Ltd. and Harbin City Longshen 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 from the Chinese baijiu business was set out below:

	From 1 January 2019 to 20 November 2019 HK$'000
Loss for the period	(32,316)
Gain on disposal	9,187
Loss for the period from discontinued operation	(23,129)
Attributable to:	
Owners of the Company	(12,762)
Non-controlling interests	(10,367)
	(23,129)

42. DISCONTINUED OPERATIONS *(Continued)*

(b) Chinese baijiu business *(Continued)*

	From 1 January 2019 to 20 November 2019 HK$'000
Revenue	59,414
Cost of revenue	(31,436)
Gross profit	27,978
Other revenue	2,253
Selling and distribution expenses	(40,632)
Administrative expenses and other operating expenses	(27,513)
Loss from operating activities	(37,914)
Finance costs	–
Loss before taxation	(37,914)
Income tax credit	5,598
Loss for the period	(32,316)
Attributable to:	
Owners of the Company	(21,490)
Non-controlling interests	(10,826)
	(32,316)

42. 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:	
Property, plant and equipment	86,394
Right-of-use assets	20,847
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 assets 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

42. DISCONTINUED OPERATIONS *(Continued)*

(b) Chinese baijiu business *(Continued)*

Cash flows for the period from the discontinued operation was set out below:

	From 1 January 2019 to 20 November 2019 HK$'000
Net cash used in operating activities	(20,563)
Net cash used in investing activities	(1,942)
Net cash used in financing activities	–
Net cash outflow	(22,505)

43. 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 of limited partnerships and all shares of corporations in the Mackenzie Creek Project (collectively, 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 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 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:	
Properties under development	639,602
Other receivables	37,152
Contract assets	9,372
Cash and cash equivalents	35,115
Other payables	(16,802)
Amount due to immediate holding company	(11,633)
Contract liabilities	(113,968)
Bank borrowings	(162,464)
Deferred tax liabilities	(62,080)
Net assets disposed of	354,294

43. 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 and there is no change upon finalisation of its financial statements received during the year ended 31 December 2020.

44. CONTINGENT LIABILITIES

(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., allegedly in violation of the Tourism Promotion Act (the "Act") in South 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.

The judgement was made by Jeju District Court in December 2019 that MegaLuck was given an acquittal on non-violation of the Act (the "First Trial"). However, the Prosecutor Office has filed an appeal against the judgement (the "Appeal") with the Appellate Division of Jeju District Court. In January 2021, the judgement was handed down by the Jeju District Court dismissing the Appeal and upholding the judgement of the First Trial.

44. CONTINGENT LIABILITIES *(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.

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. On 16 June 2020, the CIM Defendants served a fresh as amended statement of defence and counterclaim (the "Amended Counterclaim") to claim against NSR Toronto for breach of contract, breach of fiduciary duties, breach of good faith and misrepresentation for damages in the amount of CAD50 million (equivalent to about HK$290 million). On 11 September 2020, NSR Toronto delivered reply and defence to the Amended Counterclaim.

As at the date of this report, NSR Toronto is working with its Canadian legal counsel to prepare a discovery plan and consider whether to proceed with a motion to strike out some of the allegations in CIM Defendants' fresh as amended pleading.

44. CONTINGENT LIABILITIES *(Continued)*

(ii) Legal proceedings of NSR Toronto *(Continued)*

(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.

On 11 May 2020, the NSR Defendants filed a statement of defence in Ontario Court, among other matters, to deny the allegations of wrongdoing as alleged in the 2020 Claim and to request the action be dismissed.

Subsequently, on 11 February 2021, one of the Plaintiffs served a motion record on the NSR Defendants requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim (the "Amended 2020 Claim"); (b) an order validating service of the Plaintiff's motion record on the co-Plaintiff; (c) an order dispensing with service or allowing substitutional service by mail on Other Defendants not yet served with the 2020 Claim; (c) the payment of CAD5 million into the court by each of the NSR Defendants and the Other Defendants pending determination of the Plaintiffs' rights regarding the consulting fee as stated above; and (d) a certificate of pending litigation as against the lands in the Disposal. The Plaintiff's motion is scheduled to be heard on 15 June 2021 in the Ontario Court.

On 11 March 2021, the NSR Defendants took steps to schedule a motion to strike out the allegations in the Amended 2020 Claim for failing to disclose a reasonable cause of action against them. As at the date of this report, the Ontario Court has yet to schedule a hearing date for the motion.

Based on the advice from the Canadian legal counsel, the directors of the Company consider that 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 consolidated financial statements during the year in respect of the Amended Counterclaim and the Amended 2020 Claim.

45. FINANCIAL INSTRUMENTS

45.1 Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Amortised cost	**449,215**	632,767
Financial liabilities		
Amortised cost	**2,136,722**	1,547,156

45. FINANCIAL INSTRUMENTS *(Continued)*

45.2 Financial risk management objectives and policies

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

Market risk

(a) *Foreign currency risk management*

The Group mainly operates in Hong Kong, the PRC, South Korea and Australia and is exposed to foreign currency risk arising from fluctuation in RMB, Korean Won ("KRW"), CAD and Australian dollar ("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 and Australia with most of the operating assets and transactions denominated and settled in RMB, KRW and AUD, respectively, which are the functional currencies of the Group's subsidiaries.

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

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on variable-rate bank balances and 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 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. The analysis is prepared assuming the amount of bank balances and bank borrowings outstanding at the end of each reporting period were 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 2020 would increase/decrease by HK$1,334,000 (2019: decrease/increase by HK$922,000).

45. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, deposits paid, short-term loan receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits 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 this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on share credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers.

Trade receivables arising from contracts with customers

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 this regard, the management considers that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk at 31 December 2020 on trade receivables from the Group's largest customer and the Group's top five major customers which accounted for 27.0% and 79.8% (2019: 11.8% and 59.2%), of the Group's total trade receivables, respectively. 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.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix except for items that are subject to individual assessment, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers. Net impairment loss of HK$17,514,000 (2019: HK$4,641,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Other receivables and deposits paid

For the other receivables and deposits paid, the management makes periodic individual assessment on the recoverability of other receivables and deposits paid based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020, the balance of loss allowance in respect of other receivables HK$55,000 (2019: HK$51,000).

Short-term loan receivables

The management estimates the estimated loss rates of short-term loan receivables based on historical credit loss experience of the debtors. Short-term loan receivables with known financial difficulties or significant doubt on collection are assessed individually for provision for impairment allowance. As at 31 December 2020, the balance of loss allowance in respect of these individually assessed receivables were HK$14,000 (2019: HK$4,657,000).

45. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m-ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

The Group's internal credit risk scoring assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL— not credit-impaired	12m-ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL— not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Written-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount		2019 Gross carrying amount	
				HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost							
Trade receivables	20	Note 1	Lifetime ECL — Provision Matrix	10,043		5,738	
		Loss	Credit impaired	24,042	34,085	22,700	28,438
Other receivables and deposits paid (note 2)	21	Low risk	12m-ECL	227,424		342,441	
Short-term loan receivables (note 2)	23	Loss	Credit impaired	77		6,841	
Bank balances	24	Low risk	12m-ECL	213,434		266,197	

45. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Note:

(1) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

Provision matrix — debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its wine operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of HK$24,042,000 as at 31 December 2020 (2019: HK$22,700,000) were assessed individually.

Gross carrying amount

	2020		2019	
	Average loss rate	**Trade receivables HK$,000**	Average loss rate	Trade receivables HK$,000
Current (not past due)	**1.7%**	**8,212**	3.4%	4,626
1–90 days past due	**24.6%**	**122**	14.6%	206
More than 90 days past due	**89.3%**	**1,709**	97.9%	906
		10,043		5,738

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. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, the Group provided HK$523,000 (2019: HK$595,000) net impairment allowance for trade receivables based on the provision matrix. A net impairment allowance of HK$16,991,000 (2019: HK$4,046,000) were made on debtors with credit-impaired debtors.

45. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Note: (Continued)

(2) The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2019	1,905	1,535	3,440
Exchange adjustments	(44)	(212)	(256)
Disposal of subsidiaries	(1,383)	–	(1,383)
Impairment loss recognised	647	4,507	5,154
Impairment loss reversed	(52)	(461)	(513)
At 31 December 2019	**1,073**	**5,369**	**6,442**
Exchange adjustments	**98**	**1,682**	**1,780**
Impairment loss recognised	**1,473**	**16,991**	**18,464**
Impairment loss reversed	**(950)**	**–**	**(950)**
At 31 December 2020	**1,694**	**24,042**	**25,736**

The following tables show reconciliation of loss allowances that has been recognised for other receivables, deposits paid and short-term loan receivables.

	12m-ECL HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2019	10,871	4,598	15,469
Exchange adjustments	(2)	(184)	(186)
Disposal of subsidiaries	(10,818)	–	(10,818)
Impairment loss recognised	–	243	243
At 31 December 2019	**51**	**4,657**	**4,708**
Exchange adjustments	**4**	**(90)**	**(86)**
Impairment loss recognised	**–**	**2,069**	**2,069**
Write-offs	**–**	**(6,622)**	**(6,622)**
At 31 December 2020	**55**	**14**	**69**

45. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management

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

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

Liquidity risk tables

	Weighted average interest rate %	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020						
Non-derivative financial liabilities						
Trade payables	–	56,114	–	–	56,114	56,114
Other payables	–	144,063	–	–	144,063	144,063
Amounts due to related parties	–	8,003	–	–	8,003	8,003
Loan from immediate holding company	7.32	1,493	21,889	–	23,382	20,396
Loans from non-controlling shareholders of subsidiaries	4.60	793	–	–	793	758
Loans from non-controlling shareholders of subsidiaries	–	111,399	–	–	111,399	111,399
Lease liabilities	6.08	9,686	22,422	46,886	78,994	48,276
Bank borrowings	4.94	1,830,375	–	–	1,830,375	1,747,713
		2,161,926	44,311	46,886	2,253,123	2,136,722

	Weighted average interest rate %	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019						
Non-derivative financial liabilities						
Trade payables	–	46,018	–	–	46,018	46,018
Other payables	–	79,559	–	–	79,559	79,559
Amounts due to related parties	–	7,127	–	–	7,127	7,127
Loan from immediate holding company	5.03	1,253	26,159	–	27,412	24,906
Loans from non-controlling shareholders of subsidiaries	4.60	736	–	–	736	704
Loans from non-controlling shareholders of subsidiaries	–	–	101,969	–	101,969	101,969
Lease liabilities	6.44	5,507	16,402	34,692	56,601	31,570
Bank borrowings	5.91	75,414	1,329,142	–	1,404,556	1,255,303
		215,614	1,473,672	34,692	1,723,978	1,547,156

46. CAPITAL RISK MANAGEMENT

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

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, loan from immediate holding company, loans from non-controlling shareholders of subsidiaries 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 2020 and 2019 were as follows:

	2020 **HK$'000**	2019 HK$'000
Total borrowings	**1,928,542**	1,414,452
Total equity	**2,067,934**	2,099,778
Gearing ratio	**93.26%**	67.36%

47. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions and balances with related parties, 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.

(a) Transaction with related parties

	2020 **HK$'000**	2019 HK$'000
Sales of goods		
Yunnan JLF Trading (note (i))	**1,569**	2,850
Purchase of goods		
SAS Macrolink France (note (ii))	**215**	–

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 Yunnan JLF Trading.

(ii) It is a related party of the Group as Mr. Fu is the ultimate controlling shareholder of the SAS Macrolink France.

(b) Balance with related parties

As at 31 December 2020, prepayments, deposits paid and other receivables in note 21 above included amounts HK$856,000 (2019: HK$137,000) due to related companies which are controlled by Mr. Wu Xiang Dong. The amount is unsecured, non-interest bearing and repayable on demand.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

Remuneration of directors and other member of key management personnel, during the year was as follows:

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**2,376**	2,718
Post-employment benefits	**20**	18
	2,396	2,736

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(d) Personal guarantee is provided by Mr. Wu Shui Lin, a director of the Group's subsidiaries for the bank borrowings disclosed in note 31.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. 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 borrowings HK$'000	**Loan from immediate holding company** HK$'000	**Loans from non-controlling shareholders of subsidiaries** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1 January 2019	349,566	783,623	104,376	37,309	1,274,874
Financing cash flows	1,047,367	(707,483)	704	(7,735)	332,853
Disposal of subsidiaries	(162,464)	(66,262)	–	–	(228,726)
Exchange adjustments	4,255	(17,976)	(2,407)	(200)	(16,328)
Finance costs	16,579	33,004	–	2,196	51,779
At 31 December 2019 and 1 January 2020	1,255,303	24,906	102,673	31,570	1,414,452
Financing cash flows	277,498	(8,137)	660	(9,242)	260,779
New lease entered	–	–	–	20,495	20,495
Exchange adjustments	125,268	1,562	8,824	1,683	137,337
Finance costs	89,644	2,065	–	3,770	95,479
At 31 December 2020	**1,747,713**	**20,396**	**112,157**	**48,276**	**1,928,542**

49. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2020 and 2019 were set out below:

Name of subsidiary	Place of incorporation/ registration and operations	Registered/ paid up capital	Proportion of equity interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2020	2019	**2020**	2019	
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 (note (ii))	The PRC	RMB8,200,000	**–**	–	**95.0**	95.0	Distribution of winery products
Qinhuangdao Shangri-la Grape Plantation Company Limited (note (ii))	The PRC	RMB2,000,000	**–**	–	**96.3**	96.3	Procurement and distribution of grape
Yantai Shangri-la Masang Château Company Limited (note (ii))	The PRC	RMB50,000,000	**–**	–	**100.0**	100.0	Production of winery products
Diqing Zimi Trading Company Limited (note (ii))	The PRC	RMB2,000,000	**–**	–	**95.0**	95.0	Production of winery products
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
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

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 entities are registered as wholly-owned enterprises with limited liability under the laws of the PRC.

49. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

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

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

Name of 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	
		2020	2019	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
MegaLuck	South Korea	**28.0%**	28.0%	**(15,793)**	(21,383)	**80,144**	91,563
Glorious Hill	South Korea	**45.0%**	45.0%	**(3,434)**	(4,063)	**108,203**	105,360
MLAL	Australia	**20.0%**	20.0%	**(2,090)**	(3,076)	**176,809**	178,595
Individually immaterial subsidiaries with non-controlling interests				**(965)**	(12,245)	**8,185**	15,761
				(22,282)	(40,767)	**373,341**	391,279

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.

49. PARTICULARS OF SUBSIDIARIES *(Continued)*

MegaLuck

	2020 HK$'000	2019 HK$'000
Current assets	**12,256**	41,125
Non-current assets	**460,557**	463,600
Current liabilities	**(81,606)**	(72,619)
Non-current liabilities	**(104,981)**	(105,097)
Equity attributable to owners of the Company	**206,083**	235,446
Non-controlling interests	**80,143**	91,563
Revenue	**9,011**	84,645
Expenses	**(65,413)**	(161,013)
Loss for the year	**(56,402)**	(76,368)
Loss attributable to owners of the Company	**(40,609)**	(54,985)
Loss attributable to non-controlling interests	**(15,793)**	(21,383)
Loss for the year	**(56,402)**	(76,368)
Other comprehensive income/(loss) attributable to owners of the Company	**11,246**	(14,033)
Other comprehensive income/(loss) attributable to non-controlling interests	**4,373**	(5,457)
Other comprehensive income/(loss) for the year	**15,619**	(19,490)
Total comprehensive loss attributable to owners of the Company	**(29,363)**	(69,018)
Total comprehensive loss attributable to non-controlling interests	**(11,420)**	(26,840)
Total comprehensive loss for the year	**(40,783)**	(95,858)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(1,966)**	(17,220)
Net cash used in investing activities	**(2,252)**	(726)
Net cash from financing activities	**526**	9,205
Net decreased in cash and cash equivalents	**(3,692)**	(8,741)

49. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glorious Hill

	2020 HK$'000	2019 HK$'000
Current assets	**2,128**	809
Non-current assets	**829,281**	771,114
Current liabilities	**(590,706)**	(537,707)
Non-current liabilities	**(251)**	(498)
Equity attributable to owners of the Company	**132,249**	128,358
Non-controlling interests	**108,203**	105,360
Revenue	**4,493**	1,024
Expenses	**(12,125)**	(10,041)
Loss for the year	**(7,632)**	(9,017)
Loss attributable to owners of the Company	**(4,198)**	(4,954)
Loss attributable to non-controlling interests	**(3,434)**	(4,063)
Loss for the year	**(7,632)**	(9,017)
Other comprehensive income/(loss) attributable to owners of the Company	**8,089**	(2,616)
Other comprehensive income/(loss) attributable to non-controlling interests	**6,277**	(2,213)
Other comprehensive income/(loss) for the year	**14,366**	(4,829)
Total comprehensive income/(loss) attributable to owners of the Company	**3,891**	(7,570)
Total comprehensive income/(loss) attributable to non-controlling interests	**2,843**	(6,276)
Total comprehensive income/(loss) for the year	**6,734**	(13,846)
Dividend paid to non-controlling interests	**–**	–
Net cash from operating activities	**5,847**	14,163
Net cash used in investing activities	**(10,187)**	(23,117)
Net cash from financing activities	**6,731**	7,905
Net increase/(decrease) in cash and cash equivalents	**2,391**	(1,049)

49. PARTICULARS OF SUBSIDIARIES *(Continued)*

MLAL

	2020 HK$'000	2019 HK$'000
Current assets	**2,377,780**	1,867,481
Non-current assets	**9,923**	12,111
Current liabilities	**(1,739,279)**	(30,103)
Non-current liabilities	**(801,664)**	(1,993,873)
Equity attributable to owners of the Company	**(330,049)**	(322,979)
Non-controlling interests	**176,809**	178,595
Revenue	**2,263**	1,448
Expenses	**(12,640)**	(16,897)
Loss for the year	**(10,377)**	(15,449)
Loss attributable to owners of the Company	**(8,287)**	(12,373)
Loss attributable to non-controlling interests	**(2,090)**	(3,076)
Loss for the year	**(10,377)**	(15,449)
Other comprehensive income/(loss) attributable to owners of the Company	**1,217**	(26,037)
Other comprehensive income/(loss) attributable to non-controlling interests	**304**	(6,509)
Other comprehensive income/(loss) for the year	**1,521**	(32,546)
Total comprehensive loss attributable to owners of the Company	**(7,070)**	(38,410)
Total comprehensive loss attributable to non-controlling interests	**(1,786)**	(9,585)
Total comprehensive loss for the year	**(8,856)**	(47,995)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(445,854)**	(276,589)
Net cash used in investing activities	**(10)**	–
Net cash from financing activities	**345,334**	380,990
Net (decrease)/increase in cash and cash equivalents	**(100,530)**	104,401

50. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	**816**	1,389
Interests in subsidiaries	**1,995,402**	2,049,037
Right-of-use assets	**3,176**	860
	1,999,394	2,051,286
Current assets		
Prepayments, deposits paid and other receivables	**10,866**	10,871
Cash and cash equivalents	**6,963**	18,058
	17,829	28,929
Current liabilities		
Accruals and other payables	**4,174**	6,271
Lease liabilities	**2,569**	781
Amount due to a related party	**2**	1,578
	6,745	8,630
Net current assets	**11,084**	20,299
Total assets less current liabilities	**2,010,478**	2,071,585
Capital and Reserves		
Share capital	**32,076**	32,076
Reserves	**1,957,345**	2,014,603
Total equity	**1,989,421**	2,046,679
Non-current liabilities		
Loan from immediate holding company	**20,396**	24,906
Lease liabilities	**661**	–
	21,057	24,906
	2,010,478	2,071,585

Approved and authorised for issue by the Board of Directors on 29 March 2021 and signed on its behalf by:

Ma Chenshan
Director

Liu Huaming
Director

50. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	3,046,770	51,887	(109,897)	2,988,760
Share repurchase	(771,060)	–	–	(771,060)
Loss and total comprehensive loss for the year	–	–	(203,097)	(203,097)
At 31 December 2019 and 1 January 2020	2,275,710	51,887	(312,994)	2,014,603
Lapse of share option	–	(13,787)	13,787	–
Loss and total comprehensive loss for the year	–	–	(57,258)	(57,258)
At 31 December 2020	**2,275,710**	**38,100**	**(356,465)**	**1,957,345**

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

51. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

52. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 29 March 2021.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	273,710	295,487	227,852	211,185	**117,551**
Loss from operating activities	(87,153)	(83,340)	(36,853)	(105,270)	**(116,243)**
Finance costs	(10,778)	(2,885)	(2,881)	(5,211)	**(5,852)**
Loss before taxation	(97,931)	(86,225)	(39,734)	(110,481)	**(122,095)**
Income tax (expense)/credit	(1,211)	(3,087)	(5,116)	(299)	**7,785**
Profit/(loss) from discontinued operations	–	–	100,233	(118,716)	**–**
(Loss)/profit for the year	(99,142)	(89,312)	55,383	(229,496)	**(114,310)**
(Loss)/profit attributable to:					
Owners of the Company	(92,482)	(70,986)	64,413	(188,729)	**(92,028)**
Non-controlling interests	(6,660)	(18,326)	(9,030)	(40,767)	**(22,282)**
(Loss)/profit for the year	(99,142)	(89,312)	55,383	(229,496)	**(114,310)**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	4,513,068	4,253,273	5,340,406	3,882,158	**4,370,970**
Total liabilities	(3,597,982)	(1,643,161)	(2,008,154)	(1,782,380)	**(2,303,036)**
Non-controlling interests	(480,294)	(671,481)	(628,010)	(391,279)	**(373,341)**
Shareholders' funds	434,792	1,938,631	2,704,242	1,708,499	**1,694,593**

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	1,202,446	226,746	55%