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

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

ANNUAL REPORT 2021

TABLE OF CONTENT

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

COMPANY SECRETARY

Mr. Ng Mo Chun

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

CCTH CPA Limited
Unit 1510-1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung
New Territories
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 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 2021 ("the Year").

In 2021, although the COVID-19 epidemic continued to run rampant, the global economy began to recover gradually from the huge impact of the COVID-19 epidemic. Under the strong leadership of the Chinese central government, China not only took the lead in controlling the spread of the epidemic, but also took the lead in realizing economic recovery, and maintained its economic growth momentum in the past year, achieving the dual goals of higher growth and lower inflation with the good economic development momentum.

The Group's wine business was benefited and driven by China's effective control of the epidemic and China's domestic economic recovery. The revenue from the wine business for the Year fell by only 4% to HK$112.4 million (2020: HK$117.2 million). However, due to the new product replenishing sales model adopted last year, the gross profit of the wine business for the Year increased sharply this year, achieving a net profit of about HK$9.4 million. In keeping with what Shangri-La Wine re-branded last year, it adjusted its business strategy in a timely manner to activate the post-epidemic retaliatory high-end consumption with a clean-up model. The wine business is expected to remain a major part of the Group's total revenue, for which we will strive to promote revenue generation and review the feasibility of restructuring the existing business structure to be ready to respond to market changes.

Among the two businesses of the Group in Jeju, South Korea, the development project of Glorious Hill has not been able to start construction due to project financing obstacles, and the entertainment business has been suspended throughout the Year in order to cooperate with the local government's epidemic prevention work. As it is expected that the global epidemic is likely to continue in the coming year, the Group will respond prudently and will adjust the business strategy of the Group's Korean business as appropriate.

The Sydney Opera Residences Project, was substantially completed with the delivery of most of the residential apartments on schedule in December 2021. The relevant revenue of approximately HK$2,489.3 million and the relevant gross profit of HK$499.6 million have been recognized in the financial results for the Year. After the repayment of about HK$1.7 billion of the Australian project development loan, there are more than HK$620 million equivalent of cash and more than HK$540 million equivalent of sustainable real estate and commercial properties in the Group. It is expected that this part of the value will continue to boost a better 2022 performance in greater income and return on investment.

As the successful delivery of the project in Australia laid the foundation for the Group to turn losses into profits during the Year, the overall revenue of the Group for the Year increased sharply by 2,113.3% to HK$2,601.7 million (2020: HK$117.6 million), and a profit of HK$57.6 million (2020: loss of HK$114.3 million) was recorded. Profit attributable to shareholders of the Company was HK$61.9 million (2020: loss of HK$92.0 million). Basic profit per share was HK1.93 cents (2020: loss of HK2.87 cents). As at 31 December 2021, the Group had total assets and net assets valued at HK$2,766.8 million and HK$2,141.6 million respectively.

Looking forward to 2022, despite the huge pressure brought by the rebound of the COVID-19 epidemic and changes in the domestic and foreign economic environment, China's strong ability to prevent and control the epidemic, strong economic resilience, sufficient potential, and long-term positive fundamentals have not changed, and the economy will continue to grow steadily. It is believed that the Group's wine business will continue to flourish. In addition, in both domestic and foreign market, fixed asset investment will still be the "ballast stone" for the smooth operation of the economy, especially when governments of various countries need to boost the local economy and accelerate the return of excessive monetary liquidity issued during the epidemic. Stable asset investment, being the mainstay of GDP, will still be favored by consumers, and it is expected that overseas real estate and cultural-tourism will return to normal operations.

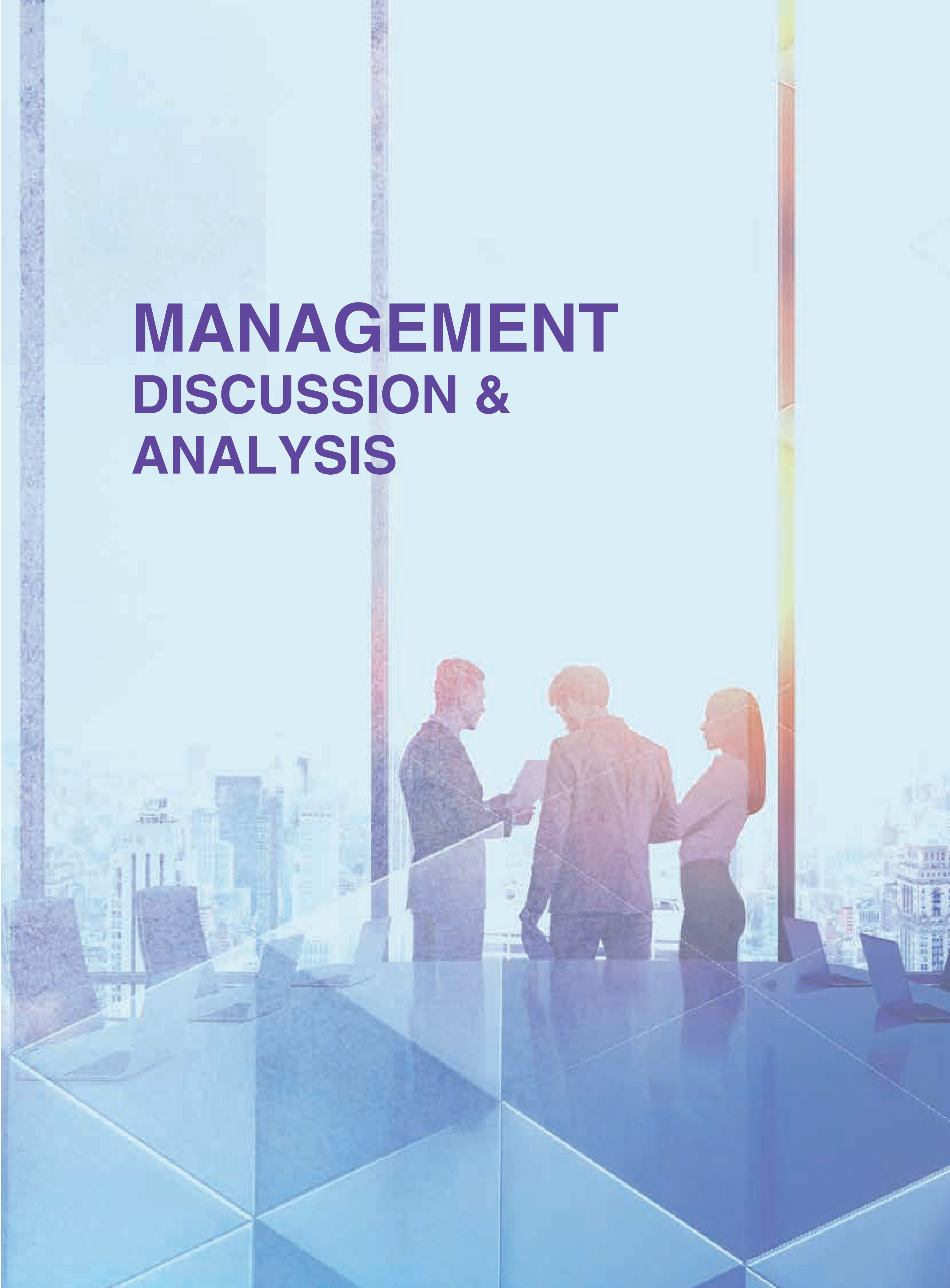
The Group will continue to take innovative ideas as its advantages, rely on financial stability, take diversified development as its orientation, and give back to the society. It will open up new opportunities in the changing situation, maintain high-quality development, and continue to provide customers with better products and services and outstanding achievements to create higher value for the development of cultural-tourism and the urban-planning. In 2022, the Group will go all out, concentrate its efforts, take on new responsibilities and missions with a core management team with advanced layout and forge ahead, and continue to write a brilliant chapter in the new year.

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, 30 March 2022

MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL INFORMATION

The Group's operating results for 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 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 soared by 2,113.3% to approximately HK$2,601.7 million (2020: HK$117.6 million), mainly attributable to the contribution from the recognition of revenue by the delivery of most of the residential apartments of the Opera Residence, the development project of the Group in Sydney, Australia.

Residential apartments of the Opera Residence were delivered to buyers in December 2021. 89 residential apartments out of a total of 104 were delivered and sales revenue of approximately HK$2,489.3 million was recognised during the Year.

The Group's wine business was benefited and driven by China's effective control of the epidemic and China's domestic economic recovery. The revenue from the wine business for the Year fell by only 4.1% to HK$112.4 million (2020: HK$117.2 million).

Our entertainment business is still suffering from the impact of the pandemic as the situation of COVID-19 outbreak in South Korea remains very volatile with the prevention measures continued to maintain in Jeju. As such, no revenue was generated by the entertainment business for the Year (2020: HK$0.4 million).

Gross Profit

Gross profit for the Year soared by 1,772.0% to approximately HK$551.9 million (2020: HK$29.5 million), mainly attributable to the profit generated from the delivery of the Opera Residence of approximately HK$499.6 million.

The gross profit of the wine business increased by 40.3% to approximately HK$52.3 million (2020: HK$37.3 million), as gross profit margin increased by 14.7 percentage points to 46.5% (2020:31.8%) due to the effort of refining revenue portfolio by boosting the sales of its medium to high-end winery products.

Other Revenue

Other revenue decreased by 50.9% to approximately HK$15.0 million during the Year (2020: HK$30.6 million), mainly due to the decrease in government grants by 27.4% to approximately HK$13.6 million (2020: HK$18.7 million) and foreign exchange loss of HK$4.0 million (2020: gain HK$2.6 million).

Selling and Distribution Expenses

Selling and distribution expenses increased by 116.8% to approximately HK$94.7 million during the Year (2020: HK$43.7 million), mainly due to the delivery of most of the residential apartments of the Opera Residence which increased the selling and distribution expenses to approximately HK$53.9 million (2020: HK$1.0 million). Selling and distribution expenses as a percentage of revenue decreased by 33.6 percentage points to 3.6% (2020:37.2%) as revenue increased.

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 only slightly increased by 3.6% to approximately HK$82.1 million during the Year (2020: HK$79.2 million) while the revenue had grown significantly.

FINANCIAL INFORMATION *(Continued)*

Impairment losses of intangible assets

In view of the deteriorated performance of the entertainment business and the unfavorable market conditions, the Group recognised impairment losses on intangible assets of approximately HK$268.7 million during the Year (2020: HK$20.0 million) based on a business valuation prepared by an independent professional valuer.

Profit before Taxation

During the Year, the Group recorded a turnaround of profit before tax of approximately HK$91.9 million (2020: loss of HK$122.1 million).

Taxation

Taxation during the Year mainly comprised current income tax expenses of approximately HK$100.0 million (2020: HK$1.0 million) and deferred tax credit of approximately HK$65.6 million (2020: HK$8.8 million) recognised for the impairment loss of intangible assets and the allowance of expected credit losses.

Profit Attributable to Owners of the Company

Taking into consideration the abovementioned factors, profit after tax for the Year was approximately HK$57.6 million (2020: loss of HK$114.3 million). Profit attributable to owners of the Company was approximately HK$61.9 million (2020: loss of HK$92.0 million). Basic earnings per share attributable to owners of the Company for the Year was HK1.93 cents (2020: loss of HK2.87 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were mainly generated from cashflows from its operating activities, advances from immediate holding company as well as loan facilities provided by financial institutions. As at 31 December 2021, the Group recorded an increase in cash and cash equivalents by 193.8% to approximately HK$627.1 million (2020: HK$213.4 million).

As at 31 December 2021, total borrowings (excluding lease liabilities) decreased by 90.8% to approximately HK$173.8 million (2020: HK$1,880.3 million) as loans for real estate development in Australia had been repaid. 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$366.1 million (2020: HK$412.7 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate project. For year 2022, we have budgeted approximately HK$18.5 million for capital expenditure mainly on Glorious Hill Project in Jeju, South Korea, and construction of winery factories.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 31 December 2021, the Group's inventories increased by 7.2% to approximately HK$224.4 million (2020: HK$209.3 million). Finished goods decreased by 40.8% to approximately HK$17.5 million (2020: HK$29.5 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) improved to 138 days for the Year (2020: 204 days) mainly due to destocking of wine inventories.

Balance Sheet Analysis

As at 31 December 2021, total assets of the Group decreased by 36.7% to approximately HK$2,766.8 million (2020: HK$4,371.0 million). Total assets were composed of current assets of approximately HK$1,539.5 million (2020: HK$2,858.4 million) and non-current assets of approximately HK$1,227.3 million (2020: HK$1,512.6 million). The decrease in total assets was primarily due to the delivery of the residential apartments of the Opera Residence.

As at 31 December 2021, total liabilities, which included current liabilities of approximately HK$485.9 million (2020: HK$2,133.6 million) and non-current liabilities of approximately HK$139.3 million (2020: HK$169.4 million), decreased by 72.9% to approximately HK$625.2 million (2020: HK$2,303.0 million) mainly because all bank borrowing for the real estate project in Australia had been repaid.

As at 31 December 2021, our total equity was composed of owners' equity of approximately HK$1,809.2 million (2020: HK$1,694.6 million) and non-controlling interests of approximately HK$332.5 million (2020: HK$373.3 million).

The Group's current ratio as at 31 December 2021 improved to 3.2 (2020: 1.3) as a result of the increase in cash from operation. Gearing ratio, representing total borrowings (excluding lease liabilities) divided by total equity, decreased to 8.1% (2020: 90.9%) as a result of repayment of most of the loans.

Trade receivables turnover ratio (being average trade receivables divided by revenue) for the Year decreased to 1 day (2020: 47 days) as the revenue increased.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the Group's five largest suppliers accounted for 91.9% (2020: 26.7%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 48.1% (2020: 10.7%). The Group's five largest customers accounted for 21.0% (2020: 14.8%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 5.6% (2020: 3.9%).

None of the Directors, their close associates (within the meaning of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange) 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$13.6 million (2020: HK$18.7 million) from the respective local government for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2020: Nil).

PLEDGE OF ASSETS

At 31 December 2021, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK$23.5 million (2020: HK$23.7 million) to secure general bank facilities granted.

CONTINGENT LIABILITIES

Save as disclosed in the below section headed "LITIGATION UPDATE" in respect of the outstanding legal proceedings against the Group and in note 43 of the consolidated financial statement, the Group had no other material contingent liabilities as at 31 December 2021 and 31 December 2020.

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 hedging 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 2021, 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 2021, the Group employed a total of 365 (2020: 381) 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.

MANAGEMENT DISCUSSION & ANALYSIS

LITIGATION UPDATE

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

(i) NSR Toronto Holdings Ltd., an indirect 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 Defendants"), which were all then non-wholly owned subsidiaries and/or affiliates of NSR Toronto, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "CIM Defendants", together with the Project 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 Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim was commenced without the authority of the Project 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 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 a reply and defence to the Amended Counterclaim.

As at the date of this announcement, relevant discoveries have not yet been scheduled. NSR Toronto, with the advice from the Canadian legal council, has determined for various strategic reasons not to advance this claim at current time.

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 direct parent of NSR Toronto (and wholly owned subsidiary of the Company) and the Company, (the "NSR Defendants I"), NSR Toronto and the officer of NSR Toronto (the "NSR Defendants II", together with the "NSR Defendants I", 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 II 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 requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim, among which, a certificate of pending litigation as against the lands in the Disposal (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 the NSR Defendants I which have not been served yet with the 2020 Claim; and (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 (the "Plaintiff's motion"). The court granted the service-related relief on 15 June 2021, but items (a) and (d) remain outstanding (see below).

On 5 May 2021, the NSR Defendants II served a motion record for an order striking out the claims against them in the Amended 2020 Clam under the Rules of Civil Procedure (the "NSR Defendants II's motion"). The motion was heard on 25 June 2021 and granted on 30 August 2021, with costs in favour of the NSR Defendants II fixed at CAD70,000. The Plaintiffs have appealed this decision to the Court of Appeal; the appeal is to be heard on 12 May 2022.

On 15 June 2021, also in respect of the Plaintiffs' 11 February 2021 motion, the Ontario Court made orders to the effect that service on the NSR Defendants I was validated.

On 7 March 2022 the Ontario Superior Court heard the balance of the Plaintiffs' 11 February 2021 motion (ie, as to the issuance of a certificate of pending litigation and regarding the payment into court of the alleged CAD5 million consulting fee). The court also heard the cross motion by the NSR Defendants I to challenge the Ontario courts' jurisdiction over them. The court reserved its decision on all matters. It is expected that the court will issue its decision within two months.

(iii) On 9 June 2021 (Toronto time), NSR Toronto filed a statement of claim in the Ontario Court to claim against Global King Inc ("Global King") for compensatory damages of CAD7.2 million as well as punitive and exemplary damages of CAD0.1 million damages for Global King's interference in the disposition of Mackenzie Creek Project in 2019. Global King Inc responded with a statement of defence on 29 July 2021. The parties are preparing affidavits of documents and are discussing a Discovery Plan, which is expected to be agreed by legal counsel for both the Plaintiff and the Defendants.

NSR Toronto will press the parties for completion of a Discovery Plan, failing which we may need to bring a motion to have the court set the dates of trials. The Discovery Plan would enable our Company to schedule examinations for discovery for dates of trials in April or May in 2022, depending on the availability of the parties.

Based on the advice from 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 accounts during the Period 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 46, 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 ultimate 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 and the controlling shareholder of the Company.

ZHANG JIAN

Executive Director

Mr. Zhang Jian, aged 48, was appointed as an executive director of the Company on 25 February 2004. He serves as the senior vice-president of Macro-Link Holding. Mr. Zhang is now the executive director of Dongyue Group Limited (stock code: 189) and Macrolink Capital Holdings Limited (stock code: 758), the director of Macrolink Culturaltainment and the vice-chairman of Keda Clean Energy Co., Ltd. which is a company listed on the Shanghai Stock Exchange (stock code: 600499). He has many years of experience in investment banking and corporate finance. He holds a bachelor degree in law and economics from Jiangxi University of Finance and Economics and a master degree in business administration from The Chinese University of Hong Kong.

HANG GUANYU

Executive Director

Mr. Hang Guanyu, aged 55, was appointed as an executive director of the Company on 8 June 2015. He is also a director of certain subsidiaries of the Company. Mr. Hang holds a master degree in business administration from Asia International Open University (Macau). He also holds Chinese Securities Practising Certificate and Chinese Career Manager Qualification Certificate. From January 2007 to June 2008, Mr. Hang was the director of UBS Securities Co., Ltd. He joined Beijing Macrolink Land Ltd. as the vice-president since December 2009. He now acts as the vice-president. Mr. Hang is also a director of MIL.

LIU HUAMING

Executive Director

Mr. Liu Huaming, aged 50, was appointed as an executive director of the Company on 8 June 2015. He is a member of the Remuneration Committee. Mr. Liu is a PRC certified public accountant and certified public valuer. He worked as vice-general manager and financial controller in Beijing Macrolink Gas Ltd. and Beijing Macrolink Industrial Investment Co. Ltd. He now acts as the Chairman of the Supervision Committee 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 68, 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 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 67, was appointed as an independent non-executive director of the Company on 24 November 2015. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tse holds a bachelor degree in Business Administration and a diploma in Chinese Law from the University of East Asia, Macau, a bachelor degree in Law from China University of Political Science and Law, a postgraduate diploma in Macau Law from University of Macau, a master degree in International Commercial Law from Asia International Open University (Macau) and a doctor degree in Civil and Commercial Law from Xiamen University.

Mr. Tse is the founder and director of 'Che Kuong Hon Legal & Translation Service Centre'. He is now the part-time professor of Xiamen University at the Center for Social Governance and Soft Law Research, and the distinguished professor of Qilu University of Technology. He has over 30 years of experience in corporate management and corporate legal counsel. He currently serves as director and senior consultant in various companies which are engaged in real estate, tourism and entertainment related businesses. He has been awarded the 'Diploma of Merit' and 'Medal of Merit in Profession' issued by the Macau Security Forces and the Macau Governor respectively. He has also been awarded the "Medalha de Mérito Desportivo" in 2015. He is now the vice president of Macao ASEAN International Chamber of Commerce.

CAO KUANGYU

Independent Non-executive Director

Mr. Cao Kuangyu, aged 71, 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). He was an independent non-executive director of Huili Resources (Group) Limited (stock code: 1303) from December 2011 to September 2017 and Macrolink Capital Holdings Limited (stock code: 758) from December 2013 to June 2021.

NG MO CHUN

Company Secretary

Mr. Ng Mo Chun, aged 37, is the company secretary and the authorised representative of the Company since 18 September 2020. He is a fellow member and authorized supervisor of potential CPA of Hong Kong Institute of Certified Public Accountants, an associate of Hong Kong Company Governance Institute (Formerly known as Hong Kong Institute of Chartered Secretaries) and a member of Chartered Institute of Management Accountants. He holds a bachelor degree in business administration (accounting and finance) and a master degree in economics from the University of Hong Kong. Mr. Ng has worked in a Big-4 international professional services firm, a luxury chain hotel group, a regional airline group and a PRC property developer, accumulating over 15 years of experience in accounting, financial management, mergers and acquisitions, capital financing and regulatory & compliance matters of listed companies.

Prior to joining of the Company, he has held the financial controlling and company secretarial positions for China New City Commercial Development Limited (stock code: 1321) from January to November 2019.

DIRECTORS’ REPORT

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report together with the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) development and operation of real estate in 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 principal subsidiaries of the Company are shown in note 48 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 2021 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 ("ESG") 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 our businesses operations strictly comply 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 45 to 75 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 45 to 75 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.

(iii) *Sustained outbreak of the COVID-19 pandemic*

The COVID-19 pandemic has persisted globally, disrupteing lives across all countries and communities and negatively affecting global economic growth. Since 2020, governments in China and around the globe have taken measures to contain the spread of COVID-19. For example, from early 2020, in response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals infected with or suspected of having COVID-19, prohibiting residents from travelling, encouraging employees of enterprises to work remotely from home and canceling public activities, among others. In addition, as the outbreak continues to threaten global economies, it may continue to cause significant market volatility and cause declines in general economic activities.

Any potential impact on our business will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of the COVID-19 and the actions taken by government authorities and other entities to contain the spread of COVID-19, almost all of which are beyond our control. While many of the economic activities within China have been resumed, there is great uncertainty as to the future progress of the disease globally. Given the general slowdown in global economic conditions, volatility in the capital markets as well as the generally negative impact of the COVID-19 pandemic on the industries in which we operate, we cannot assure that we can launch new products in time or that we can maintain the growth or profit we have experienced. Because of the uncertainty surrounding the COVID-19 pandemic, the financial impact of and the response to the pandemic of and response to the coronavirus cannot be accurately estimated at this time, and we cannot assure you that our financial condition and operating results will not be adversely affected.

BUSINESS REVIEW *(Continued)*

Principal risks and uncertainties *(Continued)*

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.

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.

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 45 to 75 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 2021 are set out in the consolidated statement of profit or loss on page 82.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

CHARITABLE DONATION

No charitable donation was made by the Group during the year ended 31 December 2021 (2020: 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 165.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 June 2022 to Wednesday, 8 June 2022 (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 "2022 AGM") to be held on Wednesday, 8 June 2022. In order to qualify for attending and voting at the 2022 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, 2 June 2022.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 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 86 and note 49 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, 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 unutilised 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

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. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu, Mr. Tse Kwong Hon will retire from office by rotation and, being eligible, offer themselves for re-election at the 2022 AGM. None of the Directors proposed for re-election at the 2022 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.

DIRECTORS' REPORT

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in notes 29 and 46 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 2021.

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 2021, 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 2021, 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 2021, 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 2021, 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 42 to the consolidated financial statements. Details of the outstanding share options during the year ended 31 December 2021 are as follows:

	Options to subscribe for shares								
Name and category of participants	**Date of grant**	**Exercise period**	**Exercise price per share HK$**	**Balance as at 01/01/2021**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Balance as at 31/12/2021**
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
Other employees or participants	04/07/2016	04/07/2016 to 03/07/2026	2.0381	67,709,700	–	–	–	(20,607,300)	47,102,400
	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				104,260,900	–	–	–	(20,607,300)	83,653,600

Note: None of the above granted share options have any 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 2021.

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 46 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. Except for the continuing connected transactions summarized as below, all of the related party transactions were fully exempted from disclosure under the de minimis rule.

On 13 September 2021, Diqing Shangri-la entered into the 2021 Zhenjiu Agreement with Guizhou Zhenjiu, pursuant to which Diqing Shangri-la has agreed to purchase Zhenjiu Wines from Guizhou Zhenjiu with an annual cap of RMB8.3 million (equivalent to approximately HK$9.96 million) for each of the three years ending 31 December 2023.

Guizhou Zhenjiu is ultimately owned as to 90% by Mr. Wu Xiangdong who is an associate (as defined in the Listing Rules) of Mr. Fu Kwan, the ultimate controlling shareholder of the Company. Therefore, Guizhou Zhenjiu is a connected person of the Company and the transactions contemplated under the 2021 Zhenjiu Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For all definitions and details of the transactions, please refer to the announcement of the Company on 13 September 2021.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) normal commercial terms or better; and

(3) in accordance with the relevant agreements governing such transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Board confirms that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the above continuing connected transactions.

CORPORATE GOVERNANCE

Details of the corporate governance code duly adopted by the Company are set out on pages 26 to 44 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 2021. 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

Baker Tilly Hong Kong Limited ("Baker Tilly") has resigned as the auditor of the Company with effect from 17 December 2021 as the Company and Baker Tilly could not reach a consensus on the audit fee for the year ending 31 December 2021.

The Board, with the recommendation from the Audit Committee, has resolved to appoint CCTH CPA Limited ("CCTH") as the auditor of the Company with effect from 17 December 2021, to fill the vacancy following the resignation of Baker Tilly and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2021 were audited by CCTH whose term of office will expire upon the 2022 AGM. A resolution for the re-appointment of CCTH as the auditor of the Company for the subsequent year is to be proposed at the 2022 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, 30 March 2022

CORPORATE
GOVERNANCE
REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

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.

Throughout the year, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.2.1 which is 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. 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

Upon specific enquiry by the Company, all Directors, confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

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 2021.

CORPORATE GOVERNANCE REPORT

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 2021, 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 2021, 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	9/6/2021
Mr. Ting Leung Huel, Stephen	Independent non-executive Director/ Chairman of Remuneration Committee and Audit Committee	25/2/2004	9/6/2021
Mr. Tse Kwong Hon	Independent non-executive Director	24/11/2015	18/6/2020
Mr. Cao Kuangyu	Independent non-executive Director	25/2/2004	9/6/2021

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.

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 Nomination Committee has considered the changes to the CG Code which came into effect on 1 January 2022, including the requirement for listed issuers with a single gender board to appoint a director of a different gender before the end of the 3-year transition period, and will continue to review the composition of the Board and make its recommendations to the Board as appropriate in due course and in any event, no later than 31 December 2024.

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 2021, 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 2021, the Board held 6 meetings. The attendance records of the Directors are set out below:

	Number of meetings attended/Number of meetings held
Executive Directors	
Mr. Ma Chenshan	6/6
Mr. Zhang Jian	6/6
Mr. Hang Guanyu	6/6
Mr. Liu Huaming	6/6
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	6/6
Mr. Tse Kwong Hon	5/6
Mr. Cao Kuangyu	6/6

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, if any, 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 2021. The training attended by the Directors during the year are as follows:

Director	Corporate governance/updates on laws, rules and regulations/finance/business 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 2021. 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)	1/1
Mr. Ting Leung Huel, Stephen	1/1
Mr. Tse Kwong Hon	1/1
Mr. Cao Kuangyu	1/1

(2) Remuneration Committee

The Remuneration Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The Remuneration Committee comprises two executive Directors namely Mr. 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 has been adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

Remuneration Paid to Members of Senior Management

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

Remuneration band	Number of individuals
Up to HK$1,000,000	3
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 122 to 124 of this annual report.

The Remuneration Committee met once during the year ended 31 December 2021, 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)	1/1
Mr. Ma Chenshan	1/1
Mr. Liu Huaming	1/1
Mr. Tse Kwong Hon	1/1
Mr. Cao Kuangyu	1/1

BOARD COMMITTEES *(Continued)*

(3) Audit Committee

The Audit Committee was established on 31 July 2005 with specific terms of reference setting out the committee's authority and duties. The Audit Committee comprises three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Tse Kwong Hon and Mr. Cao Kuangyu with Mr. Ting Leung Huel, Stephen who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external 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 3 times during the year ended 31 December 2021. 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 2020 annual results and 2021 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;
- reviewed the financial reporting system, compliance procedures, internal control and risk management systems of the Group; and
- selected the replacement for the resigned auditors.

As disclosed in the Director's report, on 17 December 2021, Baker Tilly has resigned as the auditor of the Company as the Company and Baker Tilly could not reach a consensus on the audit fee for the year ending 31 December 2021. The Board, with the recommendation from the Audit Committee, has resolved to appoint CCTH as the auditor of the Company with effect on the same day. CCTH would hold office until the conclusion of the next annual general meeting of the Company.

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 2021 has been reviewed by the Audit Committee.

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the remuneration paid/payable to the Company's external auditor, CCTH, 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$1,000,000
Non-audit service	HK$50,000

CCTH was appointed as auditor of the Company to fill the causal vacancy of auditor arising from the resignation of Baker Tilly.

The Audit Committee reviewed the independence of CCTH and has concluded that it is satisfied with the professional performance, and therefore recommended to the Board that CCTH 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 2021 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 CCTH, 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 76 to 81.

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 2021, 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. 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 strictly followed.

The Company Secretary has day-to-day knowledge of the Company's affairs. All Directors may have access to the professional 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 2021, 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, including his active participation and in-depth facilitation in the professional forums in Hong Kong Institute of Certified Public Accountants and Hong Kong Company Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries).

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, one general meeting was held. The 2021 annual general meeting was held on 9 June 2021. The attendance records of the Directors are set out below:

Directors	Number of meetings attended/Number of meetings held
Executive Directors	
Mr. Ma Chenshan	1/1
Mr. Zhang Jian	1/1
Mr. Hang Guanyu	1/1
Mr. Liu Huaming	1/1
Independent non-executive Directors	
Mr. Ting Leung Huel, Stephen	1/1
Mr. Tse Kwong Hon	1/1
Mr. Cao Kuangyu	1/1

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

Constitutional Documents

During the year ended 31 December 2021, 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 2021 (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 and focused on the material ESG topics for disclosure in the Report.

Quantitative

- We disclosed the information on 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.

Balance

- The Report presented the Group's environmental and social performance on an impartial basis to provide an objective reporting disclosure for readers.

Consistency

- The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous years.

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 where partial disclosure is provided, together with explanations 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").

1 REPORT OVERVIEW *(Continued)*

1.1 About the Report *(Continued)*

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").

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 page 26 to page 44 of our 2021 annual report.

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 Governance Structure

The Group has formed a three-level top-down and bottom-up governance structure consisting of the Board, the ESG Taskforce Group and the department units for management on ESG issues and performance.

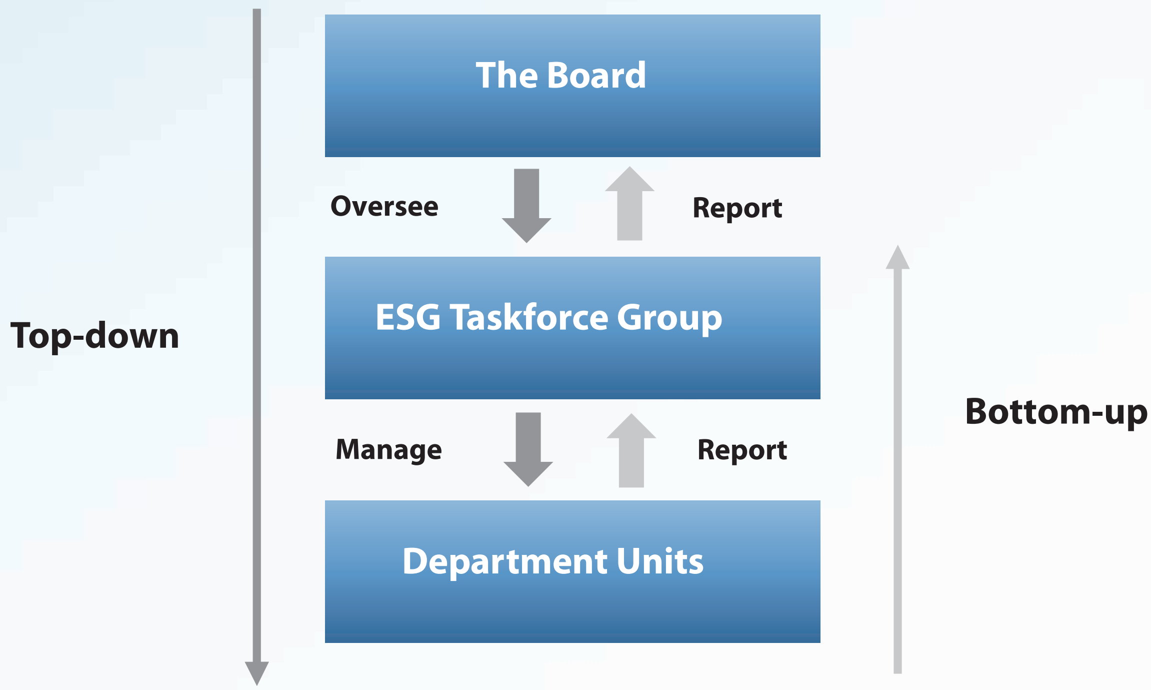
The Board actively participates in planning sustainability strategies and lead the direction of the Group in long-term sustainable development. The Board oversees the overall ESG strategies, management approaches and all ESG matters of the Group, including ESG risk management, action plans and related targets setting and initiatives. The Board proactively engages in providing strategic guidance on the ESG-related risk identification and material ESG issues, and regularly reviews the progress and achievement on ESG objectives and targets. The Board is also responsible in approving ESG report submitted by the ESG Taskforce Group.

The ESG Taskforce Group is authorised by the Board and composed of the company secretary of the Company and representatives from the Human Resources and Administration Department, Finance Department, Legal Department, Quality Management Department, Operation Department/Production Department of each business segment to advise all ESG matters and implementation of the Group from different perspectives. The ESG Taskforce Group assists in establishing ESG strategies, identifying and analysing the significant ESG risks and opportunities in investment strategy and risk management with associated impacts on the Group, as well as setting and monitoring relevant targets and initiatives with actions plans in line with the determined ESG strategies. Moreover, the ESG Taskforce Group monitors the current market trends and development, industry practices, and norms in respect of ESG related issues, the activities of stakeholder engagement and materiality assessment of the Group and the annual ESG reporting disclosure. The ESG Taskforce Group shall meet and report the findings and recommendations of ESG performance to the Board on a regular basis.

1 REPORT OVERVIEW *(Continued)*

1.2 Governance Structure *(Continued)*

The department units are responsible for executing ESG-related action plans decided by the ESG Taskforce Group and monitoring progress and achievements against the determined targets and initiatives in daily operations. They carry out the activities of stakeholder engagement and materiality assessment, collect relevant ESG data for reporting disclosure and performance review, and coordinate the preparation of ESG report.



1 REPORT OVERVIEW *(Continued)*

1.3 Stakeholder Engagement

The Group understands that it is of paramount importance to maintain constant communication with various stakeholders as this practice can facilitate the long-term business growth and improvement of ESG management. In this regard, we provide a wide-range of channels for effective communication with various stakeholders, including customers, employees, government and regulators, investors and shareholders, suppliers, business partners, media, and the public. Through this practice, we are able to properly address their needs, concerns and expectations associated with our business development and ESG issues.

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

Media & The Public

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

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

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

Investors/shareholders

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

Government & Regulators

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

1 REPORT OVERVIEW *(Continued)*

1.4 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 direct the formulation of ESG strategy and reporting disclosure.

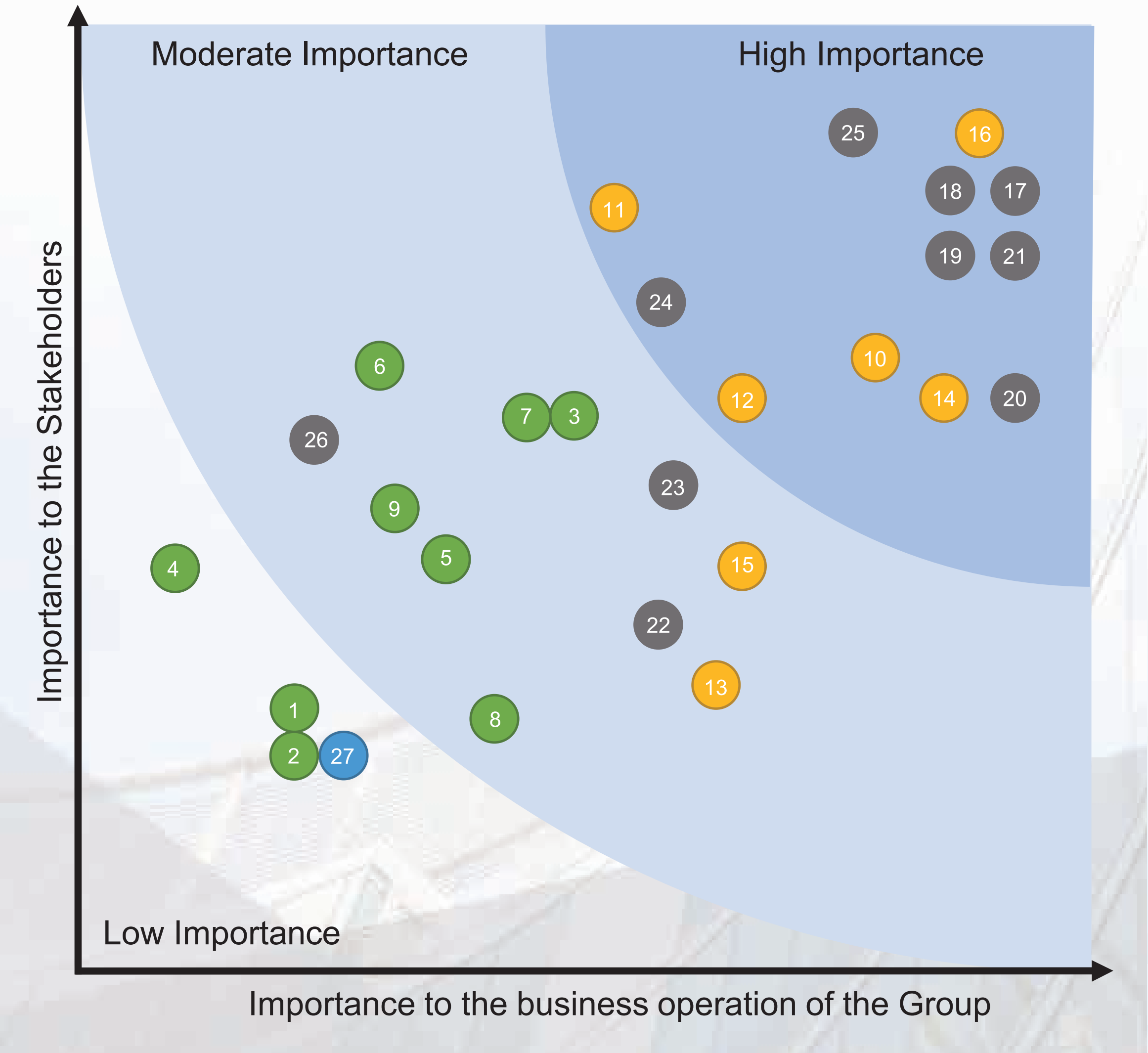
Process of materiality assessment

Identification of relevant ESG topics	Based on the Group's existing businesses, the requirements of ESG reporting guidelines, and industry ESG management priorities, potential ESG topics were identified.
Review of materiality matrix and material ESG topics	Considering the business operations, industry development trends, ESG related standards and guidelines, together with the material ESG topics identified last year, we then reviewed and updated the materiality matrix with ESG topics that are material to the Group.
Response to material ESG topics	According to the materiality of ESG issues and key concern of our key stakeholders, we determined the focus area of ESG management as well as the direction of the reporting disclosure.

1 REPORT OVERVIEW *(Continued)*

1.4 Materiality Assessment *(Continued)*

Materiality Matrix



1 REPORT OVERVIEW *(Continued)*

1.4 Materiality Assessment *(Continued)*

Materiality Matrix *(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 stakeholders 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)*

1.5 Our ESG Management

The Group recognises that a sound ESG management approach can foster sustainable business development and strengthen our competitive advantage, as well as bringing long-term values to our stakeholders and the Group. We have formulated the ESG policy in guiding us to implement initiatives and practices to promote sustainable development. We put the focus on four key areas, namely, environment, employees, business operation and community to sustain the future growth.

2 OUR PEOPLE

We firmly believe that the Group's sustainable development greatly relies on our talented employees. 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, Employment Ordinance of Hong Kong Special Administrative Region ("HKSAR"), (Cap. 57), Minimum Wage Ordinance of HKSAR (Cap. 608), Fair Work Act 2009 and Fair Work Regulations 2009 in Australia, and Labour Standard Act of Republic of Korea.

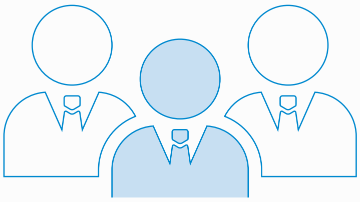
2.1 Employment Practices and Labour Standards

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), medical insurance coverage and provident fund schemes, 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

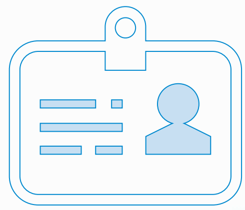
Adhering to the principle of openness, fairness and selection of merits, the Group has formulated respective recruitment and performance review management procedure in each business segment to standardise the process in recruitment and promotion. We select suitable candidates based on factors, such as 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. The Group considers each dismissal and resignation seriously and exit interviews may be conducted with the employees so as to provide the Group with feedback to reduce turnover in the future.

2 OUR PEOPLE *(Continued)*

2.1 Employment Practices and Labour Standards *(Continued)*

Diversity, Equal Opportunities and Anti-discrimination

We treasure the uniqueness of each of our employees and value their differences to create synergy and innovation in the workplace. Given the global presence of our business operation in Hong Kong, 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 (Cap. 480), Disability Discrimination Ordinance of HKSAR (Cap. 487), Race Discrimination Ordinance of HKSAR (Cap. 602), Family Status Discrimination Ordinance of HKSAR (Cap. 527), Gender Equality Law, and Disability Employment Promotion and Re-employment Law of Republic of Korea during the Reporting Year.



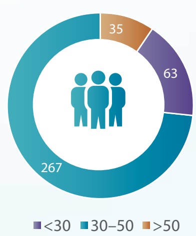
Labour Standards

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. If any practice of child labour or forced labour is discovered, the Group will investigate the case thoroughly and dismiss the relevant employees immediately. 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.

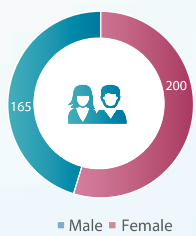
Employee Profile

As of 31 December 2021, we had 356 employees located in Hong Kong, the PRC, South Korea and Australia. The overall employee turnover rate was about 22.7% in 2021. The breakdown of the number of employees divided by gender, age, employment type and geographical region are shown below.

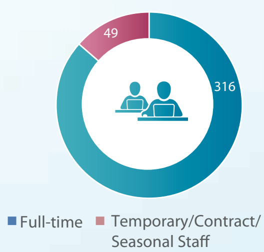
Number of employees by age



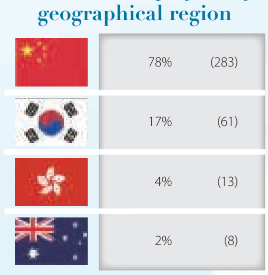
Number of employees by gender



Number of employees by employment type

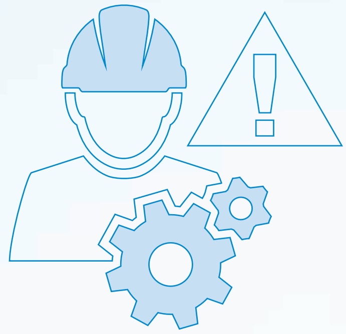


Number of employees by geographical region



2 OUR PEOPLE *(Continued)*

2.2 Occupational Health and Safety



Health and safety of employees are the cornerstones of the Group's development and employees' happiness. To safeguard employee's health and wellbeing, internal health and safety policies and management procedures are in place in each business segment to ensure that the 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 (Cap. 509), Work Safety Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases, the 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 safe wine production and equipment operation at the production sites. Regular safety inspections and audits are carried out to verify the effectiveness of the safety preventive measures and continually improve the safety performance. Body check-up was provided to the employees on a regular basis in entertainment and integrated resorts sector in South Korea.

Since the outbreak of the worldwide novel coronavirus disease ("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 epidemic 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;
- Maintain regular cleaning and disinfection of working areas, frequently touched surfaces and common facilities;
- Require employees to 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 electronic means to remind employees on COVID-19 infection prevention;
- 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;

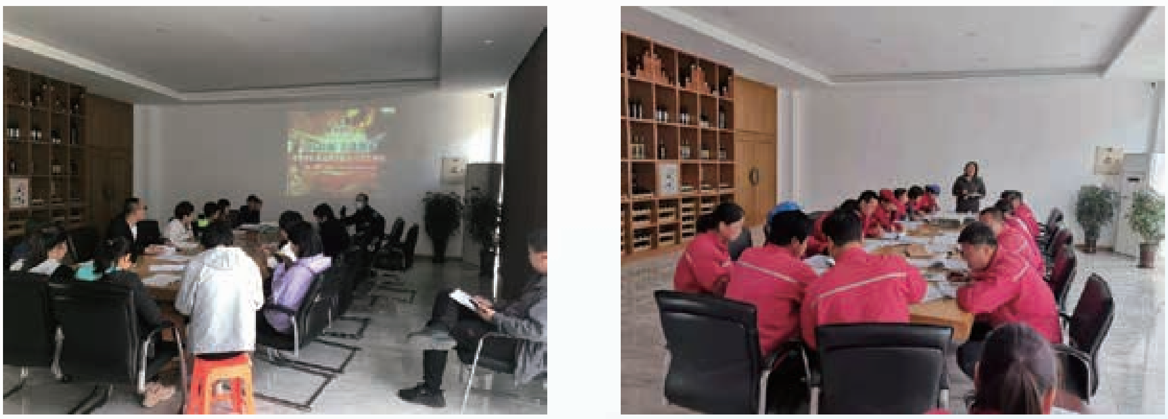
2 OUR PEOPLE *(Continued)*

2.2 Occupational Health and Safety *(Continued)*

- Remind employees to avoid going to crowded places and unnecessary outbound travel;
- Pay close attention and manage personnel coming from outside regions; and
- Encourage and arrange for employees to receive COVID-19 vaccination.

2.3 Development and Training

Constantly promoting employee development is an essential factor for the Group to maintain sustainable development. 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 and knowledge in performing their job duties. Internal and external topic-specific training sessions were arranged to the employees based on their different job nature and position grades. For instance, food and fire safety, brewing and wine tasting, product design development and innovation strategy, were delivered to the 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 for fire control in Qinghuangdao 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

Followed by "Product Recall Control Management Procedure" and "Control for Non-conforming Products Management Procedures", we handle any non-conformance of products regarding product quality and food safety issues are identified subject to recall the sold products and take timely remedial actions where appropriate. Analysis on the product recall incident will be carried out to prevent the incident recurrence and implement corrective action(s) where necessary in continual improvement on 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. Warning message of excessive drinking is attached on the packaging and product labels to remind all the buyers and drinkers to consume alcohol responsibly and caution them on the health risks and social impact on excessive drinking.

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.

3 OUR RESPONSIBLE BUSINESS OPERATION *(Continued)*

3.1 Product and Service Excellence *(Continued)*

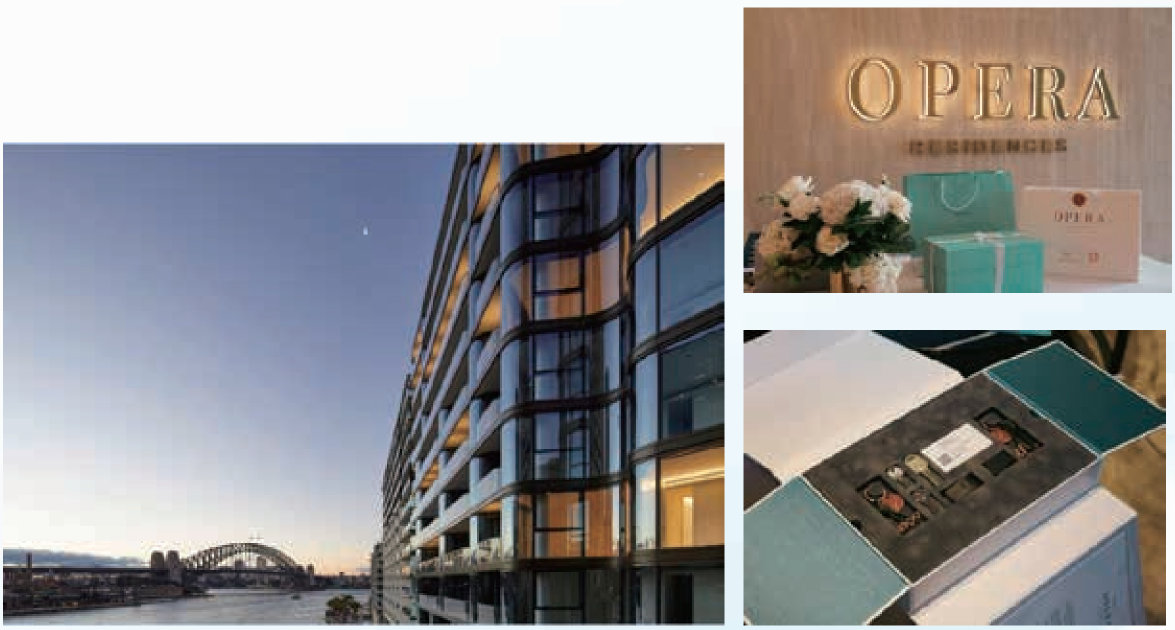
Responsible Resorts and Real Estate Development Business

Recreational resorts require a quality environment and services while real estate development requires the quality and safe building for living. The Opera Residences in Sydney, Australia was successfully delivered on 17 December 2021. As the first real estate project of the Group, the grand delivery of Opera Residences was highly concerned by the Australian market. In the test and commission stage of the project, 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 2021 for our employees.

For the detail process of possession delivery and relevant control and management are illustrated below.

1. Notify buyers for final inspection
2. Rectify the defects reported by buyers
3. Issue settlement notice by our legal team
4. Complete settlement by buyers within contractually agreed period
5. Arrange the time for hand over

In case of any problems of the building identified after the delivery, owners can submit their requests to building manager and builder through the Mybos System for follow-up and further reparation. The Mybos System can efficiently monitor the maintenance issues to initiate prompt rectification works of the defects within the defect liability period.



Delivery of Opera Residences in Sydney, Australia

3 OUR RESPONSIBLE BUSINESS OPERATION *(Continued)*

3.1 Product and Service Excellence *(Continued)*

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.

3.2 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 (Cap. 201), 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, the 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

Stipulated in "Anti-Corruption Policy" and "Corporate Code of Conduct", the Group outlines the standards of behaviours 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 partnerships. A whistle-blowing mechanism is in place for the employees and external stakeholders to report any kinds of malpractices 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 based on the result findings of the investigation.

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. During the Reporting Year, the Group held training sessions for its Board members on Board roles and corporate compliance and for its employees from entertainment business on financial crime and anti-money laundering.

Data Privacy

The Group puts emphasis to protect the data privacy 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 delegate a management team to monitor the overall use, registration and management of intangible intellectual property rights and put in place anti-counterfeiting measures. We list out the terms and conditions on intellectual property rights, including ranging the distributor to use designated trademarks, trade names and logos for distributing designated products in the agreed scope and duration of time for the contract signature with distributors. 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 formulated "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 92 suppliers, including 88 from Mainland China, 1 from Hong Kong and 3 from other countries.

We perform supplier qualification assessment and review relevant business reference check, based on the criteria including supplier service quality, corporate background, legal compliance, certified quality system, after-sales services and prices. For the potential critical suppliers, relevant certification, sample product(s) and/or third-party assessment report pertaining to quality and safety are required to be provided for verification. Onsite inspection will be carried out by our procurement team where necessary to evaluate their capability. Suppliers who can successfully fulfil all the specified requirements are 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 priors to the local suppliers with good track records in labour management, environmental and safety management, and/or with the provision of more environmental-friendly products whenever possible, to minimise the adverse impact on the environment and the society.

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. Based on the criteria of delivery, quality of service, management system and price, regular performance assessments, such as on-site inspections and audits, are carried out for our existing on-list suppliers to ensure the consistency of products and services quality. We request all suppliers to take timely rectification in the event of any non-conformity was found. For those suppliers who consecutively fail to fulfil our required standards and are found in violation of laws and regulations, they will be removed from the approved supplier list.

4 OUR ENVIRONMENT

The Group strives to achieve sustainable development by integrating environmental consideration into its daily operation and business decision-making processes. 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 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.

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.

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. Onsite wastewater treatment facilities with advanced biological aerated filter (BAF) have been installed at our wine production sites for proper treatment before discharge. We maintain monitoring test 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, 605 tonnes of organic waste was generated. All the waste was recycled. We also set up waste recycling facilities for waste separation and recycled the waste where possible.

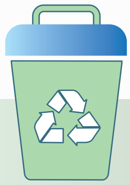
4 OUR ENVIRONMENT *(Continued)*

4.2 Waste Management *(Continued)*

Organic Waste and Others *(Continued)*

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.



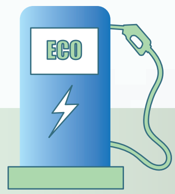
605 tonnes of organic waste generated and recycled

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.

4.3 Use of Resources

The Group endeavours to take different initiatives to optimise the energy efficiency, water consumption and other materials used in our operations.

Energy efficiency and GHG Emission Management



Direct Energy: 12.78 Megawatt-hour (MWh)

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 phase out the old equipment to more energy-efficient ones in our business operations. The application of the drip irrigation in vineyard of Qinhuangdao winery reduces the electricity consumption in water pumping. We also conduct periodic maintenance on building mechanical system in the venue of our entertainment business.

Indirect Energy: 7,051.58 MWh

We adopt the "Building Sustainability Index (BASIX)" and natural lighting system 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. For instance, our Opera Residences project in Sydney adopt a wide variety of green building features, including maximise natural lighting with arc-shaped three-layer hollow curtain wall to enhance energy saving. Moreover, we explore the feasibility of on-site renewable energy generation at our property by installing solar panels on rooftop to reduce electricity consumption generated from fossil fuels.

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 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:

0.06% from Transportation

22.48% from Winery Production

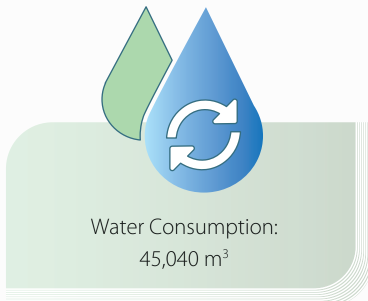
77.46% from General Operation

Greenhouse gas emission category	Tonne of carbon dioxide equivalent ("tCO2e")
Direct GHG emissions (Scope 1 emission)	11.64
Energy indirect GHG emissions (Scope 2 emission)	5,903.82
Total GHG emissions	5,915.46

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. Under the water management plan in our winery operation, we regularly monitor the performance of water consumption in our production cycle and conduct regular maintenance on water facilities to avoid water leakage, in order to seek opportunity to optimise water efficiency. 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.



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 widely applying 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 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.

4.5 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. Owing to the recent natural hazard occurrences are more severe, the Group recognises the emergency of addressing climate risks that may impact our stakeholders in our operation. The Group has identified the following possible climate risks:

Physical risks

- Acute risk: The increased severity of extreme weather events (e.g. frost, snowstorm and hail) may impact the progress of resort construction and cause damage to our assets, further interrupt our operation and increase the operating cost.

- Chronic risk: The chronic stressors (e.g. flooding caused by rising seawater level, precipitation or heatwave) may impact the yield of vines and increase the insurance and maintenance cost of the properties. Such risks can contribute to the increased operating costs and reduced revenue from decreased production capacity and/or lower sales.

Transition risks

- Policy risk: Increasing the price of GHG emissions by the latest implementation of carbon-pricing mechanisms, increase operating cost and pose a potential risk of financial instability.

- Market risk: Higher demand for environmental-friendly and low-carbon goods and design services may be resulted due to the shift in customer preferences. Moreover, limited natural resources and higher transportation cost due to increasing climate-related weather events that may increase the cost of raw material when new buildings are going to be built.

4 OUR ENVIRONMENT *(Continued)*

4.5 Response to Climate Change *(Continued)*

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. Moreover, we strive to explore the mitigation measures against climate risks in our real estate development. For instance, green rooftop and façade are applied to our property in Sydney as a natural building insulation to reduce the heat absorption, the climate-resilient feature can withstand the extreme weather event like heat waves. 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

5.1 Caring for the Community

The Group acknowledges that it is crucial to advocate the culture with social responsibility, convey the spirit of giving back to the society and take active steps in serving our community. The Group is committed to leveraging its resources and manpower to care for the underprivileged and striving for the community development, in order to create a sustainable and harmonious place to live in.

During the Reporting year, the Group made 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 and donated 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 RMB1,062,000 in total.

6 ESG DATA TABLE

Environmental KPI data[1]	UNIT	**2021**	2020	2019
Greenhouse gas emissions[2]				
Scope 1[3]	tCO_2e	**11.64**	60.80	7,454.6
Scope 2[4]	tCO_2e	**5,903.82**	37,448.34	302,365.8
Total	tCO_2e	**5,915.46**	37,509.14	309,717
Intensity				
Wine production and distribution business	tCO_2e/product in L	**0.001**	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	**8.80**	11.77	–
Air emissions[5]				
Nitrogen oxides (NOx)	tonnes	**0**	0	9.2
Sulphur oxides (SOx)	tonnes	**0**	0	3.5
Waste disposed (by types)				
Wastewater	m^3	**7,600.0**	6,120.0	13,480.0
Paper	tonnes	**0.57**	0.76	67.2
Plastic	tonnes	**0.69**	0.07	17.7
Cinder	tonnes	**0**	0	300
General waste	tonnes	**0.05**	0.16	0.8
Use of resources				
Direct energy				
Coal use	MWh	**0**	0	21,580.7
Diesel	MWh	**0**	6.02	114.1
Gasoline	MWh	**44.32**	17.95	61.4
Methanol	MWh	**0**	221.42	–
Indirect energy (Electricity use)	MWh	**7,051.58**	69,086.58	597,041.4
Total energy consumption	MWh	**7,096.10**	69,331.97	618,797.6
Intensity				
Wine production and distribution business	MWh/product in L	**0.001**	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	**10.88**	14.55	–
Water use[6]	m^3	**45,040.30**	20,181.0	61,010.0
Intensity				
Wine production and distribution business	m^3/product in L	**0.03**	0.01	–
Entertainment business	m^3/revenue in HKD	**–**	0.0003	–

Environmental KPI data[1]	UNIT	2021	2020	2019
Integrated resorts and cultural tourism and real estate development and operation businesses	m^3/m^2	**–**	0.72	–
Packaging materials[7]				
Wine bottle	tonnes	**3,581.7**	2,921.6	2,617.1
Carton box	tonnes	**661.1**	521.1	511.0
Cork	tonnes	**28.2**	22.4	16.0
Paper box	tonnes	**351.6**	32.4	50.5
Wooden box	tonnes	**83.4**	90.9	91.8
Plastic bag	tonnes	**2.6**	2.3	1.7
Total packaging materials	tonnes	**4,708.6**	3,590.7	3,288.0
Intensity	tonnes/product in L	**0.003**	0.002	–

Social KPIs data	UNIT	2021	2020	2019
Total employees — by gender				
Female	number	**165**	165	226
Male	number	**200**	216	227
Total employees — by age				
< 30	number	**63**	70	105
30–50	number	**267**	274	318
> 50	number	**35**	37	30
Total employees — by category				
Senior	number	**25**	28	33
Middle	number	**82**	70	79
Junior	number	**209**	236	285
Temporary/contract/seasonal staff	number	**49**	47	56
Total employees — by geographical region				
Hong Kong	number	**13**	15	16
Mainland China	number	**283**	283	300
South Korea	number	**61**	74	128
Australia	number	**8**	9	9
Employee turnover rate[8,9] — by gender[10]				
Female	%	**19.4**	24.2	12.4
Male	%	**25.5**	23.6	20.7
Employee turnover rate[8,9] — by age[11]				
< 30	%	**52.4**	34.3	14.3
30–50	%	**16.9**	22.6	16.7
> 50	%	**14.3**	13.5	23.3

Social KPIs data	UNIT	2021	2020	2019
Employee turnover rate[8,9] — by geographical region				
Hong Kong	%	**23.1**	26.7	0
Mainland China	%	**23.3**	11.7	13.7
South Korea	%	**21.3**	73.0	26.6
Australia	%	**12.5**	0	0
Occupational safety and health				
Lost days due to work injuries	day	**0**	0	30.5
Number of injuries cases	number	**0**	0	1
Number of fatalities	number	**0**	0	0
Percentage of employees trained[12] — by gender				
Female	%	**119.5**	102.4	96.5
Male	%	**133.5**	103.2	97.4
Percentage of employees trained[12] — by category				
Senior	%	**80.0**	89.3	75.8
Middle	%	**160.3**	97.1	94.9
Junior	%	**131.3**	106.8	99.3
Average training hours completed per employee — by gender				
Female	hours	**25.7**	35.8	17.8
Male	hours	**22.8**	33.1	18.0
Average training hours completed per employee — by category				
Senior	hours	**27.2**	25.0	38.7
Middle	hours	**27.4**	46.9	17.4
Junior	hours	**21.5**	34.4	17.7
Number of suppliers — by geographical region				
Mainland China	number	**88**	93	58
Hong Kong	number	**1**	1	2
South Korea	number	**1**	1	1
Canada	number	**0**	0	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 received	number	**0**	0	0
Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Year	number	**0**	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Notes:

1 Compared to those in 2020, 2021 environmental performance data is significantly fluctuated. This is due to the continual suspension of the operation of the entertainment business in accordance with the epidemic prevention measures of South Korean government and the resumption of wine production in PRC.

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 the Stock Exchange and international standards, such as ISO 14064 and GHG Protocol, 2020 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.

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 has been recorded since 2020.

6 The data of water consumption covers the business of wine production and distribution, entertainment business, real estate, integrated resorts and cultural tourism businesses. The amount of water consumption in 2021 has been significantly increased compared with that in 2020 since only small amount of water consumption was recorded in 2020 for one of the broken water master meters. The 2021 data also includes partial amount consumed in 2020.

7 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.

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

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

10 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.

11 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.

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

7 THE STOCK EXCHANGE ESG REPORTING GUIDE INDEX

ESG Reporting Guide		*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.	Section 1.2
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.	Section 1.1 & Section 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.	Section 1.1

7 THE STOCK EXCHANGE ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		Section
A. Environment		
A1 Emission		
A1	General Disclosure Information: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Section 4.1
KPI A1.1	The types of emissions and respective emission data.	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).	Section 6
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	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).	Section 6
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	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.	Section 4.2
A2 Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	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).	Section 6
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Section 6
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	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.	Section 4.3
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Section 6

7 THE STOCK EXCHANGE ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		Section
A. Environment *(Continued)*		
A3 The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	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.	Section 4.4
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.	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 taken to manage them.	Section 4.5
B. Social		
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.	Section 2.1
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Section 6
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Section 6
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.	Section 2.2
KPI B2.1	Number and rate of work-related fatalities.	Section 6
KPI B2.2	Lost days due to work injury.	Section 6
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Section 2.2

7 THE STOCK EXCHANGE ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		Section
B. Social *(Continued)*		
B3 Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Section 2.3
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Section 6
KPI B3.2	The average training hours completed per employee by gender and employee category.	Section 6
B4 Labour Standard		
B4	General Disclosure Information relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Section 2.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Section 2.1
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Section 2.1
B5 Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	Section 3.3
KPI B5.1	Number of suppliers by geographical region.	Section 6
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	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.	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.	Section 3.3

7 THE STOCK EXCHANGE ESG REPORTING GUIDE INDEX *(Continued)*

ESG Reporting Guide		Section
B. Social *(Continued)*		
B6 Product Responsibility		
B6	General Disclosure Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Section 3.1
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Section 6
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Section 6
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Section 3.2
KPI B6.4	Description of quality assurance process and recall procedures.	Section 3.1
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Section 3.2
B7 Anti-corruption		
B7	General Disclosure Information relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Section 3.2
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Section 6
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Section 3.2
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Section 3.2
B8 Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Section 5
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Section 5
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Section 5

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

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 82 to 164, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 an intangible asset with indefinite useful life Refer to note 17 and the accounting policies in note 3.2 to the consolidated financial statements. We identified the impairment assessment of 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 the intangible asset with indefinite useful life is impaired requires management's estimation of the value in use of the CGU to which 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 note 17 to the consolidated financial statements, the carrying amounts of the intangible asset with indefinite useful life is HK$152,697,000 at 31 December 2021.	Our procedures in relation to the impairment assessment of the intangible asset with indefinite useful life included: • We understood the entity's key control in relation to the impairment assessment of 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; • We evaluated the competence, capability and objectivity of the independent valuer engaged by the management; • We evaluated 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; • We involved our external valuation expert to evaluate the appropriateness of the valuation methodology and the reasonableness of the discount rate used by management; • We obtained the sensitivity analysis performed by management and assessing the extent of impact on the value in use; and • We reviewed the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment loss on completed properties held for sale	
Refer to note 19 and the accounting policies in note 3.2 to the consolidated financial statements. The carrying amount of completed properties held for sale was HK$545,379,000 as at 31 December 2021, represented 19.7% of total assets. Impairment assessment of these properties held for sale was based on management judgment of the net realisable value of the properties which was determined by reference to the estimated selling prices provided by an independent professional valuer. We have identified the impairment of the completed properties held for sale as a key audit matter due to the magnitude of the properties and the management judgments involved in the estimation of the net realisable value.	Our procedures in relation to the assessment of the impairment loss on completed properties held for sale included: • We obtained an understanding of the design, implementation and operating effectiveness of key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic review, sources of impairment assessment data and calculation of impairment provisions. • We evaluated the competence, capability and objectivity of the independent valuer engaged by the management for the estimation of selling prices fo the properties. • We assessed the methodologies used by the management and external valuer for the estimation of the net realisable value of the properties. • For the forecast of future sales, we compared the expected sale prices of properties, on a sample basis, to the contracted sales price of the properties with comparable locations and conditions, where applicable. • We checked the reasonableness and calculation of the net realisable value of the properties prepared by the management.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another independent auditor whose report dated 29 March 2021 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2022

Ng Kam Fai
Practicing certificate number P06573

Unit 1510-1517, 15/F., Tower 2,
Kowloon Commerce Centre,
No, 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**2,601,733**	117,551
Cost of revenue		**(2,049,863)**	(88,070)
Gross profit		**551,870**	29,481
Other revenue, gains and losses	*7*	**15,033**	30,612
Selling and distribution expenses		**(94,729)**	(43,693)
Administrative and other operating expenses		**(82,141)**	(79,249)
Impairment loss of goodwill	*16*	**–**	(13,850)
Impairment loss of intangible assets	*17*	**(268,697)**	(19,961)
Impairment loss under expected credit loss model, net reversal/(recognised)		**388**	(19,583)
Profit/(loss) from operating activities	8	**121,724**	(116,243)
Finance costs	10	**(29,796)**	(5,852)
Profit/(loss) before taxation		**91,928**	(122,095)
Income tax (expense)/credit	11	**(34,370)**	7,785
Profit/(loss) for the year		**57,558**	(114,310)
Profit/(loss) for the year attributable to:			
Owners of the Company		**61,864**	(92,028)
Non-controlling interests		**(4,306)**	(22,282)
		57,558	(114,310)
Earnings/(loss) per share			
Basic (HK cents)	13	**1.93**	(2.87)
Diluted (HK cents)	13	**1.93**	(2.87)

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 2021

	2021 **HK$'000**	2020 HK$'000
Profit/(loss) for the year	**57,558**	(114,310)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**1,980**	1,641
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**59,355**	80,825
Other comprehensive income for the year, net of income tax	**61,335**	82,466
Total comprehensive income/(loss) for the year	**118,893**	(31,844)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**114,557**	(13,906)
Non-controlling interests	**4,336**	(17,938)
	118,893	(31,844)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**973,833**	958,281
Right-of-use assets	15	**49,185**	53,699
Goodwill	16	**–**	–
Intangible assets	17	**156,051**	452,400
Prepayments for purchase of property, plant and equipment		**42,336**	41,127
Deferred tax assets	37	**5,938**	7,065
		1,227,343	1,512,572
Current assets			
Inventories	18	**224,392**	209,264
Completed properties held for sale	19	**545,379**	–
Properties under development	20	**–**	2,135,141
Trade receivables	21	**6,156**	8,349
Prepayments, deposits paid and other receivables	22	**130,622**	257,580
Contract costs	23	**5,830**	34,567
Short-term loan receivables	24	**58**	63
Cash and cash equivalents	25	**627,060**	213,434
		1,539,497	2,858,398
Current liabilities			
Trade payables	26	**59,786**	56,114
Accruals and other payables	27	**180,489**	183,551
Contract liabilities	28	**20,332**	17,718
Amounts due to related parties	29	**9,153**	8,003
Loans from non-controlling shareholders of subsidiaries	31	**107,863**	112,157
Bank borrowings – due within one year	32	**–**	1,747,713
Lease liabilities	33	**6,777**	6,898
Tax payable		**101,511**	1,419
		485,911	2,133,573
Net current assets		**1,053,586**	724,825
Total assets less current liabilities		**2,280,929**	2,237,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Capital and Reserves			
Share capital	35	**32,076**	32,076
Reserves	36	**1,777,074**	1,662,517
Equity attributable to owners of the Company		**1,809,150**	1,694,593
Non-controlling interests		**332,452**	373,341
Total equity		**2,141,602**	2,067,934
Non-current liabilities			
Loan from immediate holding company	30	**4,750**	20,396
Bank borrowings – due after one year	32	**61,155**	–
Lease liabilities	33	**37,873**	41,378
Deferred tax liabilities	37	**29,079**	100,913
Net defined benefits liabilities	39	**6,470**	6,776
		139,327	169,463
		2,280,929	2,237,397

The consolidated financial statements on pages 82 to 164 were approved and authorised for issue by the Board of Directors on 30 March 2022 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 2021

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	Translation reserve	Statutory reserve	Merger reserve	Other 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
As at 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 and 1 January 2021	**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**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**61,864**	**61,864**	**(4,306)**	**57,558**
Other comprehensive income for the year											
Remeasurement of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,328**	**1,328**	**652**	**1,980**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**51,365**	**–**	**–**	**–**	**–**	**51,365**	**7,990**	**59,355**
Total comprehensive income for the year	**–**	**–**	**–**	**51,365**	**–**	**–**	**–**	**63,192**	**114,557**	**4,336**	**118,893**
Dividend paid to non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(45,225)**	**(45,225)**
Lapse of share option	**–**	**–**	**(8,272)**	**–**	**–**	**–**	**–**	**(8,272)**	**–**	**–**	**–**
As at 31 December 2021	**32,076**	**2,275,710***	**29,828***	**122,755***	**35,949***	**(203,631)***	**(27,843)***	**(455,694)***	**1,809,150**	**332,452**	**2,141,602**

* The reserve accounts comprise the consolidated reserve of HK$1,777,074,000 (2020: HK$1,662,517,000) 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 2021

	Notes	2021 HK$'000	2020 HK$'000
Operating activities			
Profit/(loss) before taxation		**91,928**	(122,095)
Adjustments for:			
Bank interest income	7	**(688)**	(2,121)
Impairment loss of goodwill	16	**–**	13,850
Impairment loss of intangible assets	17	**268,697**	19,961
Impairment loss under expected credit loss model, net (reversed)/recognised			
– Trade receivables	8, 44	**(388)**	17,514
– Short-term loan receivables	8, 44	**–**	2,069
Impairment loss on inventories, net recognised	8, 18	**35**	–
Depreciation of property, plant and equipment	8, 14	**16,109**	17,494
Depreciation of right-of-use assets	8, 15	**7,742**	7,727
Amortisation of intangible assets	8, 17	**618**	583
Net gain on disposal of property, plant and equipment	8	**–**	(4,057)
Write-off of property, plant and equipment	8	**15**	–
Finance costs	10	**29,796**	5,852
Government grant recognised in profit or loss		**–**	(134)
Gain on lease modification	7	**(57)**	–
Operating cash flows before movements in working capital		**413,807**	(43,357)
(Increase)/decrease in inventories		**(8,685)**	13,486
Decrease/(increase) in properties under development and completed properties held for sale		**1,629,169**	(382,617)
Decrease/(increase) in trade receivables		**2,792**	(3,253)
Decrease in prepayments, deposits paid and other receivables		**8,015**	20,957
Decrease/(increase) in contract costs		**29,333**	(1,184)
Increase in trade payables		**1,993**	6,757
(Decrease)/increase in accruals and other payables		**(5,042)**	49,608
Increase/(decrease) in contract liabilities		**2,064**	(19,166)
Increase in amounts due to related parties		**902**	416
Increase in net defined benefits liabilities		**2,223**	238
Cash generated from/(used in) operations		**2,076,571**	(358,115)
Income tax paid		**(1,317)**	(2,262)
Net cash generated from/(used in) operating activities		**2,075,254**	(360,377)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Investing activities			
Bank interest received	7	**688**	2,121
Purchase of property, plant and equipment	14	**(5,573)**	(30,090)
Proceeds on disposal of property, plant and equipment		**1,407**	14,719
Decrease in other receivables		**124,047**	63,609
Net cash generated from investing activities		**120,569**	50,359
Financing activities			
Interest paid		**(25,437)**	(76,561)
Repayments of lease liabilities		**(9,513)**	(5,472)
New bank borrowings raised		**348,866**	348,224
Repayments of bank borrowings		**(1,967,591)**	–
Advances from non-controlling shareholders of subsidiaries		**–**	660
Advances from immediate holding company		**8,681**	36,607
Repayments to non-controlling shareholders of subsidiaries		**(7,408)**	–
Repayments to immediate holding company		**(72,373)**	(42,679)
Net cash (used in)/generated from financing activities		**(1,724,775)**	260,779
Net increase/(decrease) in cash and cash equivalents		**471,048**	(49,239)
Cash and cash equivalents at beginning of the year		**213,434**	266,197
Effect of exchange rate changes on the balance of cash held in foreign currency		**(57,422)**	(3,524)
Cash and cash equivalents at end of the year		**627,060**	213,434
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	25	**627,060**	213,434

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 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 dollar ("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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

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..

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due to or before 30 June 2022; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases ("HKFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group's financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors.

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

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 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
HKFRS 17	Insurance Contracts and the related Amendments[3]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies[3]
HKAS 8 (Amendments)	Definition of Accounting Estimates[3]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use[2]
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020[2]

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have a significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.

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 disclosure requirements of 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.

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".

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;

- 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.

Goodwill

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

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

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

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, that is, 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 (for example, 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 completed 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 on which the buildings stand.

Construction in progress includes properties in the course of construction for production, supply or administrative purposes and 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 their intended use. No depreciation is provided for these assets which still under construction. 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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

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)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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. 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 end of the reporting period. 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.

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 end of the reporting period 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, for example, 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 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

3. 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; or

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

(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 (that is, 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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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 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)*

Financial assets (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.

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 is determined on a weighted average basis and 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.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of completed properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

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/(loss) before taxation' 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 differences arise 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 differences arise 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 differences and it is probable that the temporary differences 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.

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 (that is, HK$) 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).

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

Trademarks acquired in business combinations are recognised separately from goodwill and are initially recognised at fair value at the acquisition date which is regarded as their cost.

Subsequent to initial recognition, trademarks with definite useful lives and are carried at cost less accumulated amortisation impairment loss. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Subsequent to initial recognition, 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. Entertainment licence with indefinite useful lives is carried at cost less any subsequent accumulated impairment losses.

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.

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).

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

3.2 Significant accounting policies *(Continued)*

Contingent liabilities and contingent assets

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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 of HKFRS 16, 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 stand-alone 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; 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.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

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. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Impairment of entertainment licence with indefinite useful life

Determining whether entertainment licence with indefinite useful life are impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which 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 entertainment licence with indefinite useful life as at 31 December 2021 was HK$152,697,000 (2020: HK$448,532,000). Details of the impairment test of entertainment licence with indefinite useful life are set out in note 17.

(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 2021, the carrying amounts of property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs are HK$973,833,000, HK$49,185,000, HK$3,354,000 and HK$5,830,000 (2020: HK$958,281,000, HK$53,699,000, HK$3,868,000 and HK$34,567,000), respectively.

4. 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 44.2.

(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 judgment 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 2021, no deferred tax asset has been recognised on the tax losses of HK$215,728,000 (2020: 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.

(h) Impairment of properties held for sale

Management assessed the recoverability of the properties held for sale based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location. If the actual net realisable value of the underlying properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

No impairment loss for the properties held for sale was recognised in the profit or loss of the Group in respect of the current year.

5. REVENUE

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

	2021 HK$'000	2020 HK$'000
Revenue recognised at a point in time:		
Sale of completed properties	**2,489,318**	–
Production and distribution of wine	**112,415**	117,160
Entertainment business	**–**	391
	2,601,733	117,551

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

Sale of completed properties

The Group had no sale of properties which remained not completed as at 31 December 2021. As at 31 December 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is Australian dollar ("AUD") AUD553,529,000 (equivalent to HK$3,120,311,000)). This amount represents revenue expected to be recognised after 31 December 2020 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.

Production and distribution of wine

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contract for production and distribution of wine such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for production and distribution of wine that had an original expected duration of one year or less.

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, 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 by reportable segments for the current and prior years:

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
SEGMENT REVENUE								
Revenue from external customers	**2,489,318**	–	**112,415**	117,160	**–**	391	**2,601,733**	117,551
Segment profit/(loss)	**405,600**	(26,034)	**9,365**	(15,343)	**(283,660)**	(64,830)	**131,305**	(106,207)
Unallocated corporate income							**2,040**	1,017
Unallocated corporate expenses							**(11,621)**	(11,053)
Finance costs							**(29,796)**	(5,852)
Profit/(loss) before taxation							**91,928**	(122,095)

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 and the expenses incurred by these segments or which otherwise arose from the depreciation or amortisation of assets attributable to these 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 resources 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 2021

	Real estate, integrated resort and cultural tourism HK$'000	Wine HK$'000	Entertainment business HK$'000	Total HK$'000
Segment assets	**2,066,662**	**495,242**	**192,411**	**2,754,315**
Unallocated				**12,525**
Consolidated total assets				**2,766,840**
Segment liabilities	**275,936**	**277,855**	**59,172**	**612,963**
Unallocated				**12,275**
Consolidated total liabilities				**625,238**

31 December 2020

	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

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

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Unallocated		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	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)	**491**	23,411	**5,077**	20,220	**–**	3,938	**5**	5,081	**5,573**	52,650
Depreciation of property, plant and equipment	**4,125**	3,984	**9,982**	12,233	**1,533**	1,277	**469**	–	**16,109**	17,494
Depreciation of right-of-use assets	**2,749**	2,539	**2,432**	2,293	**156**	130	**2,405**	2,765	**7,742**	7,727
Amortisation of intangible assets	**–**	–	**618**	583	**–**	–	**–**	–	**618**	583
Impairment loss on trade receivables recognised in profit or loss, net of reversal	**–**	–	**(348)**	523	**(40)**	16,991	**–**	–	**(388)**	17,514
Impairment loss on short-term loan receivables recognised in profit or loss, net of reversal	**–**	–	**–**	–	**–**	2,069	**–**	–	**–**	2,069
Impairment loss of intangible assets	**–**	–	**–**	–	**268,697**	19,961	**–**	–	**268,697**	19,961
Impairment loss of goodwill	**–**	–	**–**	–	**–**	13,850	**–**	–	**–**	13,850
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	**(407)**	(1,703)	**(125)**	(76)	**–**	(15)	**(156)**	(327)	**(688)**	(2,121)
Finance costs	**23,894**	667	**3,909**	4,726	**346**	304	**1,647**	155	**29,796**	5,852
Income tax expense/(credit)	**98,687**	34	**1,399**	915	**(65,716)**	(8,734)	**–**	–	**34,370**	(7,785)

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 contributed 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 external customers (based on where the goods are sold and the services are provided) and non-current assets (based on the geographical location of the assets) for the current and prior years:

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (including Hong Kong)	**112,415**	117,160	**210,030**	212,386
South Korea	**–**	391	**1,005,099**	1,283,198
Australia	**2,489,318**	–	**6,276**	9,923
	2,601,733	117,551	**1,221,405**	1,505,507

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

7. OTHER REVENUE, GAINS AND LOSSES

	2021	2020
	HK$'000	HK$'000
Government grants (Note 34)	**13,552**	18,671
Rental income	**1,074**	969
Bank interest income	**688**	2,121
Net gain on disposal of property, plant and equipment	**–**	4,057
Net foreign exchange (loss)/gain	**(4,008)**	2,577
Gain on lease modification	**57**	–
Others	**3,670**	2,217
	15,033	30,612

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	2021 HK$'000	2020 HK$'000
Profit/(loss) from operating activities has been arrived at after charging/(crediting):		
Staff costs, including directors' emoluments		
– Salaries and allowances	**50,882**	41,223
– Retirement benefits scheme contributions	**4,217**	3,448
Total staff costs	**55,099**	44,671
Auditor's remuneration		
– audit services	**1,000**	1,200
– non-audit services	**50**	–
Amortisation of intangible assets	**618**	583
Cost of completed properties sold	**1,989,702**	–
Cost of inventories recognised as expenses	**51,479**	73,293
Net gain on disposal of property, plant and equipment	**–**	(4,057)
Depreciation of property, plant and equipment	**16,109**	17,494
Depreciation of right-of-use assets	**7,742**	7,727
Impairment loss on trade receivables, net (reversed)/recognised	**(388)**	17,514
Impairment loss on short-term loan receivables, net recognised	**–**	2,069
Impairment loss on inventories, net recognised	**35**	–
Write-off of property, plant and equipment	**15**	–
Research and development costs (included in administrative and other operating expenses)	**1,554**	714

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 2021

	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	120	–	–	–	120
Zhang Jian	120	–	–	–	120
Hang Guangyu	120	–	–	–	120
Liu Huaming	120	–	–	–	120
Independent non-executive directors					
Ting Leung Huel, Stephen	360	–	–	–	360
Tse Kwong Hon	180	–	–	–	180
Cao Kuangyu	180	–	–	–	180
	1,200	–	–	–	1,200

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

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

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	120	–	–	–	120
Zhang Jian	120	–	–	–	120
Hang Guangyu	120	–	–	–	120
Liu Huaming	120	–	–	–	120
Ng Kwong Chue, Paul (note (a))	56	653	–	9	718
Su Bo (note (b))	–	–	–	–	–
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

Notes:

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

During the year, no amount was paid by the Group to any of the directors and the chief executive, or any of the non-director and the non-chief executive, or highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: None).

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

(b) Employees' emoluments

The five highest paid employees of the Group during the year not included any director (2020: one director), details of whose remuneration are set out in note 9(a) above. Details of the remuneration for the year of the remaining 5 (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowance and benefits in kind	**5,138**	3,949
Retirement benefits scheme contributions	**212**	279
	5,350	4,228

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:

	2021 Number of employees	2020 Number of employees
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**2**	2
	5	4

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**46,359**	89,644
Interest on loan from immediate holding company	**1,485**	2,065
Interest on lease liabilities	**2,874**	3,770
	50,718	95,479
Less: Amounts capitalised in the cost of qualifying assets	**(20,922)**	(89,627)
	29,796	5,852

Borrowing costs capitalised to construction in progress and properties under development at a rate of 2.36% (2020: 5.01%) per annum.

11. INCOME TAX EXPENSE/(CREDIT)

	2021 HK$'000	2020 HK$'000
Current tax:		
PRC Enterprise Income Tax	**1,312**	920
Other jurisdictions	**98,640**	3
Under-provision in prior years:		
PRC Enterprise Income Tax	**–**	126
Deferred tax (Note 37)	**(65,582)**	(8,834)
	34,370	(7,785)

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) before taxation	**91,928**	(122,095)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	**15,168**	(20,146)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**32,157**	(1,055)
Tax effect of tax losses not recognised	**5,031**	10,109
Utilisation of tax losses not previously recognised	**(22,233)**	–
Tax effect of income not taxable for tax purpose	**(10,939)**	(2,808)
Tax effect of expenses not deductible for tax purpose	**15,186**	6,038
Tax effect of temporary differences not recognised	**–**	(49)
Under-provision in prior years	**–**	126
Income tax expense/(credit) for the year	**34,370**	(7,785)

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

The tax payable in the consolidated statement of financial position represented as follows:

	2021 HK$'000	2020 HK$'000
PRC	**1,464**	1,287
Australia	**99,925**	–
South Korea	**122**	132
	101,511	1,419

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

13. EARNINGS/(LOSS) PER SHARE

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	**61,864**	(92,028)

	Number of shares 2021	2020
Weighted average number of shares for the purposes of basic and diluted earnings/(loss) per share	**3,207,591,674**	3,207,591,674

For the year ended 31 December 2021, the computations of diluted earnings per share (2020: diluted loss per share) were on the assumption that the Company's share options granted would not be exercised as the exercise price of these share options was higher than the average market price of the shares.

The diluted earnings/(loss) per share and basic earnings/(loss) per share for the years ended 31 December 2021 and 31 December 2020 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 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 and 1 January 2021	591,550	185,283	104,679	2,789	106,752	100,114	9,372	3,449	6,980	15,514	1,126,482
Exchange realignment	17,398	5,448	3,078	33	3,154	2,939	(520)	88	190	(1,240)	30,568
Transfer	(1,332)	–	–	–	953	120	–	259	–	–	–
Additions	3,015	–	–	–	129	1,970	13	40	406	–	5,573
Disposals	(1,407)	–	–	(25)	(53)	(15)	(124)	(72)	–	–	(1,696)
At 31 December 2021	**609,224**	**190,731**	**107,757**	**2,797**	**110,935**	**105,128**	**8,741**	**3,764**	**7,576**	**14,274**	**1,160,927**
Accumulated depreciation											
At 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 and 1 January 2021	–	–	8,311	1,702	44,221	85,733	7,669	2,888	5,974	11,703	168,201
Exchange realignment	–	–	293	20	1,386	2,514	(435)	78	162	(960)	3,058
Provide for the year	–	–	3,362	470	5,998	3,676	795	549	492	767	16,109
Eliminated on disposals	–	–	–	(24)	(51)	(13)	(119)	(67)	–	–	(274)
At 31 December 2021	**–**	**–**	**11,966**	**2,168**	**51,554**	**91,910**	**7,910**	**3,448**	**6,628**	**11,510**	**187,094**
Carrying amount											
At 31 December 2021	**609,224**	**190,731**	**95,791**	**629**	**59,381**	**13,218**	**831**	**316**	**948**	**2,764**	**973,833**
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

The construction in progress represents the costs incurred for a development property project in Jeju District, South Korea held by a subsidiary, Macrolink Glorious Hill Co., Ltd. ("Glorious Hill"), a subsidiary of the Company, which comprises cost of land acquired and development expenditure incurred. On 31 August 2021, the Jeju District court, South Korea judged that Glorious Hill had not fulfilled the requirements in relation to the property project development, accordingly, the development project was suspended. Management has conducted impairment assessment of the development project and based on the valuation of fair value of the underlying land relating to the project, as of the view that no impairment loss is required to be made for the project as the estimated fair value of the land is not less than the carrying amount of the project, comprising the land cost and development expenditure incurred.

Assets pledged as securities

As at 31 December 2021, the Group's buildings with an aggregate carrying amount of HK$18,014,000 (2020: HK$18,486,000) 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 2021				
Carrying amount	9,061	32,020	8,104	49,185
As at 31 December 2020				
Carrying amount	12,263	33,181	8,255	53,699
For the year ended 31 December 2021				
Depreciation charge	5,310	2,106	326	7,742
For the year ended 31 December 2020				
Depreciation charge	5,434	1,965	328	7,727

	Year ended 31/12/2021	Year ended 31/12/2020
Expense relating to short-term leases	**1,689**	4,835
Total cash outflow for leases	**14,076**	14,077
Additions to right-of-use assets	**4,616**	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 2021, the Group's land use rights with carrying amount of HK$5,439,000 (2020: HK$5,459,000) were pledged as securities for the Group's bank borrowings.

Restrictions or covenants on leases

In addition, lease liabilities of HK$44,650,000 are recognised with related right-of-use assets of HK$49,185,000 as at 31 December 2021 (2020: lease liabilities of HK$48,276,000 and related right-of-use assets of HK$53,699,000). 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.

The Group regularly entered into short-term leases for its operations. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above. As at 31 December 2021, the outstanding lease commitments relating to the short-term leases is HK$859,000 (2020: HK$1,263,000).

16. GOODWILL

	HK$'000
Cost	
As at 1 January 2020	205,649
Exchange realignment	4,444
As at 31 December 2020 and 1 January 2021	210,093
Exchange realignment	(6,369)
As at 31 December 2021	**203,724**
Accumulated impairment losses	
As at 1 January 2020	191,519
Impairment loss recognised in the year	13,850
Exchange realignment	4,724
As at 31 December 2020 and 1 January 2021	210,093
Exchange realignment	(6,369)
As at 31 December 2021	**203,724**
Carrying amount	
As at 31 December 2021	**–**
As at 31 December 2020	–

Goodwill is allocated to the Group's entertainment business:

Impairment test of entertainment business

For the year ended 31 December 2020, 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%. The cash flows beyond this 5-year period are extrapolated using a 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 is recognised for the year ended 31 December 2020.

17. INTANGIBLE ASSETS

	Farmland development HK$'000	Entertainment licence HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Total HK$'000
Cost					
As at 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
As at 31 December 2020 and 1 January 2021	15,219	470,096	1,811	622	487,748
Exchange realignment	416	(37,581)	53	20	(37,092)
As at 31 December 2021	**15,635**	**432,515**	**1,864**	**642**	**450,656**
Accumulated amortisation and impairment					
As at 1 January 2020	10,151	–	1,701	582	12,434
Exchange realignment	617	1,603	110	40	2,370
Amortisation for the year	583	–	–	–	583
Impairment loss recognised for the year	–	19,961	–	–	19,961
As at 31 December 2020 and 1 January 2021	11,351	21,564	1,811	622	35,348
Exchange realignment	312	(10,443)	53	20	(10,058)
Amortisation for the year	618	–	–	–	618
Impairment loss recognised for the year	–	268,697	–	–	268,697
As at 31 December 2021	**12,281**	**279,818**	**1,864**	**642**	**294,605**
Carrying amount					
As at 31 December 2021	**3,354**	**152,697**	**–**	**–**	**156,051**
As at 31 December 2020	3,868	448,532	–	–	452,400

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$618,000 (2020: HK$583,000) is included in the administrative expenses in the consolidated statement of profit or loss.

Included in farmland development is an amount of HK$3,354,000 (2020: HK$3,868,000) 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 1 to 9 years (2020: 2 to 10 years).

17. INTANGIBLE ASSETS *(Continued)*

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$152,697,000 (2020: HK$448,532,000) 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 2021, the directors performed impairment assessment on the Group's entertainment business. The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2020: five-year), and discount rate of 12% (2020: 12%). The cash flows beyond the five-year period (2020: five -year) are extrapolated using a steady 2% growth rate (2020: 3%). The growth rate 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. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations for the market development. The cash flow projections, growth rates and discount rate as at 31 December 2021 and 2020 have been reassessed taking into consideration higher degree of estimation uncertainties due to how the Covid-19 pandemic may progress and evolve. Based on the above assessment, the directors concluded that impairment loss of HK$268,697,000 (2020: HK$19,961,000) and nil (2020: HK$13,850,000), was recognised in respect of intangible assets and goodwill, respectively, which arose from the expected decline of the Group's entertainment business due to keen competition.

In addition, management also considered that if the discount rate adopted for the above impairment assessment was changed to 13%, while other key inputs and parameters remained unchanged, the recoverable amount of entertainment licence would have been reduced to HK$114,695,000 and further impairment loss on the entertainment licence of HK$18,730,000 would have been recognised in the consolidated financial statements.

18. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials	**17,603**	114,624
Work in progress	**189,334**	65,136
Finished goods	**17,455**	29,504
	224,392	209,264

Included in raw materials of HK$4,850,000 (2020: HK$112,587,000) 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 2021 and have the impairment loss of HK$35,000 (2020: Nil).

19. COMPLETED PROPERTIES HELD FOR SALE

	2021 HK$'000	2020 HK$'000
Completed properties in the Australia held for sale, at cost (Note 20)	**545,379**	–

The directors of the Company conducted impairment assessment of the completed properties with reference to prevailing market conditions and the estimated selling prices of the properties provided by an independent professional valuer and concluded that no impairment of completed properties was to be made as the estimated selling prices of the properties are not loss than their carrying amount.

20. PROPERTIES UNDER DEVELOPMENT

As at 31 December 2021, the development of the Group's properties located in Australia was completed. The cost of the properties sold amounted to approximately HK$1,989,702,000 (2020: Nil) was recognised as cost of completed properties sold (note 8). The cost of properties remained unsold at 31 December 2021 amounted to HK$545,379,000 (2020: Nil) was reclassified as and included in cost of completed properties (note 19).

Properties under development at 31 December 2020 with the carrying amount of HK$2,135,141,000 included the project costs, land acquisition costs and development expenditure incurred, finance costs and other preliminary infrastructure costs in relation to the Group's property development project. The net realisable value of the properties under development was determined by the management with reference to the valuation performed by an independent professional valuer. The valuation adopted the residual method, which was based on the completed gross development value and deducting development costs, estimated selling expenses and the Group's return.

As at 31 December 2020, the Group's properties under development with the carrying amount of HK$2,135,141,000 were pledged as securities for the Group's bank borrowings.

21. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**7,547**	10,043
Receivables from entertainment business	**22,081**	24,042
Less: allowance for expected credit losses	**(23,472)**	(25,736)
	6,156	8,349

As at 1 January 2020, trade receivables from contracts with customers (net of allowance for credit losses) amounted to approximately HK$21,996,000.

The Group generally allows an average credit period ranging from 30 to 180 days (2020: 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.

21. TRADE RECEIVABLES *(Continued)*

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:

	2021 HK$'000	2020 HK$'000
Within 30 days	**3,731**	5,916
More than 30 days and within 60 days	**47**	1,085
More than 60 days and within 90 days	**327**	303
More than 90 days and within 180 days	**960**	770
More than 180 days and within 360 days	**1,091**	275
At 31 December	**6,156**	8,349

As at 31 December 2021, included in the Group's trade receivables were debtors with aggregate carrying amounts of HK$1,091,000 (2020: HK$275,000) (net of allowance for credit losses) which were past due as at the end of the reporting period. Out of the past due balances, HK$743,000 (2020: HK$183,000) had been past due for 90 days or more and was not considered as in default due to good track record of the debtors with the Group. The Group did not hold any collateral over these balances.

As at 31 December 2021, trade receivables (net of allowance for credit losses) with amounts of approximately HK$6,156,000 (2020: HK$8,349,000), was denominated in Renminbi ("RMB").

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:

	2021 HK$'000	2020 HK$'000
Current (not past due)	**5,064**	8,074
1 to 90 days past due	**349**	92
91 to 180 days past due	**260**	183
181 to 360 days past due	**483**	–
At 31 December	**6,156**	8,349

Details of impairment assessment of trade receivables are set out in note 44.2.

22. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**54,453**	30,211
Deposits paid (note (i))	**70,318**	93,178
Other receivables (note (ii))	**5,907**	134,246
	130,678	257,635
Less: allowance for expected credit losses of other receivables	**(56)**	(55)
	130,622	257,580

Notes:

(i) Included in year-end balance was an amount of HK$60,866,000 (2020: HK$79,955,000) relating to guaranteed deposits for construction of the property placed in designated accounts in accordance with relevant government requirements.

(ii) As at 31 December 2020, an amount of HK$122,261,000 represented the outstanding consideration denominated in Canadian Dollar ("CAD") for the disposal of the Mackenzie Creek Project. To secure the Purchaser's obligation to pay the outstanding consideration, the Purchaser had pledged the security interest 51% of MC Entities in favour of the Group's wholly-owned subsidiary, NSR Toronto Holdings Limited ("NSR Toronto"). During the year ended 31 December 2021, the outstanding consideration was fully settled.

As at 31 December 2021, deposits paid and other receivables (net of allowance for credit losses) with amounts of approximately HK$59,298,000 (2020: HK$25,943,000), HK$7,412,000 (2020: HK$11,680,000), HK$233,000 (2020: HK$123,395,000) and HK$62,342,000 (2020: HK$86,044,000) were denominated in RMB, KRW, CAD and AUD.

Details of impairment assessment are set out in note 44.2.

23. CONTRACT COSTS

	2021 HK$'000	2020 HK$'000
Incremental costs to obtain contracts		
– current	**5,830**	34,567

Contract costs capitalised related to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which were under construction and which was expected to be completed within next 12 months (2020: 12 months) at the reporting date. Contract costs are recognised as costs of revenue in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2020: Nil).

24. SHORT-TERM LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Unsecured loan	**71**	77
Less: allowance for expected credit losses	**(13)**	(14)
	58	63

Loan receivables are unsecured, interest-free and repayable on demand.

All of the loan receivables are denominated in KRW.

Details of impairment assessment are set out in note 44.2.

25. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Bank balances and cash	**627,060**	213,434

As at 31 December 2021, cash and cash equivalents with amounts of approximately HK$24,863,000 (2020: HK$26,576,000), HK$632,000 (2020: HK$2,335,000), HK$92,454,000 (2020: HK$65,672,000) and HK$501,270,000 (2020: HK$111,996,000) are denominated in RMB, KRW, CAD and AUD.

Bank balances carry interest at market rates which ranged from 0.001% to 0.350% (2020: 0.001% to 0.350%) per annum.

26. TRADE PAYABLES

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

	2021 HK$'000	2020 HK$'000
Within 90 days	**26,718**	35,425
More than 90 days and within 180 days	**576**	8,513
More than 180 days and within 360 days	**9,163**	11,322
More than 360 days	**23,329**	854
	59,786	56,114

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

As at 31 December 2021, all trade payables were denominated in RMB.

27. ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Accruals	**33,963**	26,848
Construction cost payables	**31,509**	56,253
Dividend payable to non-controlling shareholders of subsidiaries	**4,005**	3,891
Amount due to third parties (note)	**94,039**	70,536
Other tax	**3,928**	12,640
Others	**13,045**	13,383
	180,489	183,551

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

As at 31 December 2021, accruals and other payables with amounts of approximately HK$3,844,000 (2020: HK$3,237,000) and HK$5,309,000 (2020: HK$4,766,000) were denominated in KRW and AUD.

28. CONTRACT LIABILITIES

Contract liabilities represented the advances received from customers in relation to the Group's wine business. Customers obtain control of the goods when the goods are delivered, and revenue is recognised at a point in time.

	2021 HK$'000	2020 HK$'000
As at 1 January	**17,718**	35,666
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(6,100)**	(19,166)
Increase of receipts in advance from customers	**8,164**	–
Exchange realignment	**550**	1,218
As at 31 December	**20,332**	17,718

29. AMOUNTS DUE TO RELATED PARTIES

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

	2021 HK$'000	2020 HK$'000
Beijing Macrolink Land Limited (note (i))	**8,179**	7,057
MACRO-LINK International Investment Co., Ltd. (note (i))	**974**	946
	9,153	8,003

Notes:

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

As at 31 December 2021, amounts due to related parties with amounts of approximately HK$3,844,000 (2020: HK$3,237,000) and HK$5,309,000 (2020: HK$4,766,000) were denominated in KRW and AUD.

30. LOAN FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured with an effective interest rate of 9.43% (2020: 7.32%) per annum and the immediate holding company agreed not to demand for repayment within one year from the end of the reporting period.

31. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Except for an amount of HK$812,000 (2020: HK$758,000) which was unsecured, bearing interest at 4.6% per annum and repayable within one year, the remaining amounts were unsecured, interest-free and repayable on demand (2020: one year).

As at 31 December 2021, loan from non-controlling shareholders of subsidiaries with amounts of approximately HK$812,000 (2020: HK$758,000) was denominated in KRW.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured (notes (i) and (ii))	**61,155**	1,747,713
Bank borrowings are repayable as follows:		
Within one year or on demand	**–**	1,747,713
More than one year, but not exceeding two years	**61,155**	–
Total bank borrowings	**61,155**	1,747,713

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

	2021 HK$'000	2020 HK$'000
Fixed-rate borrowings	**–**	1,267,403
Variable-rate borrowings	**61,155**	480,310
	61,155	1,747,713

Notes:

(i) As at 31 December 2021, bank loan of HK$61,155,000 (2020: HK$59,408,000) was secured by (1) the Group's buildings and land use rights located in the PRC with carrying amounts of HK$18,014,000 and HK$5,439,000 (2020: buildings HK$18,486,000 and land use rights HK$5,459,000), respectively, and (2) personal guarantee from Mr. Wu Shui Lin (2020: 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 was secured by the Group's properties under development located in Sydney, Australia with carrying amounts of HK$2,135,141,000).

The Group's variable-rate borrowings carried interest at 1.7% plus base rate and the effective interest rate at 1.8% per annum. The Group's fixed-rate borrowings carried an effective interest rate ranging from 4.0% to 4.3% (2020: 3.0% 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).

As at 31 December 2021, bank borrowings with amounts of approximately HK$61,155,000 (2020: HK$59,408,000) and HK$nil (2020: HK$1,688,305,000) were denominated in RMB and AUD.

33. LEASE LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Lease liabilities payable:		
Within one year	**6,777**	6,898
Within a period of more than one year but not exceeding two years	**5,584**	5,238
Within a period of more than two years but not exceeding five years	**6,243**	8,993
Within a period of more than five years	**26,046**	27,147
	44,650	48,276
Less: Amount due for settlement with 12 months shown under current liabilities	**(6,777)**	(6,898)
Amount due for settlement after 12 months shown under non-current liabilities	**37,873**	41,378

The weighted average incremental borrowing rates applied to lease liabilities was 6.23% (2020: 6.27% per annum).

34. GOVERNMENT GRANT

During the year ended 31 December 2021, the Group has recognised HK$13,552,000 (2020: HK$18,671,000) in the consolidated statement of profit or loss representing government grant received from various local governments for the contribution towards the Group's business in the PRC (including Hong Kong), Australia and South Korea. There are no unfulfilled conditions or contingencies relating to these government grants.

35. SHARE CAPITAL

	Number of shares		**Par value**	
	2021 **'000**	2020 '000	**2021** HK$'000	2020 HK$'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/end of the reporting period	**3,207,592**	3,207,592	**32,076**	32,076

36. 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. HK$) 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. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

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.

37. 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
As at 1 January 2020	917	1,682	2,599
Exchange realignment	395	67	462
Credited/(charged) to profit or loss	4,263	(259)	4,004
As at 31 December 2020 and 1 January 2021	5,575	1,490	7,065
Exchange realignment	(386)	(117)	(503)
Charged to profit or loss	(538)	(86)	(624)
As at 31 December 2021	**4,651**	**1,287**	**5,938**

Deferred tax liabilities

	Fair value adjustment on intangible asset acquired in business combination HK$'000	Revaluation of properties HK$'000	Total HK$'000
As at 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
As at 31 December 2020 and 1 January 2021	(98,442)	(2,471)	(100,913)
Exchange realignment	5,722	(94)	5,628
Credited to profit or loss	66,206	–	66,206
As at 31 December 2021	**(26,514)**	**(2,565)**	**(29,079)**

37. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities *(Continued)*

At the end of the reporting period, the Group had unused tax losses of HK$215,728,000 (2020: HK$242,193,000) 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$69,165,000 (2020: HK$90,221,000) 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:

	2021 HK$'000	2020 HK$'000
Year of expiry		
2021	**–**	1,521
2022	**5,546**	6,547
2023	**1,546**	1,501
2024	**2,668**	2,592
2025	**31,404**	30,647
2026	**16,383**	15,593
2027	**36,507**	39,678
2028	**12,628**	13,725
2029	**16,231**	17,642
2030	**20,725**	22,526
2031	**2,925**	–
	146,563	151,972

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 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$25,611,000 (2020: HK$25,201,000). 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.

38. 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 39).

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

During the year ended 31 December 2021, there were no forfeited contributions included in retirement benefits schemes contributions (2020: nil).

39. 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 of employment multiplied by the number of years' service.

For the years ended 31 December 2021 and 2020, 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:

	2021	2020
Discount rate	**2.98%–3.03%**	2.34%–2.47%
Expected rate of salary increase	**2.00%–4.50%**	2.00%–4.50%

39. 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:

	2021 HK$'000	2020 HK$'000
Present value of funded defined benefit obligation	**11,602**	13,396
Fair value of plan assets	**(5,132)**	(6,620)
Net liability arising from defined benefit obligation	**6,470**	6,776

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

	2021 HK$'000	2020 HK$'000
As at 1 January	**13,396**	13,564
Current service costs	**2,049**	2,885
Interest cost on benefit obligations	**290**	274
Benefits paid during the year	**(1,089)**	(2,592)
Remeasurement gain recognised in other comprehensive income	**(1,998)**	(1,717)
Exchange realignment	**(1,046)**	982
As at 31 December	**11,602**	13,396

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

	2021 HK$'000	2020 HK$'000
As at 1 January	**(6,620)**	(5,842)
Interest income	**(158)**	(141)
Remeasurement of defined benefit plans	**18**	76
Contributions by the Group	**515**	(2,443)
Benefit paid by plan assets	**616**	2,362
Exchange realignment	**497**	(632)
As at 31 December	**(5,132)**	(6,620)

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

39. 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 be decreased by HK$923,000 (increased by HK$1,077,000) (2020: decreased by HK$2,531,000 (increase by HK$3,118,000)).

- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would be increased by HK$1,078,000 (decreased by HK$941,000) (2020: increased by HK$3,112,000 (decrease by HK$2,540,000)).

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 2021 is 9.61 years for MegaLuck Co., Ltd ("MegaLuck") and 10.92 years for Glorious Hill (2020: 10.34 years for MegaLuck and 11.04 years for Glorious Hill).

For the year ended 31 December 2021, the Group expects to make a contribution of HK$509,000 (2020: HK$723,000) to the defined benefit plan during the next financial year.

40. PLEDGE OF ASSETS

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

	2021 **HK$'000**	2020 HK$'000
Property, plant and equipment (note 14)	**18,014**	18,486
Right-of-use assets (note 15)	**5,439**	5,459
Properties under development (note 20)	**–**	2,135,141
	23,453	2,159,086

41. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Contracted for but not provided for in the consolidated financial statements:		
In connection with acquisition of lands	**9,840**	10,695

42. 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 shares were issuable under options granted to eligible participants at an exercise price of HK$2.00 per share under the terms of the 2012 Scheme.

42. SHARE OPTION SCHEME *(Continued)*

Details of the outstanding share options during the year ended 31 December 2021 were as follows:

Name of category of participants	Date of grant	Exercise period	Exercisable price per share HK$	Number of shares issuable under options: Outstanding as at 1.1.2020	Lapsed during the year	Outstanding as at 31.12.2020 and 1.1.2021	Lapsed during the year	Outstanding as at 31.12.2021
Directors								
Mr. Zhang Jian	4.7.2016	4.7.2016 to 3.7.2026	2.0381	7,850,400	–	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	–	7,850,400
Mr. Liu Huaming	4.7.2016	4.7.2016 to 3.7.2026	2.0381	7,850,400	–	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	(20,607,300)	47,102,400
	31.3.2017	31.3.2017 to 30.3.2027	2.0000	3,000,000	–	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	–	10,000,000
Total				138,606,400	(34,345,500)	104,260,900	(20,607,300)	83,653,600
Exercisable at the end of the reporting period				138,606,400		104,260,900		83,653,600
Weighted average exercise price				2.0345	2.0381	2.0333	2.0381	2.0322

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.

43. CONTINGENT LIABILITIES

Legal proceedings of NSR Toronto

(a) NSR Toronto Holdings Ltd., an indirect 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 Defendants"), which were all then non-wholly owned subsidiaries and/or affiliates of NSR Toronto, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "CIM Defendants", together with the Project 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 Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim was commenced without the authority of the Project 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 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 a reply and defence to the Amended Counterclaim.

As at the date of this announcement, relevant discoveries have not yet been scheduled. NSR Toronto, with the advice from the Canadian legal council, has determined for various strategic reasons not to advance this claim at current time.

(b) 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 direct parent of NSR Toronto (and wholly owned subsidiary of the Company) and the Company, (the "NSR Defendants I"), NSR Toronto and the officer of NSR Toronto (the "NSR Defendants II", together with the "NSR Defendants I", 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 II 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.

43. CONTINGENT LIABILITIES *(Continued)*

Legal proceedings of NSR Toronto *(Continued)*

(b) *(Continued)*

Subsequently, on 11 February 2021, one of the Plaintiffs served a motion record requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim, among which, a certificate of pending litigation as against the lands in the Disposal (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 the NSR Defendants I which have not been served yet with the 2020 Claim; and (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 (the "Plaintiff's motion"). The court granted the service-related relief on 15 June 2021, but items (a) and (d) remain outstanding (see below).

On 5 May 2021, the NSR Defendants II served a motion record for an order striking out the claims against them in the Amended 2020 Clam under the Rules of Civil Procedure (the "NSR Defendants II's motion"). The motion was heard on 25 June 2021 and granted on 30 August 2021, with costs in favour of the NSR Defendants II fixed at CAD70,000. The Plaintiffs have appealed this decision to the Court of Appeal; the appeal is to be heard on 12 May 2022.

On 15 June 2021, also in respect of the Plaintiffs' 11 February 2021 motion, the Ontario Court made orders to the effect that service on the NSR Defendants I was validated.

On 7 March 2022 the Ontario Superior Court heard the balance of the Plaintiffs' 11 February 2021 motion (ie, as to the issuance of a certificate of pending litigation and regarding the payment into court of the alleged CAD5 million consulting fee). The court also heard the cross motion by the NSR Defendants I to challenge the Ontario courts' jurisdiction over them. The court reserved its decision on all matters. It is expected that the court will issue its decision within two months.

(c) On 9 June 2021 (Toronto time), NSR Toronto filed a statement of claim in the Ontario Court to claim against Global King Inc ("Global King") for compensatory damages of CAD7.2 million as well as punitive and exemplary damages of CAD0.1 million damages for Global King's interference in the disposition of Mackenzie Creek Project in 2019. Global King Inc responded with a statement of defence on 29 July 2021. The parties are preparing affidavits of documents and are discussing a Discovery Plan, which is expected to be agreed by legal counsel for both the Plaintiff and the Defendants.

NSR Toronto will press the parties for completion of a Discovery Plan, failing which we may need to bring a motion to have the court set the dates of trials. The Discovery Plan would enable our Company to schedule examinations for discovery for dates of trials in April or May in 2022, depending on the availability of the parties.

Based on the advice from 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 accounts during the Period in respect of the Amended Counterclaim and the Amended 2020 Claim.

44. FINANCIAL INSTRUMENTS

44.1 Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Amortised cost	**709,443**	449,215
Financial liabilities		
Amortised cost	**385,305**	2,088,446

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 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, 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, KRW, CAD and 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 profit/(loss) for the year ended 31 December 2021 would increase/decrease by HK$2,474,000 (2020: decrease/increase by HK$1,334,000).

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 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 as at 31 December 2021 on trade receivables from the Group's largest customer and the Group's top five major customers which accounted for 51.46% and 78.27% (2020: 27.0% to 79.8%), 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 reversed of HK$388,000 (2020: HK$17,514,000 net impairment loss recognised) 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 2021, the balance of loss allowance in respect of other receivables HK$56,000 (2020: HK$55,000).

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 2021, the balance of loss allowance in respect of these individually assessed receivables were HK$13,000 (2020: HK$14,000).

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 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	2021 Gross carrying amounts HK$'000	HK$'000	2020 Gross carrying amounts HK$'000	HK$'000
Financial assets at amortised cost							
Trade receivables	21	Note 1	Lifetime ECL (not credit-impaired) — Provision Matrix	**7,547**		10,043	
		Loss	Credit-impaired	**22,081**	**29,628**	24,042	34,085
Other receivables and deposits paid	22	Low risk	12m-ECL (Note 2)	**76,225**		227,424	
Short-term loan receivables	24	Loss	Credit impaired (Note 2)	**71**		77	
Bank balances	25	Low risk	12m-ECL	**627,060**		213,434	

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 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$22,081,000 as at 31 December 2021 (2020: HK$24,042,000) were assessed individually.

Gross carrying amount

	2021		2020	
	Average loss rate	**Trade receivables HK$,000**	Average loss rate	Trade receivables HK$,000
Current (not past due)	**0.6%**	**5,093**	1.7%	8,212
1–90 days past due	**11.4%**	**394**	24.6%	122
More than 90 days past due	**64.0%**	**2,060**	89.3%	1,709
		7,547		10,043

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 2021, the Group provided HK$348,000 (2020: HK$523,000 net impairment allowance) net impairment reversed for trade receivables based on the provision matrix. A net impairment allowance reversed of H$40,000 (2020: HK$16,991,000 net impairment allowance) were made on debtors with credit-impaired debtors.

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 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
As at 1 January 2020	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)
As at 31 December 2020	**1,694**	**24,042**	**25,736**
Exchange adjustments	**45**	**(1,921)**	**(1,876)**
Impairment loss recognised	**463**	**–**	**463**
Impairment loss reversed	**(811)**	**(40)**	**(851)**
As at 31 December 2021	**1,391**	**22,081**	**23,472**

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
As at 1 January 2020	51	4,657	4,708
Exchange adjustments	4	(90)	(86)
Impairment loss recognised	–	2,069	2,069
Write-offs	–	(6,622)	(6,622)
As at 31 December 2020	**55**	**14**	**69**
Exchange adjustments	**1**	**(1)**	**–**
As at 31 December 2021	**56**	**13**	**69**

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 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
As at 31 December 2021						
Non-derivative financial liabilities						
Trade payables	–	59,786	–	–	59,786	59,786
Other payables	–	142,598	–	–	142,598	142,598
Amounts due to related parties	–	9,153	–	–	9,153	9,153
Loan from immediate holding company	9.43	448	5,198	–	5,646	4,750
Loans from non-controlling shareholders of subsidiaries	4.60	812	–	–	812	812
Loans from non-controlling shareholders of subsidiaries	–	107,051	–	–	107,051	107,051
Lease liabilities	6.23	9,340	19,483	44,644	73,467	44,650
Bank borrowings	4.24	2,588	63,323	–	65,911	61,155
		331,776	88,004	44,644	464,424	429,955

	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
As 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	6.27	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

45. 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 equity, as shown in the consolidated statement of financial position.

Gearing Ratio

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	2021	2020
	HK$'000	HK$'000
Total borrowings	**218,418**	1,928,542
Total equity	**2,141,602**	2,067,934
Gearing ratio	**10.20%**	93.26%

46. 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

	2021	2020
	HK$'000	HK$'000
Sales of goods		
Yunnan JLF Trading (note (i))	**2,944**	1,569
Purchase of goods		
SAS Macrolink France (note (ii))	**–**	215
Guizhou Zhenjiu Sales Co., Ltd. ("Guizhou Zhenjiu") (note (iii))	**8,837**	–

Notes:

(i) It is a related party of the Group as Mr. Fu is the brother-in-law of Mr. Wu Xiangdong, 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.

(iii) It is a related party of the Group as Mr. Fu is the brother-in-law of Mr. Wu Xiangdong, who is a substantial shareholder of Guizhou Zhenjiu.

On 13 September 2021, Diqing Shangri-la entered into the 2021 Zhenjiu Agreement with Guizhou Zhenjiu, pursuant to which Diqing Shangri-la has agreed to purchase Zhenjiu wines from Guizhou Zhenjiu with an annual cap of RMB8.3 million (equivalent to HK$9.96 million) for each of three years ending 31 December 2023.

46. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balance with related parties

As at 31 December 2021, prepayments, deposits paid and other receivables in note 22 above included amounts HK$130,000 (2020: HK$856,000) due to related companies which are controlled by Mr. Wu Xiangdong. The amount was unsecured, non- interest bearing and repayable on demand.

(c) Compensation of key management personnel

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

	2021 **HK$'000**	2020 HK$'000
Short-term employee benefits	**2,050**	2,376
Post-employment benefits	**18**	20
	2,068	2,396

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.

47. 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
As at 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
As at 31 December 2020 and 1 January 2021	1,747,713	20,396	112,157	48,276	1,928,542
Financing cash flows	(1,644,162)	(18,467)	(7,408)	(9,513)	(1,679,550)
New lease entered	–	–	–	2,442	2,442
Exchange adjustments	(67,833)	1,336	3,114	571	(62,812)
Finance costs	25,437	1,485	–	2,874	29,796
As at 31 December 2021	**61,155**	**4,750**	**107,863**	**44,650**	**218,418**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

48. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 2020 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		
			2021	2020	**2021**	2020	
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.

48. 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 2021	2020	Profit/(loss) allocated to non-controlling interests 2021 HK$'000	2020 HK$'000	Accumulated non-controlling interests 2021 HK$'000	2020 HK$'000
MegaLuck	South Korea	**28.0%**	28.0%	**(61,121)**	(15,793)	**14,980**	80,144
Glorious Hill	South Korea	**45.0%**	45.0%	**(3,534)**	(3,434)	**108,060**	108,203
MLAL	Australia	**20.0%**	20.0%	**60,010**	(2,090)	**200,629**	176,809
Individually immaterial subsidiaries with non-controlling interests				**339**	(965)	**8,783**	8,185
				(4,306)	(22,282)	**332,452**	373,341

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.

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

MegaLuck

	2021 HK$'000	2020 HK$'000
Current assets	**8,468**	12,256
Non-current assets	**161,649**	460,557
Current liabilities	**(83,687)**	(81,606)
Non-current liabilities	**(32,932)**	(104,981)
Equity attributable to owners of the Company	**38,518**	206,082
Non-controlling interests	**14,980**	80,144
Revenue	**20**	9,011
Expenses	**(218,311)**	(65,413)
Loss for the year	**218,291**	(56,402)
Loss attributable to owners of the Company	**(157,170)**	(40,609)
Loss attributable to non-controlling interests	**(61,121)**	(15,793)
Loss for the year	**(218,291)**	(56,402)
Other comprehensive (loss)/income attributable to owners of the Company	**(10,395)**	11,246
Other comprehensive (loss)/income attributable to non-controlling interests	**(4,043)**	4,373
Other comprehensive (loss)/income for the year	**(14,438)**	15,619
Total comprehensive loss attributable to owners of the Company	**(167,565)**	(29,363)
Total comprehensive loss attributable to non-controlling interests	**(65,164)**	(11,420)
Total comprehensive loss for the year	**(232,729)**	(40,783)
Dividend paid to non-controlling interests	**–**	–
Net cash used in operating activities	**(4,331)**	(1,966)
Net cash used in investing activities	**–**	(2,252)
Net cash (used in)/from financing activities	**(165)**	526
Net decreased in cash and cash equivalents	**(4,496)**	(3,692)

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

Glorious Hill

	2021 HK$'000	2020 HK$'000
Current assets	**39,729**	2,128
Non-current assets	**810,694**	829,281
Current liabilities	**(610,237)**	(590,706)
Non-current liabilities	**(52)**	(251)
Equity attributable to owners of the Company	**132,074**	132,249
Non-controlling interests	**108,060**	108,203
Revenue	**2,533**	4,493
Expenses	**(10,386)**	(12,125)
Loss for the year	**(7,853)**	(7,632)
Loss attributable to owners of the Company	**(4,319)**	(4,198)
Loss attributable to non-controlling interests	**(3,534)**	(3,434)
Loss for the year	**(7,853)**	(7,632)
Other comprehensive income attributable to owners of the Company	**4,144**	8,089
Other comprehensive income attributable to non-controlling interests	**3,391**	6,277
Other comprehensive income for the year	**7,535**	14,366
Total comprehensive (loss)/income attributable to owners of the Company	**(175)**	3,891
Total comprehensive (loss)/income attributable to non-controlling interests	**(143)**	2,843
Total comprehensive (loss)/income for the year	**(318)**	6,734
Dividend paid to non-controlling interests	**–**	–
Net cash from operating activities	**8,293**	5,847
Net cash used in investing activities	**(18,600)**	(10,187)
Net cash from financing activities	**1,419**	6,731
Net (decrease)/increase in cash and cash equivalents	**(8,888)**	2,391

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

MLAL

	2021 HK$'000	2020 HK$'000
Current assets	**1,121,522**	2,377,780
Non-current assets	**6,276**	9,923
Current liabilities	**(234,008)**	(1,739,279)
Non-current liabilities	**(794,080)**	(801,664)
Equity attributable to owners of the Company	**(100,919)**	(330,049)
Non-controlling interests	**200,629**	176,809
Revenue	**2,489,830**	2,263
Expenses	**(2,236,833)**	(12,640)
Profit/(loss) for the year	**252,997**	(10,377)
Profit/(loss) attributable to owners of the Company	**192,987**	(8,287)
Profit/(loss) attributable to non-controlling interests	**60,010**	(2,090)
Profit/(loss) for the year	**252,997**	(10,377)
Other comprehensive income attributable to owners of the Company	**36,143**	1,217
Other comprehensive income attributable to non-controlling interests	**9,035**	304
Other comprehensive income for the year	**45,178**	1,521
Total comprehensive profit/(loss) attributable to owners of the Company	**229,130**	(7,070)
Total comprehensive profit/(loss) attributable to non-controlling interests	**69,045**	(1,786)
Total comprehensive profit/(loss) for the year	**298,175**	(8,856)
Dividend paid to non-controlling interests	**(45,225)**	–
Net cash from/(used in) operating activities	**2,080,345**	(445,854)
Net cash used in investing activities	**–**	(10)
Net cash (used in)/from financing activities	**(1,736,784)**	345,334
Net increase/(decrease) in cash and cash equivalents	**343,561**	(100,530)

49. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	352	816
Interests in subsidiaries	1,747,697	1,995,402
Right-of-use assets	3,269	3,176
	1,751,318	1,999,394
Current assets		
Prepayments, deposits paid and other receivables	1,350	10,866
Cash and cash equivalents	7,554	6,963
	8,904	17,829
Current liabilities		
Accruals and other payables	3,845	4,174
Lease liabilities	2,316	2,569
Amount due to a related party	–	2
	6,161	6,745
Net current assets	2,743	11,084
Total assets less current liabilities	1,754,061	2,010,478
Capital and Reserves		
Share capital	32,076	32,076
Reserves	1,716,238	1,957,345
Total equity	1,748,314	1,989,421
Non-current liabilities		
Loan from immediate holding company	4,750	20,396
Lease liabilities	997	661
	5,747	21,057
	1,754,061	2,010,478

Approved and authorised for issue by the Board of Directors on 30 March 2022 and signed on its behalf by:

Ma Chenshan
Director

Liu Huaming
Director

49. 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
As at 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)
As at 31 December 2020 and 1 January 2021	2,275,710	38,100	(356,465)	1,957,345
Lapse of share option	–	(8,272)	8,272	–
Loss and total comprehensive loss for the year	–	–	(241,107)	(241,107)
As at 31 December 2021	**2,275,710**	**29,828**	**(589,300)**	**1,716,238**

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

50. COMPARATIVE FIGURES

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

51. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 30 March 2022.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	295,487	227,852	211,185	117,551	**2,601,733**
(Loss)/profit from operating activities	(83,340)	(36,853)	(105,270)	(116,243)	**121,724**
Finance costs	(2,885)	(2,881)	(5,211)	(5,852)	**(29,796)**
(Loss)/profit before taxation	(86,225)	(39,734)	(110,481)	(122,095)	**91,928**
Income tax (expense)/credit	(3,087)	(5,116)	(299)	7,785	**(34,370)**
Profit/(loss) from discontinued operations	–	100,233	(118,716)	–	**–**
(Loss)/profit for the year	(89,312)	55,383	(229,496)	(114,310)	**57,558**
(Loss)/profit attributable to:					
Owners of the Company	(70,986)	64,413	(188,729)	(92,028)	**61,864**
Non-controlling interests	(18,326)	(9,030)	(40,767)	(22,282)	**(4,306)**
(Loss)/profit for the year	(89,312)	55,383	(229,496)	(114,310)	**57,558**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	4,253,273	5,340,406	3,882,158	4,370,970	**2,766,840**
Total liabilities	(1,643,161)	(2,008,154)	(1,782,380)	(2,303,036)	**(625,238)**
Non-controlling interests	(671,481)	(628,010)	(391,279)	(373,341)	**(332,452)**
Shareholders' funds	1,938,631	2,704,242	1,708,499	1,694,593	**1,809,150**

OPERA

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
Zone A, Hallim Eup, Kumak-ri Jejusi, Jejudo, Korea	Integrated resort, residential and commercial	Under development	N/A	1,202,446	226,746	55%