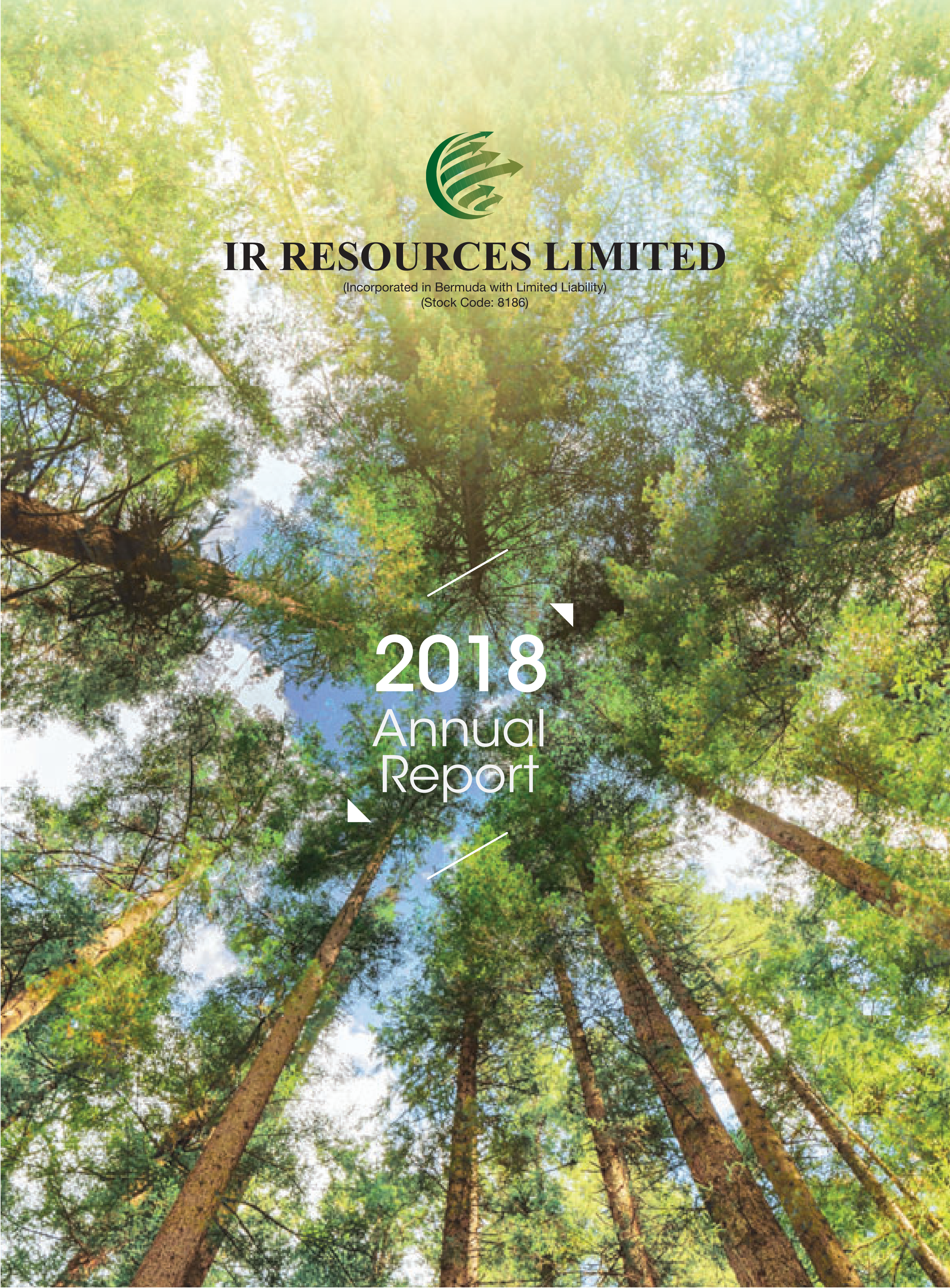

IR RESOURCES LIMITED

(Incorporated in Bermuda with Limited Liability)
(Stock Code: 8186)

2018 Annual Report

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the board (the "Board") of directors (the "Directors") of IR Resources Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this report misleading.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN Ching Hang *(Chairman)*
ZENG Lingchen

Independent Non-Executive Directors

PANG King Sze, Rufina
HONG Bingxian
HUNG Kenneth

AUDIT COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
HUNG Kenneth

NOMINATION COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
CHAN Ching Hang

REMUNERATION COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
CHAN Ching Hang

COMPLIANCE OFFICER

CHAN Ching Hang

COMPANY SECRETARY

FUNG Wing Sang

AUDITORS

Ascenda Cachet CPA Limited
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Iu, Lai & Li Solicitors
Norton Rose Fulbright Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26th Floor, Times Tower
391–407 Jaffe Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Estera Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Ltd.
Rooms 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
The HongKong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

8186

WEBSITE ADDRESS

www.irresources.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I would like to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

For the year ended 31 December 2018, the audited consolidated net loss of the Group decreased from HK$115.9 million in previous year to HK$44.9 million, due to the significant decrease in impairment loss on its intangible assets, available-for-sale investments, property, plant and equipment as well as the reduction in administrative expenses. Given the volatile economic condition in 2018 and with a view to focusing resources on its principal businesses, the Group entered into a sale and purchase agreement in November 2018 to dispose of its interest in a group of companies engaged in the solar energy business in China for a cash consideration of HK$24.0 million. The disposal was approved by the shareholders of the Company and completed in January of 2019.

Going forward, the uncertainties arising from the Sino-United States trade war will continue to adversely impact the worldwide economy including the businesses of the Group. The Company will remain cautiously optimistic and keep abreast of the investment and business opportunities available.

I, on behalf of the Board, would like to take this opportunity to thank our shareholders for your support and express my gratitude to our partners, management and staff for their effort and contribution.

Chan Ching Hang
Chairman

Hong Kong, 26 March 2019

Management Discussion and Analysis

OVERVIEW

The Group is principally engaged in (i) the forestry and agricultural business; (ii) the financial services business; (iii) the logistics business; and (iv) the cultural business.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2018, despite the increase in revenue of the forestry and agricultural business by 9.4% to HK$26.6 million, such increase was off-set by the non-performance of the cultural business, which resulted in the revenue of the Group having decreased by 23.7% to HK$28.4 million (2017: HK$37.2 million).

Gross profit

Given the decline in revenue as a result of the non-performance of the cultural business, the Group recorded a decrease in its gross profit to HK$5.6 million for the year ended 31 December 2018 (2017: HK$7.3 million). The gross profit margin of the Group maintained at a similar level of 19.7% (2017: 19.5%).

Loss for the year

For the year ended 31 December 2018, the consolidated loss and loss attributable to the ordinary equity holders of the Company amounted to HK$44.9 million (2017: HK$115.9 million) and HK$37.6 million (2017: HK$103.4 million) respectively. The significant decrease in net loss was mainly attributable to the decrease in impairment loss in respect of the Group's intangible assets, property, plant and equipment and available-for-sale investments.

Basic and diluted loss per Share for the year was HK4.5 cents (2017: HK12.7 cents).

RECENT DEVELOPMENT

In November 2018, the Group entered into a sale and purchase agreement to dispose of the Group's entire 17.5% equity interest in a solar power group and shareholder loan to a third party for a consideration of HK$24.0 million. The disposal was completed in January 2019.

REVIEW ON BUSINESS SEGMENTS

Forestry and agricultural business

During the year ended 31 December 2018, given the tightening and volatile administrative policies of the government authorities in Cambodia on forestland continued to adversely affect the forestry and agricultural business, the business segment was able to record only a slight increase in revenue of 9.4% to HK$26.6 million (2017: HK$24.3 million). As the projected selling prices of the agricultural products are still in a declining trend, the fair value of the exclusive right of the Group's forests and the related property, plant and equipment remained to be Nil as at 31 December 2018 (2017: Nil).

In view of the volatile political environment, the Sino-United States trade war and the effort made by the subscribers and their contributions to the development of the forestry and agricultural business (such as installation of the new equipment and the contribution of working capital in the past years), the Group has decided not to exercise its right under the share charge and continue to work with the subscribers. Going forward, the Group will continue to monitor and assess the risk and challenges of this business segment from time to time with a view to mitigating any adverse impact of this business segment on the Group's financial results.

Management Discussion and Analysis

Financial services business

For the year ended 31 December 2018, the Group's financial services business recorded revenue of HK$1.8 million (2017: HK$2.5 million) and a segment loss of HK$10.7 million (2017: HK$3.9 million). Given the economic downturn and the uncertainties of the Hong Kong financial market, this business segment is undergoing a restructuring process and an impairment loss on goodwill of HK$3.5 million (2017: Nil) has been recognised.

Cultural business

Due to the non-performance of the Group's cultural business (no new projects were entered into during the year), this business segment did not record any revenue (2017: HK$10.4 million) and recorded a segment loss of HK$1.8 million (2017: profit of HK$0.4 million) during the year ended 31 December 2018.

Logistics business

During the year ended 31 December 2018, the Group's logistics business did not record any revenue (2017: Nil) and recorded a segment loss of HK$0.005 million (2017: loss of HK$0.4 million).

PROSPECTS

The Group's forestry and agricultural business will continue to be affected by the stringent administrative policies of the Cambodia government and the subject of environmental protection and forestland preservation concern. Looking forward, the Group anticipates that the worldwide business environment will become more challenging. The sentiment of the Hong Kong and global financial markets will be adversely affected by the ongoing Sino-United States trade war and the slow down in the Chinese economy. In view of the challenges ahead, the Company will cautiously monitor the development and performance of its business segments and strive to maintain a balanced business portfolio, whilst it will keep abreast of the investment opportunities available, particularly those with growth potential and possible synergy/collaboration with the Group's businesses.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2018, the Group's net cash used in operating activities amounted to HK$27.0 million (2017: HK$49.1 million). Its net cash inflow from investing activities amounted to HK$12.2 million (2017: net cash used HK$34.5 million) and net cash used in financing activities amounted to HK$14.5 million (2017: net cash inflow HK$55.0 million). As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK$29.3 million (2017: HK$28.6 million).

As at 31 December 2018, the Group had total assets of HK$105.5 million (2017: HK$147.9 million) and total liabilities of HK$84.5 million (2017: HK$77.5 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to the total assets) was 80.1% (2017: 52.4%). As at 31 December 2018, the total borrowings of the Group amounted to HK$24.9 million (2017: HK$37.7 million), comprising borrowing of HK$8.0 million (2017: HK$8.0 million), convertible bond of HK$Nil (2017: HK$13.5 million) and other loan of HK$16.9 million (2017: HK$16.2 million).

As at 31 December 2018, the Group's current assets amounted to HK$87.7 million (2017: HK$81.8 million), of which HK$28.2 million (2017: HK$56.9 million) was cash and bank balances, and its current liabilities amounted to HK$67.6 million (2017: HK$61.3 million).

As at 31 December 2018, the net assets of the Group amounted to HK$21.0 million (including non-controlling interests) (2017: HK$70.4 million) and the net asset value per ordinary shares in issue as at the end of the reporting period amounted to HK$0.03 (2017: HK$0.09).

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 December 2018, the total number of issued ordinary shares and the issued share capital of the Company were 831,261,212 (2017: 831,261,212) and HK$41,563,060 (2017: HK$41,563,060) respectively.

FUND RAISING ACTIVITIES

During the year ended 31 December 2018, the Group did not conduct any equity fund raising activities.

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

No capital commitment of the Group was outstanding as at 31 December 2018.

Significant Investment and Material Acquisition and Disposal

Details of the Group's significant investments and material acquisitions during the year ended 31 December 2018 were disclosed in the paragraph "Recent Development" above.

Charge on assets of the Group

As at 31 December 2018, no assets of the Group have been pledged.

RISKS FACTORS

Competition

The market of the agricultural products is highly competitive and challenging, including pressure from rising production costs, volatile product prices and substitution of products, etc. If the Group cannot respond to market conditions and implement appropriate strategies, it will affect the market demand of the Group's products, the reputation and the financial performance of the Group.

Cambodia being a developing country

The Group operates its forestry and agricultural business in Cambodia. Cambodia is a developing country and is subject to political, economic and social development and its administrative policies to be implemented from time to time may potentially adversely affect the operation and hence the profitability of the Group. In addition, Cambodia has underdeveloped wood processing and transportation infrastructure and the Group may potentially incur additional and unexpected costs for transportation of its timber.

Adverse impact from natural hazards

In the event of prolonged and abnormally high level of rain at the location of the forests owned by the Group, the Group's forestry and agriculture business will be adversely affected.

Price of agricultural products

Agricultural products are common commodity and their prices are subject to a number of factors, including the consumer demand, the supply in the market and the substitution available etc. When there is a continuous decline in the prices of agricultural products, the profitability of the Group and the recoverable amount of the Group's intangible assets will be adversely affected.

Management Discussion and Analysis

Liquidity risk

The liquidity of the Group refers primarily to its ability to maintain adequate cash inflow to meet its debt obligation and it is the Group's policy is to regularly monitor current and expected liquidity requirements. The Group's liquidity risk was mainly resulted from the Group's significant operating losses in the past years (net loss of the Group amounted to HK$115.9 million and HK$44.9 million for each of the years ended 31 December 2017 and 2018 respectively). As at 31 December 2018, the Group had net current assets of HK$20.1 million (2017: HK$20.5 million) and had cash and bank balances of HK$28.2 million (2017: HK$56.9 million) and therefore is not expected to have any going concern issue in the short term.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and other assets and cash and bank balances. For the year ended 31 December 2018, the Group recorded impairment loss on trade receivables of HK$1.0 million (2017: HK$0.1 million).

Foreign exchange risk

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. Almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$, United States Dollar ("US$") or Renminbi ("RMB") and accordingly, the Group's foreign currency risk is not material as the exchange rate of HK$ against US$ and RMB are quite stable. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

EMPLOYEES' INFORMATION

As at 31 December 2018, the Group had 53 (2017: 70) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions.

Biographical Details of Directors

DIRECTORS

Executive directors

Mr. Chan Ching Hang, aged 34 and the chairman of the Board, has substantial experience in corporate finance and business management in the agricultural and healthcare industries and was a member of the senior management of the Company. Mr. Chan holds a bachelor's degree in commerce and a bachelor's degree in science from the University of New South Wales, Australia.

Mr. Zeng Lingchen, aged 38, possesses substantial experience in plantation of rubber trees and sale of rubber products. Prior to joining the Company, Mr. Zeng held management positions in two rubber plantation companies in the PRC. He holds a bachelor's degree in environmental engineering.

Independent non-executive directors

Ms. Pang King Sze, Rufina, aged 44, has more than 20 years of experience in the areas of audit, financial management and internal control. Ms. Pang is currently the co-founder and a partner of a certified public accountants firm in Hong Kong. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountants and a member of the New Zealand Institute of Chartered Accountants. Ms. Pang holds a bachelor's degree in business.

Mr. Hong Bingxian, aged 51, has more than 20 years of experience in production and international trade and substantial knowledge in logistics management and production process. Mr. Hong is the founder and managing director of a manufacturing group in the PRC.

Mr. Kenneth Hung, aged 48, has extensive experience in the entertainment industry. Mr. Hung is currently an independent non-executive director of China Demeter Financial Investments Limited and had held various positions in the entertainment industry including the China business development director for Golden Sun Films Distribution Ltd., the chief operation officer of Top Action Culture Development Co. Ltd., the business development director of Star Alliance Movies (Beijing) Co., Ltd. Mr. Hung was also the chairman and an executive director of Sino Vision Worldwide Holdings Limited, and, an executive director of Interactive Entertainment China Cultural Technology Investments Limited, all of which are companies listed on GEM of the Stock Exchange. Mr. Hung holds a bachelor's degree of science awarded by Woodbury University.

Report of the Directors

The Directors submit herewith this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holdings and the principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by reportable segments and geographical locations of the Company and its subsidiaries during the financial year are set out in note 4 to the consolidated financial statements.

FIVE YEARS 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 pages 133 – 134 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information on the Group's sales and purchases attributable to major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	50.0%	–
Five largest customers in aggregate	95.5%	–
The largest supplier	–	38.1%
Five largest suppliers in aggregate	–	96.7%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors who owns more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

Business Review and Performance

Review of the business of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the year ended 31 December 2018 and the material factors underlying its results and financial position are provided in the sub-sections headed "Overview", "Financial Review" and "Review on Business Segments" from pages 5 to 6 under the section headed "Management Discussion and Analysis" of this annual report. The outlook of the Group's business is discussed in this annual report included in the section headed "Chairman's Statement" and the sub-section headed "Prospects" under the section headed "Management Discussion and Analysis" in page 4 and 6 respectively. An account of the Group's relationship with its stakeholders is included in the sub-section headed "Employees' Information" under the section headed "Management Discussion and Analysis" on page 8. The statements therein form parts of this Report of the Directors section.

Report of the Directors

Principal Risks

The Directors have acknowledged that the Group is exposed to certain risks that could impact the Group and the markets in which the Group operates. The Group has risk management policies such that significant risks which may adversely affect the Group are identified, reported, monitored and measured on a continuous basis. Details of the principal risks which the Directors consider significant to the Group are discussed in the sub-section headed "Risk Factors" under the section headed "Management Discussion and Analysis" of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 and the state of the Group's and the Company's affairs as at that date are set out in the consolidated financial statements on pages 32 to 132 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out on pages 35 and 36 of this annual report and in note 31 to the consolidated financial statements. As at 31 December 2018, the Company had no reserves available for distribution (2017: Nil).

DIVIDEND POLICY AND DIVIDENDS

The Company has adopted a dividend policy ("Dividend Policy"), such that the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles of Association of the Company (the "Articles") and the distribution shall be targeted to achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of its shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the long term development of the Group, the financial conditions and business plan of the Group, and the market sentiment and circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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

CHARITABLE DONATIONS

During the year ended 31 December 2018, the Group made charitable contributions totalling HK$123,000. (2017: HK$43,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2018 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2018 are set out in notes 26(a) and 27 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 37 to the consolidated financial statements.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Chan Ching Hang *(Chairman)*
Mr. Zeng Lingchen

Independent non-executive Directors

Ms. Pang King Sze, Rufina
Mr. Hong Bingxian
Mr. Kenneth Hung

Mr. Zeng Lingchen, Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Kenneth Hung shall retire from the Board by rotation at the forthcoming annual general meeting ("AGM"). All the retiring Directors being eligible offer themselves for re-election. The biographical details of the Directors are set out on page 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

There is no service contract with any Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation for any Director proposed for re-election at the forthcoming AGM).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares (the "Shares") and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long positions in shares of the Company

Name of Directors	Capacity of Interest	Number of Ordinary Shares held	Number of underlying Shares held *(Note 1)*	Percentage of shareholding in the Company *(Note 2)*
Mr. Chan Ching Hang	Beneficial owner	–	8,312,612	1%
Mr. Hong Bingxian	Beneficial owner	–	831,261	0.1%
Mr. Kenneth Hung	Beneficial owner	–	831,261	0.1%
Ms. Pang King Sze, Rufina	Beneficial owner	–	831,261	0.1%

Notes:

1. represents the number of share options granted to the Directors under the Share Option Scheme.

2. based on 831,261,212 Shares in issue as at 31 December 2018.

Report of the Directors

SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Share Option Scheme") approved by the shareholders of the Company on 10 June 2011, the Company may grant options to eligible participants to subscribe for the Shares (the principal terms are set out in the Company's circular dated 27 April 2011).

No share options were granted under the Share Option Scheme during the year ended 31 December 2018:

Details of the share options granted under the Share Option Scheme are set out as follows:

				Number of share options					
Grantee	**Date of grant**	**Exercise period**	**Exercise price per Share**	**As 1 January 2018**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**At 31 December 2018**	**Percentage of shareholding in the Company** *(Note 1)*
Directors	10-11-2017	10-11-2017 to 9-11-2019	HK$0.099	10,806,395	–	–	–	10,806,395	1.3%
Employees	10-11-2017	10-11-2017 to 9-11-2019	HK$0.099	16,625,224	–	–	–	16,625,224	2%
	13-11-2017	13-11-2017 to 12-11-2019	HK$0.099	4,156,307	–	–	–	4,156,307	0.5%
Consultants	10-11-2017	10-11-2017 to 9-11-2019	HK$0.099	49,875,672	–	–	–	49,875,672	6%
	13-11-2017	13-11-2017 to 12-11-2019	HK$0.099	1,662,523	–	–	–	1,662,523	0.2%

Note:

1. details of the options granted to the Directors are as follows:

Name of Directors	Capacity of Interest	Number of Ordinary Shares held	Number of underlying Shares held	Percentage of shareholding in the Company *(Note 2)*
Mr. Chan Ching Hang	Beneficial owner	–	8,312,612	1%
Mr. Hong Bingxian	Beneficial owner	–	831,261	0.1%
Mr. Kenneth Hung	Beneficial owner	–	831,261	0.1%
Ms. Pang King Sze, Rufina	Beneficial owner	–	831,261	0.1%
			10,806,395	

2. based on 831,261,212 Shares in issue as at 31 December 2018.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 31 December 2018, no other Directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as is known to any of the Directors or the chief executive of the Company, the following person (other than a Director or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 5% or more of any class of share capital carrying rights to vote at general meeting of the Company.

Long positions in shares of the Company

Name	Capacity of interest	Number of Ordinary Shares held	Number of underlying Shares held	Percentage of shareholding in the Company *(Note)*
Million Pacific Holdings Corporation	Corporate owner	163,101,612	–	19.62%

Note: Based on 831,261,212 Shares in issue as at 31 December 2018.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 31 December 2018 or during the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments for the year ended 31 December 2018 are shown in note 8 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2018 and up to the date of this annual report, permitted indemnity provisions were in force for the benefit of the Directors and its subsidiaries. The permitted indemnity provisions are provided for in the Company's Bye-Laws and in the directors' liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

COMPETING INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PENSION SCHEMES

Details of the Group's pension scheme for the year ended 31 December 2018 are set out in note 2.4 to the consolidated financial statements on page 71 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in note 36 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance as a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 17 to 20 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the date of this annual report.

INDEPENDENCE

Each existing independent non-executive Director has confirmed his/her independence pursuant to the GEM Listing Rules. The Board considers all the independent non-executive Directors are independent.

Report of the Directors

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has been established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee's primary duties include reviewing the annual reports and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The Audit Committee currently comprises three independent non-executive Directors, namely, Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Kenneth Hung.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2018 and was of the opinion that the preparation had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by Ascenda Cachet CPA Limited, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board
Chan Ching Hang
Chairman

Hong Kong, 26 March 2019

Corporate Governance Report

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises five Directors, who have various skills and experience in business, financial, accounting and management, of whom two are executive Directors and three are independent non-executive Directors. Details of the Director's background are set out in the section headed "Report of the Directors" of this annual report. All executive Directors have given sufficient time and attention to the affairs of the Group and each executive Director has sufficient experience to hold his/her position and to carry out his/her duties effectively and efficiently.

The composition of the Board and the Directors' biographical information are set out on page 9 of this annual report.

The Board

The Directors attended the Board meetings in person or participated through electronic means of communication. All Directors have access to the related materials and are provided with adequate information which enables the Board to make informed decisions on the matters to be discussed and considered at Board meetings. The company secretary of the Company assists the chairperson in preparing the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed.

The Board is responsible for planning and overseeing the overall development and management of the Group with the objective of enhancing shareholders' value. The execution of daily operational matters is delegated to management.

Details of the Board meetings, special general meeting and annual general meeting held during the year ended 31 December 2018 are as follows:

	Board Meetings	**Annual/Special general meeting**
Executive Directors		
Mr. Chan Ching Hang *(Chairman)*	8	1
Mr. Zeng Lingchen	7	0
Independent Non-executive Directors		
Ms. Pang King Sze, Rufina	8	1
Mr. Hong Bingxian	8	0
Mr. Hung Kenneth	8	0

Chairperson and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairperson of the Board and the chief executive has been set out such that the chairperson is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contributions to the Board's affairs and ensuring that the Board acts in the best interest of the Group, as well as matters relating to corporate governance of the Company and its communication with its shareholders. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group.

During the year, the office of the chief executive is vacated. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Corporate Governance Report

Term of appointment and re-election

Pursuant to the Bye-Laws of the Company, one third of the Directors (except the chairperson or managing Director of the Company) shall retire from office by rotation and are subject to re-election at the annual general meetings of the Company. The Directors to retire shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. Further, all Directors appointed to fill casual vacancies shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

Company Secretary

The Company Secretary supports the Board and committees of the Board by ensuring information flow within the Board and that Board policy and procedures are followed. The Company Secretary has day-to-day knowledge of the Company's affairs. The Company Secretary is appointed by the Board and reports to the Chairman of the Board. The Company Secretary also assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Mr. Fung Wing Sang ("Mr. Fung") is the Company Secretary of the Company and has compiled with Rule 5.15 of the GEM Listing Rules that Mr. Fung undertook not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2018.

Continuing Professional Development

During the year ended 31 December 2018, the Directors have from time to time read relevant information to gain understanding of the markets for their continuous contributions to the Group.

AUDIT COMMITTEE

The Audit Committee, as at the date of this annual report, comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Kenneth Hung. The Audit Committee's primary duties include making recommendation to the Board in relation to the appointment, re-appointment and removal of external auditors, ensuring the Group's financial statements, annual and interim reports and the independent auditors' report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial controls, internal controls and risk management; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources to enable it to discharge its duties.

For the year ended 31 December 2018, the Audit committee discharged its responsibilities by reviewing the quarterly, interim and annual results of the Group and the relevant statements and reports prior to the approval by the Board; discussion with the external auditors and their findings on the work performed and the related internal control issues; reviewing significant financial reporting judgments in accounting policies; reviewing and approving the external auditors' terms of engagement (including audit fee).

Details of the meeting of the Audit Committee held during the year ended 31 December 2018 were summarized as follows:

	Audit committee meeting attended/held
Ms. Pang King Sze, Rufina	5
Mr. Hong Bingxian	5
Mr. Kenneth Hung	5

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee comprises three members, the majority of which are independent non-executive Directors. The chairperson of the Nomination Committee is Ms. Pang King Sze, Rufina and the other members are Mr. Chan Ching Hang and Mr. Hong Bingxian. The Nomination Committee is responsible for establishing nomination policies, making recommendations to the Board on nominations and appointments of Directors and Board succession planning. In accessing the suitability of a proposed candidate for Director, the Nomination Committee may consider, inter alia, the qualification, skill, knowledge and experience of the proposed candidate, the impact of the proposed appointment on the composition, diversity and structure of the Board, and other perspectives appropriate to the Group's business and the Board. For the year ended 31 December 2018, one meeting of Nomination Committee was held and all members of the Nomination Committee had attended. The committee is provided with sufficient resources to enable it to discharge its duties.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, the majority of which are independent non-executive Directors. The chairperson of the Remuneration Committee is Ms. Pang King Sze, Rufina and the other members are Mr. Chan Ching Hang and Mr. Hong Bingxian. The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policies, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. The Remuneration Committee is provided with resources enabling it to discharge its duties.

Remuneration of Executive Directors

The key components to executive Directors' remuneration are basic salary, performance bonus, retirement and other benefits. The remuneration of the executive Directors are discussed amongst the members of the Remuneration Committee with reference to the contributions, commitment and responsibilities of the executive Directors to the Group as well as the prevailing market conditions.

Remuneration of Non-executive Directors

The remuneration for non executive Directors are based on their responsibilities involved, the scale and complexity of the Group's business and the market practice. Their fees are reviewed and recommended by the Remuneration Committee to the Board from time to time.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the required standards on dealing under the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, they have confirmed that he/she had complied with the required standard during the year ended 31 December 2018.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 December 2018, the Group has adopted suitable accounting policies in accordance with Hong Kong accounting principles and applied them consistently. A statement by the auditors of the Company about its responsibilities for the financial statements is set out in the Independent Auditors' Report contained in this annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Corporate Governance Report

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position and compliance matters, to protect its assets and to assure against material financial misstatement or loss. The Board has from time to time review the internal control system of the Group in order to ensure that the Group has adequate and effective internal control systems in place.

AUDITORS' REMUNERATION

For the year ended 31 December 2018, the fees payable to the auditors of the Group included audit services of HK$1,250,000 (excluded other disbursements).

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. Responsibilities in relation to the daily operations and execution of the strategic business plans are delegated to management. The Audit Committee, the Remuneration Committee and the Nomination Committee, have their terms of reference which clearly define their powers and responsibilities. All committees are required to report to the Board in relation to their decisions, findings and/or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. The Board will from time to time review the delegations by the Board to different committees such that the delegations are appropriate.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company uses a number of channels to communicate to shareholders and investors on the performance of the Company, including (i) the publication of quarterly, interim and annual reports; (ii) the AGM or special general meeting which provide a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) key information on the Group is available on the website of the Company; and (iv) the Company's share registrar in Hong Kong serves the shareholders on all share registration matters. The Company aims to provide its shareholders and investors with high standard of disclosure and financial transparency.

Shareholders are encouraged to attend the AGM for which at least 21 days' notice is given. The chairman of the Board and other Directors are available to answer shareholders' questions on the Group's business at the meetings. All shareholders have statutory rights to call for special general meetings and to put forward an agenda for consideration.

Environmental, Social and Governance Report

This Environmental, Social and Governance Report (the "ESG Report") contains the environmental and social information of the Group during 1 January to 31 December 2018 and are summarised as follows:

A. ENVIRONMENT

A1. Emissions

General disclosure and Key Performance Indicators

The Group engages in forestry and agricultural, financial services, cultural and logistics businesses. Given the level of activities under the forestry and agricultural and the logistics businesses for the year, and that the financial services and online cultural businesses do not involve any manufacturing processes in the course of business, during the year ended 31 December 2018, the Group did not generate significant emissions, water pollutions and hazardous wastes, except for greenhouse gas ("GHG") emission and non-hazardous waste.

The Group aims to minimize the impact on the environment from its business operations and believes that environmental protection, low carbon footprint and resources conservation are the key trends in the society. The Group recognizes the importance of integrating environmental and social aspects into its management and has taken the corresponding measures.

GHG Emission

The consumption of electricity at the offices is the largest sources of greenhouse gas emission of the Group. During the year ended 31 December 2018, the Group's total GHG emission amounted to 25.9 tonnes and is detailed as follows:

Green House Gas Emission	Emission (carbon dioxide equivalent)
Direct GHG emission (Scope 1)	0
Indirect GHG emission (Scope 2)	
– electricity consumption	25.9 tonnes

Note: Greenhouse gas emissions are calculated with reference to the guidelines in "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" issued by the Environmental Protection Department, and the "Carbon Toolkit for Small and Medium Enterprises in Hong Kong" issued by the University of Hong Kong and City University of Hong Kong.

The greenhouse gas emissions of the Group are mainly indirect emissions in Scope 2, which are derived from the purchase of electricity. The Group has implemented a number of measures to reduce energy consumption including keeping the office temperature at 25°C, turning off any unused electrical appliances, using LED lights or energy-saving light in the office, etc.

The Group has complied with the relevant environmental laws and regulations in Hong Kong and China and is not aware of any material non-compliance with laws and regulations relating to the air and GHG emissions, generation of hazardous and non-hazardous wastes that would have a material impact on the Group.

Environmental, Social and Governance Report

Waste Management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by its business activities. The Group will not generate hazardous waste in the course of its business operations and the non-hazardous wastes generated by it mainly comprise paper and toner cartridges. The Group arranges with the suppliers to recycle the toners cartridges and used 14kg of paper in 2018.

The Group regularly monitors the consumption volume of paper, toner cartridges and encourages staff to recycle paper to reduce waste, reuse and recycle the resources. The Group has from time to time encouraged its staff to become more aware of the significance of sustainable development.

Apart from recycling, the Group's office has implemented various measures to encourage its employees to participate in waste reduction management, including:

(i) promote green information and electronic communication (such as email) for "paperless" system;

(ii) utilise used envelopes and double-sided printing. Paper for single-sided printing would only be adopted when handling official documents and confidential documents when necessary; and

(iii) recommend the use of recycled paper.

A2. Use of Resources

General disclosure and Key Performance Indicators

Energy consumption

The energy consumption of the Group is relatively low and mainly comprises electricity purchased. The Group has energy saving measures in place to minimize its energy consumption where possible. During the year ended 31 December 2018, the electricity consumption of the Group amounted to 30,800 kilo Watt-hours.

In addition to the energy-saving measures in the Group's offices, the Group also encourages the use of telephone conference to minimize face-to-face meeting in order to reduce petrol consumption. The Group has also promoted resource saving concepts to enhance the staff's awareness in energy conservation.

Water consumption and use of packaging material

The Group does not consume significant water in its business activities. During the year ended 31 December 2018, the Group consumed 36.8 tonnes of water. The Group does not have physical products for sale and therefore does not involve any use of packaging material.

Environmental, Social and Governance Report

A3. Environmental and Natural Resources

The Group strives to promote environmental protection and make effective use of its resources and adopts the concepts of reduce, reuse, recycle and replacement.

B. SOCIAL

Employment and Labour Practices

B1. Employment

The Group has complied with the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and Race Discrimination Ordinance. It has also followed the relevant regulations/policies in respect of recruitment, promotion, dismissal, equal opportunities, diverse culture and anti-discrimination. The Group has never minor or forced labour or employed employee with a basic salary below the statutory minimum wage.

The Group's administration department has formulated comprehensive human resources policies, which are contained in the staff manual/staff information for the staff to understand and rules of personnel. The Group remunerates its staff based on performance and may some time provides benefits better than those required by the laws so as to establish a team of elites.

B2. Health and Safety

The Group complies with the health and safety regulations and formulates requirements in respect of the environment control and hygiene in workplace. The Group has placed great concern to improve indoor air quality (such as regular cleaning of ventilation system and enhancement of air circulation in the offices) and hygiene in the office premises. The Group provides staff with hygiene masks and sanitizers with disinfectants to reduce the chance of its staff being suffered from respiratory infection. In addition, the Group also carries out carpet cleaning and pest control to ensure that staff can work in a neat and clean working environment. The Group has also installed appropriate lighting system to ensure the staff can work under sufficient and comfortable lighting. The Group also ensures that there are adequate first-aid facilities in workplace and that all emergency exits remain unimpeded and unlocked.

B3. Development and Training

The Group encourages its staff to pursue progress and continuous learning. In addition to on-the-job training, the Group also encourages its staff to further study and keep up-to-date knowledge in their areas of expertise.

B4. Labour Standards

It is the Group's policy not to employ any minors or forced labour. During the year ended 31 December 2018, the Group has not engaged any child labour or forced labour and has complied with the relevant laws and regulations, including the Employment of Children Regulations under the Employment Ordinance.

Environmental, Social and Governance Report

Operating Practices

B5. Supply Chain Management

The general business suppliers of the Group comprise suppliers engaged in information technology, legal, accounting and other commercial services, as well as office supplies. The Group believes that these suppliers will not constitute major social risks to its business.

B6. Service Quality

The Group strives to provide quality services to its customers and has complied with the relevant laws and regulations (such as SFO for its Financial Services Business).

B7. Anti-corruption

The Group maintains a high standard of business integrity throughout the operations and will not tolerate any corruption or bribery in any form. For the year ended 31 December 2018, the Group complied with the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter Terrorist Financing. The Group will only trade with persons who are impartial and for the benefits of the Company and will not tolerate any persons to accept gifts, entertainment activities or bonuses which do not comply with the normal social etiquette and ethical business practices. If they are required to accept gifts, entertainment activities or other concessions beyond the normal etiquette, they shall report to their supervisors and obtain the approval from their supervisors who are not involved in accepting such concessions and there shall be an appropriate business reasons for such approval.

Community

B8. The Group has always been philanthropic and strived to be a good corporate citizen. The Group encourages its staff to participate in social service and makes donation to charitable institutions from time to time. During the year, the Group had made donation totaling to HK$123,000 to a charitable institution.

Independent Auditors' Report

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

INDEPENDENT AUDITORS' REPORT

To the members of IR Resources Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of IR Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 132, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditors' responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Assessment of the recoverable amount of intangible assets and the property, plant and equipment related to the forestry and agricultural business in Cambodia

Refer to notes 2.4 and 3 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 13 and 14 to the consolidated financial statements for further information.

Key Audit Matters

Included in the intangible assets as at 31 December 2018 were certain timber logging rights (the "Timber Logging Rights") in relation to three forests in Cambodia forming an integral part of the forestry and agricultural business (the "Forestry and Agricultural Business") with a net carrying value of Nil as at 31 December 2018 (the net carrying amount was HK$41.6 million as at 1 January 2017 and was fully impaired during 2017).

Included in the property, plant and equipment as at 31 December 2018 were certain property plant and equipment (the "Forest PPE") forming an integral part of the Forestry and Agricultural Business with a net carrying value of Nil as at 31 December 2018 (the net carrying amount was HK$16.8 million as at 1 January 2017 and was fully impaired during 2017).

For the purpose of assessing the recoverable amount of Timber Logging Rights and the Forest PPE, the management engaged an independent professional valuer (the "Valuer") to perform valuation (the "Valuation") regarding the intangible assets based on the management's assumptions. Significant management judgement was used to determine the key assumptions underlying the valuation method, including (i) estimated trees volume derived by the management, which is estimated with reference to (i) the estimated trees volume as at 31 December 2017 as calculated by a tree expert (the "Tree Expert"); and (ii) the internal record of the timber movement during the year, (ii) selling price of the agricultural products (such as timber and latex), (iii) growth rate of the revenue, cost and tree volume, (iv) discount rate, (v) concession period, and (iv) a substantial additional funding from certain non-controlling interests of the subsidiaries for the operation of its Forestry and Agricultural Business.

Pursuant to the valuation report dated 22 March 2019, the Timber Logging Rights as at 31 December 2018 has determined to be of no commercial value. Accordingly, the carrying amount of the Timber Logging Rights and the Forest PPE (which would not generate any other income stream and/or other residual value as detailed in note 14 and 13 to the consolidated financial statements) were Nil as at 31 December 2018.

How our audit addressed the Key Audit Matter

Our procedures in relation to the management's assessment of the fair value of the Group's Timber Logging Rights and the Forest PPE included, among others, the following:

– Hold discussions with the Valuer;

– Assessing the methodology and assumptions used in the valuation and recalculating the recoverable amount of the Timber Logging Rights and the Forest PPE;

– Re- assessing the useful life and the condition of the Forest PPE;

– Checking with the comparable data through internal or external sources, on a sample basis, the relevance of the (i) estimated trees volume, (ii) selling price of the timber and latex, (iii) growth rate of the revenue, cost and tree volume, (iv) discount rate; and

– Reviewing financing arrangements available to the Group and assessing whether the Group would have sufficient financial resources to support the operation of its Forestry and Agricultural Business.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Re-assessment of the control over the restricted subsidiaries

Refer to note 3 to the consolidated financial statements for the disclosures of the related judgements and estimates.

Key Audit Matters	How our audit addressed the Key Audit Matter
The Company entered into and completed a subscription agreement on 14 October 2016 which allowed certain independent third parties to subscribe (the "Subscription") for certain new shares in the relevant subsidiaries (the "Restructured Subsidiaries") forming the Forestry and Agricultural Business in Cambodia. The Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries to the extent that the effective equity interests of the Restructured Subsidiaries held by the Group upon the completion of the Subscription are less than 50%. During the year, the management of the Group has re-assessed and considered that the Group has the power to control over the Restructured Subsidiaries and therefore, the assets, liabilities and results of the Restructured Subsidiaries for the year ended 31 December 2018 have been fully consolidated into the consolidated financial statements of the Group. The management of the Group determined that the Group has a power to control over the Restructured Subsidiaries. In carrying out the assessments as to the Group's control over the Restructured Subsidiaries, significant management judgement was used to determine the control, including (i) the composition of the board of directors, key management personnel and the operation committees of the respective Restructured Subsidiaries; (ii) the existing rights retained by the Group to control the relevant activities of the Restructured Subsidiaries and affect its return; and (iii) the existing rights retained by the Group to control its operating and financing activities of the Restructured Subsidiaries.	Our procedures in relation to the Group's management's determination of the Group's power to control over the Restructured Subsidiaries included, among others, the following: – Re-assessing the controls over the composition of the board of directors, key management personnel and the operation committee of each of the Restructured Subsidiaries; – Re-assessing the existing rights retained by the Group to control the relevant activities of the Restructured Subsidiaries and affect its return; and – Re-assessing the existing rights retained by the Group to control its operating and financing activities of the Restructured Subsidiaries.

KEY AUDIT MATTERS *(Continued)*

Assessment of the recoverability of trade receivables

Refer to notes 2.4 and 3 of the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 20 of the consolidated financial statements for further information.

Key Audit Matters	How our audit addressed the Key Audit Matter
Included in the trade receivables as at 31 December 2018 were trade receivables arising from (i) sales of wood and agriculture products with a net carrying amount of approximately HK$13,799,000 (the amount before impairment was approximately HK$21,654,000); and (ii) financial services business with a net carrying amount of Nil (the amount before impairment was approximately HK$100,000). For the purpose of assessing the recoverability of the trade receivables, the expected credit loss was estimated by the management through the application of judgment and use of assumptions. The Group's policy for recognition of impairment on trade receivables is based on the evaluation of collectibility, ageing analysis and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer, debtor and their underlying securities shares, if any. Based on the management's assessment on the recoverability of trade receivables, the Group made an impairment of approximately HK$1,018,000 and HK$12,000 arising from sales of wood and agriculture products and financial services business, respectively during the year ended 31 December 2018.	Our procedures in relation to the management's assessment of the recoverability of the Group's trade receivables included, among others the following: – Obtaining an understanding of how management estimated the recoverability of trade receivables and evaluating the historical accuracy of impairment estimation by management; – Reviewing management's assessment of whether indicators of impairment exist and evaluating this assessment, including a challenge of the validity and completeness of the indicators identified with reference to our knowledge of the business obtained elsewhere in our audit (e.g. the current creditworthiness and the past collection history of the customer, debtor and their underlying securities shares, if any; – Assessing the basis of management's assessment of recoverability of trade receivable, with reference to management's evaluation of customer's and debtor's creditworthiness, credit history including default or delay in payments, subsequent settlements from customers, debtors and ageing analysis of each individual customer, debtor and their underlying securities shares, if any; and – Recalculating the amount of impairment on trade receivables, and assessing the sufficiency of the impairment as at 31 December 2018.

Independent Auditors' Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, other than the consolidated financial statements and our auditors' 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 on 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 DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of 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 of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report

AUDITORS' 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Independent Auditors' Report

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Chan Yuk Tong.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number: P03723

Hong Kong
26 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**28,390**	37,183
Cost of sales and services	6	**(22,808)**	(29,916)
Gross profit		**5,582**	7,267
Other income and gains	5	**1,616**	1,825
Selling and distribution expenses		**(50)**	(1,450)
Administrative expenses		**(39,840)**	(42,950)
Finance costs	7	**(2,192)**	(1,432)
Fair value loss on equity investments at fair value through profit or loss	6, 21	**(1,134)**	(132)
Loss on disposal of debt investments at fair value through other comprehensive income	6	**(232)**	–
Loss on disposal of equity investment at fair value through profit or loss, net	21	**–**	(7,689)
Loss on written off of property, plant and equipment	6, 13	**(120)**	–
Impairment loss on trade receivables	6, 20(a), 20(b)	**(1,030)**	(88)
Impairment loss on other receivables	6	**(8)**	–
Impairment loss on inventories	6	**(367)**	(1,814)
Impairment loss on property, plant and equipment	6, 13	**(919)**	(16,789)
Impairment loss on goodwill	6, 15	**(3,522)**	–
Impairment loss on intangible assets	6, 14	**–**	(41,574)
Impairment loss on available-for-sale investments	6, 17	**–**	(6,814)
Share of loss of associates	16	**(2,039)**	(3,906)
LOSS BEFORE TAX	6	**(44,255)**	(115,546)
Income tax expense	10	**(644)**	(314)
LOSS FOR THE YEAR		**(44,899)**	(115,860)
Loss attributable to:			
Ordinary equity holders of the Company		**(37,585)**	(103,347)
Non-controlling interests		**(7,314)**	(12,513)
		(44,899)	(115,860)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic loss per share	12		
For loss for the year		**(4.52) cents**	(12.74) cents
Diluted loss per share			
For loss for the year	12	**(4.52) cents**	(12.74) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
LOSS FOR THE YEAR		**(44,899)**	(115,860)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value loss on equity investment at fair value through other comprehensive income, net of tax (non-recycling)	*18*	**(11,885)**	–
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**120**	(383)
Fair value gain on available-for-sale investments	*17(b)*	**–**	291
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)		**(291)**	–
Less: Income tax effect		**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(12,056)**	(92)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(56,955)**	(115,952)
Attributable to:			
Ordinary equity holders of the Company		**(49,641)**	(103,439)
Non-controlling interests		**(7,314)**	(12,513)
		(56,955)	(115,952)

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	13	**5,860**	6,077
Intangible assets	14	**500**	500
Goodwill	15	**–**	3,522
Interests in associates	16	**11,477**	11,623
Available-for-sale investments	17	**–**	44,424
Total non-current assets		**17,837**	66,146
Current assets			
Inventories	19	**242**	609
Trade receivables	20	**13,799**	10,989
Equity investment at fair value through other comprehensive income	18	**23,424**	–
Equity investments at fair value through profit or loss	21	**846**	1,980
Prepayments, other receivables and other assets	22	**21,138**	10,766
Cash held on behalf of customers	23	**52**	564
Cash and bank balances	24	**28,168**	56,852
Total current assets		**87,669**	81,760
Current liabilities			
Trade payables	25	**4,198**	238
Other loan, other payables and accruals	26	**51,521**	34,743
Derivative financial instrument	28	**–**	913
Other borrowing	27	**8,000**	8,000
Convertible bond	28	**–**	13,525
Tax payables		**3,886**	3,875
Total current liabilities		**67,605**	61,294
NET CURRENT ASSETS		**20,064**	20,466
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,901**	86,612
Non-current liability			
Other loan	26(a)	**16,902**	16,225
Total non-current liability		**16,902**	16,225
Net assets		**20,999**	70,387
EQUITY			
Share capital	29	**41,563**	41,563
Reserves	31	**(20,472)**	21,520
Total equity attributable to:			
Ordinary equity holders of the Company		**21,091**	63,083
Non-controlling interests		**(92)**	7,304
Total equity		**20,999**	70,387

Chan Ching Hang
Director

Pang King Sze, Rufina
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to ordinary equity holders of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Equity component of convertible bond *HK$'000*	Available-for-sale investments revaluation reserve *HK$'000*	Fair value reserve (recycling) *HK$'000*	Fair value reserve (non-recycling) *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2018	41,563	265,213*	(9,889)*	4,930*	3,931*	291*	–*	–*	(668)*	(242,288)*	63,083	7,304	70,387
Effect of adoption of HKFRS 9													
– Reclassification upon initial application *(note 2.2)*	–	–	–	–	–	(291)	291	–	–	–	–	–	–
– Revaluation upon initial application *(note 2.2)*	–	–	–	–	–	–	–	8,038	–	–	8,038	–	8,038
– Remeasurement of the expected credit loss *(note 2.2)*	–	–	–	–	–	–	–	–	–	(37)	(37)	(82)	(119)
At 1 January 2018 (restated)	41,563	265,213*	(9,889)*	4,930*	3,931*	–*	291*	8,038*	(668)*	(242,325)	71,084	7,222	78,306
Loss for the year	–	–	–	–	–	–	–	–	–	(37,585)	(37,585)	(7,314)	(44,899)
Other comprehensive income for the year													
Fair value loss on equity investment at fair value through other comprehensive income (non-recycling), net of tax *(note 18)*	–	–	–	–	–	–	–	(11,885)	–	–	(11,885)	–	(11,885)
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling), net of tax	–	–	–	–	–	–	(291)	–	–	–	(291)	–	(291)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	120	–	120	–	120
Total comprehensive income for the year	–	–	–	–	–	–	(291)	(11,885)	120	(37,585)	(49,641)	(7,314)	(56,955)
Redemption of convertible bond (note 28)	–	–	–	–	(3,931)	–	–	–	–	3,579	(352)	–	(352)
At 31 December 2018	41,563	265,213*	(9,889)*	4,930*	–*	–*	–*	(3,847)*	(548)*	(276,331)	21,091	(92)	20,999

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to ordinary equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Equity component of convertible bond *HK$'000*	Available-for-sale investments revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2017	34,637	245,500	(9,889)	2,016	–	–	(285)	(140,957)	131,022	4,004	135,026
Loss for the year	–	–	–	–	–	–	–	(103,347)	(103,347)	(12,513)	(115,860)
Other comprehensive income for the year, net of tax											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(383)	–	(383)	–	(383)
Fair value gain on available-for-sale investments *(note 17(b))*	–	–	–	–	–	291	–	–	291	–	291
Total comprehensive income for the year	–	–	–	–	–	291	(383)	(103,347)	(103,439)	(12,513)	(115,952)
Placing of shares *(note 29(b))*	6,926	19,713	–	–	–	–	–	–	26,639	–	26,639
Equity-settled share option arrangement *(note 30)*	–	–	–	4,930	–	–	–	–	4,930	–	4,930
Cancellation of share option	–	–	–	(2,016)	–	–	–	2,016	–	–	–
Issue of convertible bond *(note 28)*	–	–	–	–	3,931	–	–	–	3,931	–	3,931
Non-controlling interests arising from acquisition of subsidiaries *(note 33)*	–	–	–	–	–	–	–	–	–	15,813	15,813
At 31 December 2017	41,563	265,213*	(9,889)*	4,930*	3,931*	291*	(668)*	(242,288)*	63,083	7,304	70,387

* These reserve accounts comprise the consolidated reserves with a negative balance of HK$20,472,000 (2017: positive balance of HK$21,520,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(44,255)**	(115,546)
Adjustments for:			
Depreciation	13	**2,184**	3,324
Finance costs	7	**2,192**	1,432
Gain on redemption of convertible bond	28	**(1,156)**	–
Loss on disposal of debt investments at fair value through other comprehensive income		**232**	–
Loss on disposal of equity investments at fair value through profit or loss	21	**–**	7,689
Fair value loss on equity investments at fair value through profit or loss	6, 21	**1,134**	132
Share of loss of associates	16	**2,039**	3,906
Loss on written off of property, plant and equipment	13	**120**	10
Impairment loss on property, plant and equipment	6, 13	**919**	16,789
Impairment loss on intangible assets	14	**–**	41,574
Impairment loss on available-for-sale investments	17	**–**	6,814
Impairment loss on trade receivables	20(a) & (b)	**1,030**	88
Impairment loss on other receivables		**8**	–
Impairment of goodwill	15	**3,522**	–
Write down of inventories to net realisable value	19	**367**	1,814
Equity settled share option expenses	30	**–**	4,930
Fair value gain on other loan	26	**–**	(1,113)
Dividend income from available-for-sale investments		**(413)**	(684)
Loan and bank interest income		**(174)**	(515)
		(32,251)	(29,356)
Increase in inventories		**–**	(749)
Increase in trade receivables		**(3,959)**	(6,278)
Increase in equity investments at fair value through profit or loss		**–**	(9,801)
(Increase)/Decrease in prepayments, other receivables and other assets		**(10,212)**	217
Increase/(Decrease) in trade payables		**3,960**	(504)
Increase/(Decrease) in other payables and accruals		**15,497**	(2,603)
Cash used in operating activities		**(26,965)**	(49,074)
Interest paid		**–**	–
Hong Kong profits tax paid		**–**	–
Oversea tax paid		**–**	(41)
Net cash flows used in operating activities		**(26,965)**	(49,115)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment	13	**(3,006)**	(393)
Proceeds from the disposal of property, plant and equipment	13	**–**	28
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	33	**–**	(10,281)
Loan to an available-for-sale investment	17	**–**	(13,585)
Proceeds from the disposal of debt investment at fair value through other comprehensive income		**16,630**	8,043
Acquisition of an associate	16	**(1,800)**	–
Purchases of convertible bond	21	**–**	(4,001)
Loan to an associate		**–**	(15,506)
Increase in amount due from an associate	16	**(93)**	(19)
Interest received		**6**	515
Dividend income from available-for-sale investments		**413**	684
Net cash flows from/(used in) investing activities		**12,150**	(34,515)

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other loan	25	**–**	2,399
Early redemption of convertible bond	28	**(14,501)**	–
Proceeds from issue of convertible bond	28	**–**	18,001
Proceeds from placing	29(b)	**–**	26,639
Proceeds from other borrowing	27	**–**	8,000
Loan interest paid		**–**	(16)
Net cash flows (used in)/from financing activities		**(14,501)**	55,023
Net decrease in cash and cash equivalents		**(29,316)**	(28,607)
Cash and cash equivalents at beginning of year		**57,416**	86,406
Effect of foreign exchange rate changes		**120**	(383)
Cash and cash equivalents at end of the year		**28,220**	57,416
Analysis of cash and cash equivalents:			
Cash held on behalf of customers		**52**	564
Cash and bank balances		**28,168**	56,852
		28,220	57,416

Notes to Consolidated Financial Statements

31 December 2018

1. CORPORATE AND GROUP INFORMATION

IR Resources Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at 26/F., Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and, together with its subsidiaries (collectively, the "Group") are principally engaged in (i) the forestry and agricultural business; (ii) the financial services business; (iii) the cultural business; and (iv) the logistics business.

Information about subsidiaries

Details of the principal subsidiaries held directly and indirectly by the Company as at 31 December 2018 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company(R)		Principal activities
			Direct	Indirect*	
(Cambodia) Tong Min Group Engineering Co., Ltd. ("CTM")@θ	Kingdom of Cambodia ("Cambodia")	US$1,000,000	–	16%	Forestry and agricultural business
Agri-Industrial Crop Development (Cambodia) Co., Ltd. ("ACD")@θ	Cambodia	US$1,000,000	–	16%	Forestry and agricultural business
Crops and Land Development (Cambodia) Co., Ltd. ("CLD")@θ	Cambodia	US$1,000,000	–	16%	Forestry and agricultural business
Green Resources Navigator International Limited@	BVI	US$1	100%	–	Investment holdings
Unicorn Sail Limited ("Unicorn Sail")@	Samoa	US$1,000	–	52%	Investment holdings
Vibrant Decade Limited ("Vibrant Decade")@θ	Samoa	US$1,000	–	31%	Trading of timber log
China Platinum Corporation ("China Platinum")@	Anguilla	US$1,000	–	61%	Investment holdings

Notes to Consolidated Financial Statements

31 December 2018

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company(R) Direct	Percentage of equity attributable to the Company(R) Indirect*	Principal activities
Wright Global Limited (“Wright Global”)[@]	Samoa	US$1,000	–	31%	Investment holdings
Prosper Dynamic Enterprises Limited (“Prosper Dynamic”)[@]	BVI	US$1,000	–	78%	Investment holdings
Environment Capital Prosperity Sports Investment Limited (“Environment Capital”)[@]	BVI	US$1	–	31%	Investment holdings
China Cambodia Resources Limited (“China Cambodia”)[@θ]	BVI	US$27,042,548	–	16%	Investment holdings
Forest Glen Group Limited (“Forest Glen”)[@θ]	BVI	US$42,307,692	–	16%	Investment holdings
IR Resources (Cambodia) Co., Ltd. (“IR Cambodia”)[@]	Cambodia	US$5,000	–	31%	Wood processing
Richking Development Limited (“Richking”)[@θ]	BVI	US$1	–	16%	Investment holdings
Mighty Pine Limited (“Mighty Pine”)[@θ]	BVI	US$100	–	16%	Investment holdings
Frankford Inc Limited	Hong Kong	HK$100	100%	–	Loan financing
Leading Sense Limited[@]	Samoa	US$100	100%	–	Investment holdings
Charm Sino Limited[@]	Samoa	US$100	100%	–	Investment holdings
Protective Fortune Limited[@]	Anguilla	US$100	100%	–	Investment holdings
Nine Rivers Capital Partners Limited (“Nine Rivers”)	Hong Kong	HK$100,000,000	–	60.4%	Provision of brokerage service, underwriting and placing service and securities trading

Notes to Consolidated Financial Statements

31 December 2018

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company(R) Direct	Percentage of equity attributable to the Company(R) Indirect*	Principal activities
Fortune Tao Financial Network Company Limited ("Fortune Tao")	Hong Kong	HK$10,000,000	–	60.4%	Provision of financial information technology services
阿哈爾與捷科技(深圳)有限公司@	The People's China ("the PRC")	RMB3,000,000	–	100%	Investment holdings
Solar Fortune Limited@	Samoa	US$100	100%	–	Investment holdings
Guangzhou Yiwen Huisin Trading Limited#@	the PRC	RMB 7,827,000	–	– (2017: 100%)	Trading of furniture and coal

@ Not audited by Ascenda Cachet CPA Limited.

θ These companies are classified as subsidiaries by virtue of the Company's control over them.

This subsidiary has commenced a deregistration process since 2017 and completed during the year.

(R) All the percentage of equity attributable to the Company were remain unchanged with previous year except when otherwise indicated.

* Represented the effective equity interest held by the Group.

Notes to Consolidated Financial Statements

31 December 2018

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about the Structured Entity

During the second half of 2017, the Group had extended its business portfolio to cultural business (development and upgrading of online applications in the PRC). Since foreign invested entities were restricted from operating online game business in the PRC under the prevailing laws and regulations in the PRC, certain structured contracts (the "Structured Contracts") were entered into among (i) a wholly-owned subsidiary of the Group (a wholly foreign owned enterprise in the PRC) (the "WFOE"), (ii) the sole registered shareholder (the "Domestic Entity's Shareholder") of a domestic entity (the "Structured Entity") in the PRC; and (iii) the Structured Entity.

The Structured Contracts provided the Group, through the WFOE, with effective control over the Structured Entity under the arrangement that the WFOE provided consultancy services to the Structured Entity and the Group was entitled to substantially all of the operating profit and residual benefit generated by the Structured Entity for services rendered. Also, the Domestic Entity's shareholder had pledged all of the equity interest in the Structured Entity to the Group and was required to transfer such interest to the Group (or its designated party) at a nominal sum upon receiving the Group's instruction at the time such transfer was permitted by the PRC laws at a consideration as permitted under the then PRC laws. Information about the Structured Entity during the year ended 31 December 2018 is as follows:

Name	Place of incorporation/ registration and operations	Fully paid capital	Percentage of equity interest held by the Company[R]		Principal activities
			Direct	Indirect	
Hainan Nine Star Technology Network Limited (the "Structured Entity")	PRC	RMB1,000,000	–	–	Provision of cultural business

In June 2018, the Structured Contracts were terminated, and Hainan Nine Star Technology Network Limited is therefore no longer a Structured Entity of the Company and its results has not been consolidated into the consolidated financial statements of the Group since then.

Notes to Consolidated Financial Statements

31 December 2018

2.1 BASIS OF PREPARATION

Basis of preparation

The Group requires a substantial working capital for the operation of its forestry and agricultural business. In light of all the measures and arrangements having been adopted, the Directors are of the opinion that the Group would be able to continue as a going concern and would have sufficient cash resources to satisfy its future working capital and other financial requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. No adjustment to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively, has been reflected in these consolidated financial statements if the Group is unable to continue as a going concern.

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The consolidated financial statements have been prepared under the historical cost convention except for equity investment at fair value through other comprehensive income, equity investments at fair value through profit or loss and derivative financial instrument, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company and its subsidiaries operating in Hong Kong, and all values are rounded to the nearest thousand except when otherwise indicated, while the functional currencies of the Company's subsidiaries established in the PRC and Cambodia are Renminbi ("RMB") and United States dollars ("US$"), respectively.

Notes to Consolidated Financial Statements

31 December 2018

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote-holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and will continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Consolidated Financial Statements

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK (IFRIC)–Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for the amendments to HKFRS 4 and HKAS 40, and annual improvements 2014–2016 cycle which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

HKFRS 2

Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share- based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction for the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

HKFRS 9

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

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

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2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

HKFRS 9 *(Continued)*

Classification and measurement *(Continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amount	Re-classification	ECL	Re-measurement	HKFRS 9 measurement Amount	HKFRS 9 measurement Category
			HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
Financial assets								
Equity investments at fair value through other comprehensive income	(a)	N/A	–	27,271	–	8,038	35,309	FVOCI
From: Available-for-sale investments				27,271				
Available-for-sale investments	(a)	AFS	44,424	(44,424)	–	–	–	N/A
To: Equity investments at fair value through other comprehensive income				(27,271)				
To: Debt investment at fair value through other comprehensive income				(17,153)				
Trade receivables		L&R	10,989	–	(119)	–	10,870	AC
Financial assets included in prepayments, other receivables and other assets		L&R	10,766	–	–	–	10,766	AC
Equity investments at fair value through profit or loss		FVPL	1,980	–	–	–	1,980	FVPL
Debt investment at fair value through other comprehensive income	(a)	NA	–	17,153	–	–	17,153	FVOCI
From: Available-for-sale investments				17,153	–			
Cash held on behalf of customers		L&R	564	–	–	–	564	AC
Cash and bank balances		L&R	56,852	–	–	–	56,852	AC
Total			125,575	–	(119)	8,038	133,494	
Financial liabilities								
Trade payables		AC	238	–	–	–	238	AC
Financial liabilities included in other payables and accruals		AC	34,743	–	–	–	34,743	AC
Derivative financial instrument		FVPL	913	–	–	–	913	FVPL
Other borrowing		AC	8,000	–	–	–	8,000	AC
Convertible bond		AC	13,525	–	–	–	13,525	AC
Other loan		AC	16,225	–	–	–	16,225	AC
Total			73,644	–	–	–	73,644	

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2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

HKFRS 9 *(Continued)*

Classification and measurement *(Continued)*

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

5 FVPL: Financial assets at fair value through profit or loss

Note:

(a) As of 1 January 2018, the Group had (i) equity investments previously classified as available-for-sale investments at amortised cost. These available-for-sale investments, which passed the contractual cash flow characteristics test in HKFRS 9, were not actively traded and were held with the intention to collect cash flows and without the intention to sell. As at 1 January 2018, the fair value of these available-for-sale investments was HK$35,309,000, resulting in an increase in fair value of approximately HK$8,038,000, as at 1 January 2018 upon adoption of HKFRS 9. The Group still held these equity investments as at 31 December 2018 and the fair value of which amounted to HK$23,424,000, with a change in fair value of approximately HK$11,885,000 (note 18) having been recorded in other comprehensive income; and (ii) debt investments previously classified as available-for-sale investments at fair value. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group has concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income. As these debt investments were previously measured at its fair value and therefore, no material adjustment was made on the opening balance upon the adoption of HKFRS 9. The impact on the opening balance of the fair value reserves upon the adoption of HKFRS 9 is as follows:

Impact on the opening balance of the fair value reserves

The impact of transition to HKFRS 9 on the opening balance of the fair value reserves, recycling and non-recycling, is as follows:

		Fair value reserves	
	AFS reserve	**Recycling**	**Non-recycling**
	HK$'000	*HK$'000*	*HK$'000*
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)			
Balance as at 31 December 2017 under HKAS 39	291	–	–
Reclassification of financial assets from available-for-sale investments to debt investment at fair value through other comprehensive income	(291)	291	–
Remeasurement of equity investment at fair value through other comprehensive income previously measured at cost under HKAS 39	–	–	8,038
Balance as at 1 January 2018 under HKFRS 9, restated	–	291	8,038

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

HKFRS 9 *(Continued)*

Impairment

The following table reconciles the aggregate opening balance of impairment allowances as at 1 January 2018 under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 20 to the consolidated financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Remeasurement	ECL allowance under HKFRS 9 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	6,718	119	6,837

Hedge accounting

The amendments have had no impact on the financial position or performance of the Group as the Group did not have any financial assets and financial liabilities under hedge accounting.

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the consolidated financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the consolidated financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

There was no financial impact of the opening balance of the retained earnings as at 1 January 2018 as the Group did not have any in-completed contracts as at 1 January 2018.

HK(IFRIC)-Int 22

HK(IFRIC)-Int 22, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD *(Continued)*

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. As disclosed in note 35 to the consolidated financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$889,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could 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 clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD *(Continued)*

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in associates is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its equity investments at fair value through other comprehensive income, equity investments at fair value through profit or loss and derivative financial instrument, at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly is unobservable

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, biological assets, intangible assets, goodwill and inventory), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 entity;

(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;

(vi) the entity is controlled or joint 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 of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Shorter of 50 years and the unexpired term of the lease
Constructed roads	3%
Motor vehicles	20%
Plant, machinery and equipment	20% – 33%
Leasehold improvements	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Timber logging rights

Timber logging rights acquired separately by the Group are intangible assets and are stated at cost less accumulated amortisation and any impairment losses. These timber logging rights give the Group rights to log trees in the allocated concession forests land in the Kratie District, Kratie Province, Kingdom of Cambodia ("Cambodia"). Amortisation is charged on a unit-of-production basis, whereby the annual amortisation amount is determined based on the actual logging volume for the year to the projected total standing log volume of the timber in the concession forest land. These timber logging rights may be impaired whenever there is an indication that the timber logging rights are assessed for impairment.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

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

Notes to Consolidated Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition (applicable before 1 January 2018)” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Notes to Consolidated Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

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31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

Notes to Consolidated Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Notes to Consolidated Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from contracts with customers *(Continued)*

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of wood and agricultural products

Revenue from the sale of wood and agricultural products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the wood and agricultural products.

Loan interest income

Loan interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Services rendered

Revenue for services rendered mainly includes the revenue arising from the provision of management and performance services, securities brokerage, financing and advisory services and development of cultural business, which are recognised over time when services are rendered.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the provision of management and performance fees, securities brokerage and commission, financing and advisory services, when the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Notes to Consolidated Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The PRC subsidiaries of the Group participate in a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employee salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer contributions vest fully once they are made.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 13% has been applied to the expenditure on the individual assets.

Notes to Consolidated Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to Consolidated Financial Statements

31 December 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

As mentioned in previous consolidated financial statements dated 15 February 2018, as part of the restructuring of the Group's forestry and agricultural business, the Company completed the subscription agreement in October 2016 to allow certain independent third parties to subscribe (the "Subscription") for new shares in the relevant subsidiaries (the "Restructured Subsidiaries") forming the forestry and agricultural business. The Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries. Despite that the effective interest rate of the Restructured Subsidiaries held by the Group upon the completion of the Subscription is less than 50%, the management of the Group has assessed and considered that such changes in ownership interest in the Restructured Subsidiaries did not result in a loss of control of the Restructured Subsidiaries as the composition of the board of directors, key management personnel and the operation committees of the respective Restructured Subsidiaries were being appointed by the Group, and the Group is exposed, or has rights, to variable returns from its involvement with the Restructured Subsidiaries and has the ability to affect those returns through its power over the Restructured Subsidiaries. The Group still has control over the Restructured Subsidiaries.

Accounting for Structured Entity governed under contractual arrangements as subsidiary

As detailed in note 1 to the consolidated financial statements, the Group did not hold any equity interests in the Structured Entity. However, under the Structured Contracts entered into between the Group, Domestic Entity's shareholder and the Structured Entity, the Directors determined that the Group had the power to govern the financial and operating policies of Structured Entity so as to obtain benefits from their activities. As such, Structured Entity was accounted for as subsidiaries of the Group for accounting purposes during the year ended 31 December 2017 and up to the date of termination of the Structured Contracts on 30 June 2018.

No revenue was generated from the Structured Entity which was controlled by the Group through the Structured Contracts described above for the period from 1 January 2018 to 30 June 2018 (the date of termination of the Structured Contracts).

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Going concern

For the assessment of the going concern, the Directors are of the opinion that the Group would be able to continue as a going concern as the Group has sufficient financial resources to support the flexibility of the operation of its forestry and agricultural business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities respectively, to reduce the value of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

Deemed early redemption of convertible bonds

As detailed in note 28 to the consolidated financial statements, the Group appointed a trustee for the purpose of its share award scheme (the "Share Award Scheme) to its employees. During the year, the trustee, under the instruction of the Company, acquired the convertible bond from the convertible bond holder. As at 31 December 2018 and up to the date of these consolidated financial statements, the convertible bond was still held by the trustee for purpose of the Share Award Scheme and no award had been granted to any eligible person under the Share Award Scheme. Accordingly, the Directors considered that the acquisition of the convertible bond by the trustee is deemed to be an early redemption of the convertible bond by the Company. In assessing this accounting treatment, judgement is made by the Directors which involved significant estimation for the amounts recognised in the consolidated financial statements.

Estimation uncertainty

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

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost to disposal and its 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Notes to Consolidated Financial Statements

31 December 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of intangible assets

In considering the impairment losses that may be required for the Group's intangible assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and related credit risk is disclosed in notes 20 and note 41 to the consolidated financial statements, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As detailed in note 15 to the consolidated financial statements, the impairment loss on goodwill of HK$3,522,000 was provided during the year.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Impairment of available-for-sale financial assets

Before 1 January 2018, the unlisted equity investments had been assessed for impairment based on the financial statements and/or related financial information available for those investments. This assessment required the Group to make estimates about expected future performance of the investments and hence they were subject to uncertainty.

Notes to Consolidated Financial Statements

31 December 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Fair value of convertible bond and related derivative financial instruments

The fair values of the convertible bond and related derivative financial instruments, which are not traded in an active market, were calculated using partial differential equations, specially the Crank-Nicolson finite-difference model. The models involve assumptions on the Company's stock price, expiration, risk-free rate and volatility. Should these assumptions change, there would be material changes to the valuation.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the consolidated financial statements. The valuation requires the Group to determine the comparable public companies (peers) based on enterprise value to earnings before interest and taxes, ("EV/EBIT") multiple and price to earnings ("P/E") multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group has four (2017: four) reportable operating segments as follows:

(a) the sale of wood and agricultural products and the timber logging business in Cambodia (the "Forestry and Agricultural Business");

(b) the securities brokerage and trading, asset management and loan financing (the "Financial Services Business");

(c) the provision of services in the development and upgrading of Chinese cultural related online application (the "Cultural Business"); and

(d) the logistics business (the "Logistics Business").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, fair value gains/(losses) from the Group's financial instruments as well as, head office and corporate expenses are excluded from such measurement.

Segment assets exclude equity investments at fair value through profit or loss, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowing, convertible bond, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to Consolidated Financial Statements

31 December 2018

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Cultural Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales of wood and agricultural products	26,592	–	–	–	26,592
Loan interest income arising from Financial Services Business	–	168	–	–	168
Brokerage commission income	–	902	–	–	902
Related service fee income arising from provision of financial information services	–	728	–	–	728
	26,592	1,798	–	–	28,390
Segment results	(5,165)	(10,658)	(1,755)	(5)	(17,583)
Unallocated expenses					(22,441)
Share of loss of associates					(2,039)
Loss before tax and finance costs					(42.063)
Finance costs	(677)	–	–	–	(677)
Unallocated finance costs					(1,515)
Loss before tax					(44,255)
Income tax expense					(644)
Loss for the year					(44,899)
Segment assets	20,230	22,861	2,583	–	45,674
Unallocated assets					59,832
Total assets					105,506
Segment liabilities	77,210	870	2,849	–	80,929
Unallocated liabilities					3,578
Total liabilities					84,507
Other information					
Capital expenditure	–	17	–	–	17
Unallocated capital expenditure					2,989
					3,006
Depreciation and amortisation	754	1,268	–	–	2,022
Unallocated depreciation and amortisation					162
					2,184
Other income and gains	–	413	6	–	419
Unallocated other income and gains					1,197
					1,616
Impairment loss on trade receivables *(notes 6 and 20)*	1,018	12	–	–	1,030
Loss on written off and impairment of property, plant and equipment *(notes 6 and 13)*	–	1,039	–	–	1,039
					2,069

Notes to Consolidated Financial Statements

31 December 2018

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Cultural Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales of wood and agricultural products	24,315	–	–	–	24,315
Loan interest income arising from Financial Services Business	–	502	–	–	502
Brokerage commission income	–	1,070	–	–	1,070
Related service fee income arising from provision of financial information services	–	884	–	–	884
Service fee income of Cultural Business	–	–	10,412	–	10,412
	24,315	2,456	10,412	–	37,183
Segment results	(63,829)	(3,914)	433	(393)	(67,703)
Unallocated expenses					(42,505)
Share of loss of an associate					(3,906)
Loss before tax and finance costs					(114,114)
Finance costs	(565)	–	–	–	(565)
Unallocated finance costs					(867)
Loss before tax					(115,546)
Income tax expense					(314)
Loss for the year					(115,860)
Segment assets	10,853	39,271	7,293	9,024	66,441
Unallocated assets					81,465
Total assets					147,906
Segment liabilities	39,577	1,039	5,883	4,388	50,887
Unallocated liabilities					26,632
Total liabilities					77,519
Other information					
Capital expenditure	147	5,051	–	–	5,198
Unallocated capital expenditure					15,097
					20,295
Depreciation and amortisation	2,440	769	–	–	3,209
Unallocated depreciation and amortisation					115
					3,324
Other income and gains	1,118	684	1	1	1,804
Unallocated other income and gains					21
					1,825
Impairment loss on intangible assets *(notes 6 and 14)*	41,574	–	–	–	41,574
Impairment loss on trade receivables *(notes 6 and 20)*	–	88	–	–	88
Impairment loss on property, plant and equipment *(notes 6 and 13)*	16,789	–	–	–	16,789
					58,451

Notes to Consolidated Financial Statements

31 December 2018

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,798**	2,456
The PRC	**26,592**	31,476
ASEAN Countries	**–**	3,251
	28,390	37,183

The classification of the revenue arising from (i) the Forestry and Agricultural Business; (ii) the Cultural Business; and (iii) the Logistics Business is based on the location of the customers' operation.

The classification of the revenue arising from Financial Services Business is based on the location of stock exchanges of the underlying securities investments made by their clients; the location of the borrowed funds first available to their borrowers; or the location of the client's operation.

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**14,947**	18,078
ASEAN Countries	**2,890**	3,644
	17,837	21,722

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets, if any.

Information about a major customer

Revenue of approximately HK$14,187,000 (2017: HK$10,995,000) was derived from sales of the Forestry and Agricultural Business to a single customer.

Notes to Consolidated Financial Statements

31 December 2018

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of wood and agricultural products	**26,592**	24,315
Loan interest income arising from Financial Services Business	**168**	502
Brokerage commission income	**902**	1,070
Related service fee income arising from provision of financial information services	**728**	884
Service fee income of Cultural Business	**–**	10,412
Total revenue	**28,390**	37,183
Other income and gains		
Bank interest income	**6**	13
Fair value gain on other loan (note 26(a))	**–**	1,113
Dividend income from debt investments at fair value through other comprehensive income	**413**	684
Gain on early redemption of convertible bond (note 28)	**1,156**	–
Others	**41**	15
Total other income and gains	**1,616**	1,825
Total revenue, other income and gains	**30,006**	39,008

Notes to Consolidated Financial Statements

31 December 2018

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	Sales of wood and agricultural products *HK$'000*	Related income arising from Financial Services Business *HK$'000*	Service fee income of Cultural Business *HK$'000*	Total *HK$'000*
Timing of revenue recognition				
Goods transferred at a point in time	26,592	–	–	26,592
Services transferred over time	–	1,630	–	1,630
Loan interest income over time	–	168	–	168
Total revenue from contracts with customers	26,592	1,798	–	28,390

(a) Performance obligations

Information about the Group's performance obligation are summarised below:

Sales of wood and agricultural products

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 days from delivery.

Loan interest income arising from Financial Services Business

The performance obligation is satisfied on an over-time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Brokerage commission income

The performance obligation is satisfied on an over-time basis and payment is generally due upon completion of the service rendered.

Related service fee income arising from provision of financial information services

The performance obligation is satisfied on an over-time basis and payment is generally due upon completion of the related service rendered.

Service fee income arising from development of Cultural Business

The performance obligation is satisfied on an over-time basis and payment is generally due upon completion of the service rendered.

Notes to Consolidated Financial Statements

31 December 2018

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2018 **HK$'000**	2017 HK$'000
Cost of goods sold	**22,686**	20,849
Cost of services provided	**122**	9,067
	22,808	29,916
Auditors' remuneration:		
Annual audit	**1,250**	1,200
	1,250	1,200
Depreciation of property, plant and equipment* *(note 13)*	**2,184**	3,324
Exchange losses, net	**349**	38
Fair value loss on equity investments at fair value through profit or loss *(note 21)*	**1,134**	132
Loss on disposal of debt investments as fair value through other comprehensive income	**232**	–
Impairment loss on trade receivables *(notes 20(a) and 20(b))*	**1,030**	88
Impairment loss on other receivables	**8**	–
Impairment loss on intangible assets *(note 14)*	**–**	41,574
Impairment loss on property, plant and equipment *(note 13)*	**919**	16,789
Impairment loss on available-for-sale investments *(note 17)*	**–**	6,814
Impairment loss on goodwill *(note 15)*	**3,522**	–
Loss on written off/disposal of property, plant and equipment	**120**	10
Loss on disposal of equity investments at fair value through profit or loss, net *(note 21)*	**–**	7,689
Impairment loss on inventories	**367**	1,814
Minimum lease payments under operating leases:		
Land and buildings	**2,096**	1,015
Staff costs (excluding directors' remuneration (note 8)):		
Wages and salaries*	**17,749**	19,283
Pension scheme contributions	**455**	485
Equity-settled share options expenses	**–**	1,235
Commission rebate	**25**	–
	18,229	21,003
Bank interest income	**(6)**	(13)
Dividend income from debt investments as fair value through other comprehensive income *(note 17(b))*	**(413)**	(684)
Fair value gain on other loan *(note 26(a))*	**–**	(1,113)
Gain on early redemption of convertible bond *(note 28)*	**(1,156)**	–

* Cost of inventories include approximately HK$Nil (2017: HK$133,000) and HK$Nil (2017: HK$97,000) relating to staff costs and depreciation.

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7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Financial institution's loan interest	**680**	451
Convertible bond interest *(note 28)*	**835**	400
Interest on other borrowing *(note 26(a))*	**677**	581
	2,192	1,432

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**903**	876
Discretionary bonus	**–**	57
Pension scheme contributions	**18**	18
Equity-settled share options expenses *(note 30)*	**–**	640
	921	1,591
Total	**1,281**	1,951

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Pension scheme contributions HK$'000	Equity-settled share-options expenses HK$'000	Total HK$'000
2018						
Executive directors of the Company						
Chan Ching Hang	–	723	–	18	–	741
Zeng Lingchen	–	180	–	–	–	180
	–	903	–	18	–	921
Independent non-executive directors of the Company						
Pang King Sze, Rufina	120	–	–	–	–	120
Hong Binxian	120	–	–	–	–	120
Hung Kenneth	120	–	–	–	–	120
	360	–	–	–	–	360
	360	903	–	18	–	1,281

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Pension scheme contributions HK$'000	Equity-settled share-options expenses HK$'000	Total HK$'000
2017						
Executive directors of the Company						
Chan Ching Hang	–	696	57	18	493	1,264
Zeng Lingchen	–	180	–	–	–	180
	–	876	57	18	493	1,444
Independent non-executive directors of the Company						
Pang King Sze, Rufina	120	–	–	–	49	169
Hong Binxian	120	–	–	–	49	169
Hung Kenneth	120	–	–	–	49	169
	360	–	–	–	147	507
	360	876	57	18	640	1,951

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8. DIRECTORS' REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: HK$Nil) and no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2017: HK$Nil).

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2018	2017
HK$Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$2,000,000	**–**	1
	5	5

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2017: one) director details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2017: four) non-directors highest paid employees for the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**12,075**	13,506
Equity-settled share options expenses	**–**	986
Pension scheme contributions	**380**	316
Total	**12,455**	14,808

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**–**	1
Over HK$5,000,000	**1**	1
	4	4

10. INCOME TAX EXPENSE

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2018.

PRC

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax ("EIT") has been provided at the rate of 25% during the years ended 31 December 2017 and 2018, and where small-scale enterprises with low profitability meet certain conditions, the EIT rate shall be reduced to 20%. During the years ended 31 December 2017 and 2018, a subsidiary of the Group has been designated as a small-scale enterprise, which pursuant to the notice of the Ministry of Finance and the State Administrative of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, it is subject to the concessionary EIT rate of 10% of assessable profits (i.e. 50% of the 20% applicable EIT rate on the assessable profits) for the years ended 31 December 2017 and 2018.

Cambodia

Under the Cambodian Law on Taxation, the Cambodian corporate income tax ("CCIT") is calculated at a rate of 20%. CCIT has not been provided as the Group did not generate any assessable profits arising in Cambodia during the years ended 31 December 2017 and 2018.

	2018 ***HK$'000***	2017 *HK$'000*
Current tax:		
Hong Kong	**644**	272
PRC	**–**	42
Cambodia	**–**	–
	644	314
Deferred tax	**–**	–
Total tax charge for the year	**644**	314

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10. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2018		2017	
	HK$'000	**%**	*HK$'000*	*%*
Loss before tax	**(44,255)**	**–**	(115,546)	–
Tax at the statutory tax rates	**(7,792)**	**17.6**	(21,910)	19.0
Effect of concessionary rate	**–**	**–**	(70)	–
Income not subject to tax	**(435)**	**1.0**	(504)	0.4
Expenses not deductible for tax	**8,112**	**(18.3)**	20,948	(18.1)
Tax losses not recognised	**759**	**(1.8)**	1,850	(1.6)
Tax charge at effective tax rate	**644**	**(1.5)**	314	(0.3)

The Group had deferred tax assets not recognised in respect of tax losses available for offsetting future assessable profits and accelerated depreciation in Hong Kong and Cambodia as follows:

	2018	2017
	HK$'000	*HK$'000*
Tax losses		
– Hong Kong	**65,126**	64,367
– Cambodia	**25,405**	31,188
	90,531	95,555

The tax losses in Hong Kong could be carried forward with an infinity period. However, the tax losses in Cambodia could be carried forward for a period of five years. The expiry date of the above tax losses in Cambodia are as follows:

	2018	2017
	HK$'000	*HK$'000*
2018	**–**	5,783
2019	**5,097**	5,097
2020	**4,946**	4,946
2021	**10,815**	10,815
2022	**4,547**	4,547
	25,405	31,188

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11. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2018 (2017: HK$Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(37,585)**	(103,347)

	Number of shares (in '000)	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**831,261**	811,144

The weighted average number of ordinary shares for the year ended 31 December 2017 has been adjusted for the share consolidation on 13 January 2017 as if effective since 1 January 2017.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2018 in respect of a dilution, as the impact of the convertible bond and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Constructed roads *HK$'000*	Motor vehicles *HK$'000*	Plant, machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
31 December 2018						
At 1 January 2018:						
Cost	4,854	24,043	2,657	22,267	1,523	55,344
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(17,038)	(675)	(49,267)
Net carrying amount	–	–	–	5,229	848	6,077
At 1 January 2018, net of accumulated depreciation and impairment	–	–	–	5,229	848	6,077
Additions	–	–	–	3,006	–	3,006
Written off	–	–	–	(120)	–	(120)
Impairment *(note (b))*	–	–	–	(583)	(336)	(919)
Depreciation provided during the year	–	–	–	(1,726)	(458)	(2,184)
At 31 December 2018, net of accumulated depreciation and impairment	–	–	–	5,806	54	5,860
At 31 December 2018:						
Cost	4,854	24,043	2,657	22,010	257	53,821
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(16,204)	(203)	(47,961)
Net carrying amount	–	–	–	5,806	54	5,860

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

	Buildings	Constructed roads	Motor vehicles	Plant, machinery and equipment	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2017						
At 1 January 2017:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	2,394	9,163	1,464	9,692	23	22,736
At 1 January 2017, net of accumulated depreciation and impairment	2,394	9,163	1,464	9,692	23	22,736
Additions	–	–	–	192	201	393
Acquisition of subsidiaries (note 33)	–	–	–	2,177	922	3,099
Disposal	–	–	–	(38)	–	(38)
Impairment (note (a))	(2,308)	(8,451)	(1,145)	(4,885)	–	(16,789)
Depreciation provided during the year	(86)	(712)	(319)	(1,909)	(298)	(3,324)
At 31 December 2017, net of accumulated depreciation and impairment	–	–	–	5,229	848	6,077
At 31 December 2017:						
Cost	4,854	24,043	2,657	22,267	1,523	55,344
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(17,038)	(675)	(49,267)
Net carrying amount	–	–	–	5,229	848	6,077

Notes:

(a) The impairment of the property, plant and equipment of HK$16,789,000 in previous year was mainly made on the buildings, constructed roads, motor vehicles and plant, machinery and equipment (collectively, the "Forest PPE") related to the Forestry and Agricultural Business in Cambodia. Given that (i) the Group's intangible assets relating to the Forestry and Agricultural Business were of no commercial value as at 31 December 2017 as detailed in note 14(a) to the consolidated financial statements; (ii) the Forest PPE were used only for the Forestry and Agricultural Business and would not generate any other income streams; and (iii) the Forest PPE were not economically viable to be demolished for resale given the substantial disposal cost involved (such as demolition and transportation costs), and therefore would not have any residual value, the Directors were of the opinion that the recoverable amount of the Forest PPE, which had a carrying amount before impairment of HK$16,789,000 as at 31 December 2017, was determined to be of no commercial value and was fully impaired during the year ended 31 December 2017.

Subsequently, the recoverable amount of the Group's intangible assets relating to the Forestry and Agricultural Business are of no commercial value as at 31 December 2018 as detailed in note 14(a) to the consolidated financial statements, therefore, no reversal of impairment was recorded during the year ended 31 December 2018.

(b) As detailed in note 15 to the consolidated financial statements, during the year ended 31 December 2018, Nine Rivers has undergone a restructuring process and therefore, the related property, plant and equipment of HK$919,000 was impaired during the year.

Notes to Consolidated Financial Statements

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14. INTANGIBLE ASSETS

	Timber logging rights *HK$'000* *(note (a))*	Trading right *HK$'000* *(note (b))*	Total *HK$'000*
Cost			
At 1 January 2017	896,932	–	896,932
Acquisition of subsidiaries (note 33)	–	500	500
At 31 December 2017, 1 January 2018 and 31 December 2018	896,932	500	897,432
Accumulated amortisation and impairment			
At 1 January 2017	855,358	–	855,358
Impairment during the year ended 31 December 2017 *(note 6)*	41,574	–	41,574
At 31 December 2017, 1 January 2018 and 31 December 2018	896,932	–	896,932
Net carrying amount			
At 31 December 2017 and 31 December 2018	–	500	500

Notes:

(a) Timber Logging rights

As at 31 December 2018, the net carrying amount of the intangible assets before impairment amounted to HK$767,350,000 (2017: HK$767,350,000).

The Timber Logging Rights of the Group with a tenure of 70 years was acquired between 2007 and 2010. In July 2015, the Royal Government of Cambodia (the "Cambodia Government") issued a notification that the period of the Timber Logging Rights will be reduced from 70 years to 50 years. Since no new investment contract was entered into between the Group and the Cambodia Government as at the date of the consolidated financial statements. The Directors sought a legal opinion and consider that the tenure of the Timber Logging Rights remains unchanged.

The Group uses the "unit of production method" as the amortisation method. Since the Timber Logging Rights was fully impaired as at 31 December 2017 and the recoverable amount of the Timber Logging Rights remained to be of no commercial value as at 31 December 2018 (as detailed below), no amortisation was provided for the year.

Notes to Consolidated Financial Statements

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14. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) Timber Logging rights *(Continued)*

Impairment testing of intangible assets

31 December 2018

The Directors engaged Peak Vision Appraisals Limited, the independent professional valuers (the "Valuer") to determine the recoverable amount of the Timber Logging Rights as at 31 December 2018.

As at 31 December 2018, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 22 March 2019 (the "2018 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2018 was determined to be of no commercial value (mainly attributable to the decrease in the future estimated selling prices of the agricultural products). As the intangible assets were fully impaired in 2017 and no further impairment loss of intangible assets were provided for the year ended 31 December 2018.

Apart from the key assumptions further disclosed below, the timber volume is one of the key assumptions used in the valuation of the Timber Logging Rights as at 31 December 2018, the estimated timber volume in 2018 was derived by the management with reference to (i) the 2017 Timber Volume (as defined below) calculated by the Tree Expert (as defined below) and (ii) the internal record of the timber movement during the year.

Such assessment of the recoverable amount of the intangible assets are based on the valuation performed by the Valuer and for each of the years ended 31 December 2015, 2016, 2017 and 2018, the Valuer has consistently used the excess earning method under the income approach to compute the valuation of the Timber Logging Rights. As described in the 2017 IA Valuation Report (as defined below) and the 2018 IA Valuation Report, there are three generally accepted valuation approaches, namely, the market approach, the cost approach and the income approach. Since there were not sufficient comparable transactions of similar assets for the Valuer to adopt the market approach to conclude a reliable valuation of the Timber Logging Rights and the cost approach would ignore the future economic benefits that could be derived from the Timber Logging Rights, the Valuer has considered the excess earning method under the income approach, which values the Timber Logging Rights based on the discounted cash flow derived therefrom, is an appropriate method to value the Timber Logging Rights.

Notes to Consolidated Financial Statements

31 December 2018

14. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) Timber Logging rights *(Continued)*

Impairment testing of intangible assets *(Continued)*

31 December 2017

The Directors engaged (i) a professional tree expert (the "Tree Expert") to determine the volume and condition of the timber (the "2017 Timber Volume") in the forests underlying the Timber Logging Rights; and (ii) the Valuer to determine the recoverable amount of the Timber Logging Rights as at 31 December 2017. The physical inspections and physical count of the 2017 Timber Volume were attended by the Tree Expert, the Valuer and the auditors of the Company in January 2018.

As at 31 December 2017, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 15 February 2018 (the "2017 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2017 had been decreased (mainly attributable to the decrease in the future estimated selling prices of the agricultural products) to the extent that it was determined to be of no commercial value and therefore, the Group made an impairment loss of intangible assets of HK$41,574,000 as at 31 December 2017 (representing the carrying amount of the intangible assets before the impairment).

Extracted from the 2017 IA Valuation Report and the 2018 IA Valuation Report, were the following key assumptions used in the valuation of the Timber Logging Rights as at 31 December 2017 and 2018 which the management has based its cash flow projections to assess the impairment on the intangible assets:

	31 December 2018 ***HK$'000***	31 December 2017 *HK$'000*
Estimated selling price of timber:		
Grade 1	**US$740 per m^3**	US$820 per m^3
Grade 2	**US$650 per m^3**	US$680 per m^3
Grade 3	**US$360 per m^3**	US$350 per m^3
Estimated selling price of latex:	**US$1.36 per kg**	US$1.62 per kg
Growth rate:		
Revenue	**3.51%**	3.26%
Cost	**3.12%**	3.20%
Tree volume	**0.73%**	0.73%
Discount rate	**17.43%**	17.46%
Inflation rate	**1.10%**	1.03%
Concession period	**70 years**	70 years

The weighted average revenue growth rate and cost growth rate used were based on the industry research. The discount rate used was pre-tax that reflected current market assessments of the time value of money and the specific risks related to the relevant segment.

14. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) Timber Logging rights *(Continued)*

Impairment testing of intangible assets *(Continued)*

Pursuant to the 2017 IA Valuation Report and the 2018 IA Valuation Report, the valuation based on the excess earnings method under the income approach (which the Valuer has considered it is an appropriate method as it values the Timber Logging Rights based on the discounted cash flow derived from it) and based on observable inputs (e.g. (i) market prices of the agricultural produce; and (ii) interest rate by reference to the Economic and Monetary Statistics published by the National Bank of Cambodia, etc.) and taking into account the timber output amount determined by the business plan based on (i) the land planned to be cleared; (ii) the standing timber per hectare in the concession area and (iii) the expected processing recovery rate for sawn timber, which used unobservable inputs, to be completed in order to meet the master plan which was agreed by the relevant Cambodia government authority.

At each financial year, the Directors:

- verified all major inputs to the independent valuation report;
- assessed intangible assets movements when compared to the prior year valuation report; and
- held discussions with the Valuer.

(b) Trading right

The trading right represented a trading right on the Hong Kong Exchanges and Clearing Limited was acquired through the business combination during the year ended 31 December 2017 (note 33). The trading right is considered to have an indefinite useful life and is tested for impairment at the end of the reporting period. As at 31 December 2018 and 2017, no impairment was provided as the Directors are of the opinion that the recoverable amount exceeds its carrying amount.

15. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**3,522**	–
Acquisition of subsidiaries during the year *(note 33)*	**–**	3,522
Impairment during the year	**(3,522)**	–
Net carrying amount at 31 December	**–**	3,522
At 31 December	**–**	–
Cost	**3,522**	3,522
Accumulated impairment	**(3,522)**	–
Net carrying amount at 31 December	**–**	3,522

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31 December 2018

15. GOODWILL *(Continued)*

The net carrying amount of goodwill of HK$3,522,000 arose from the acquisition of 60.4% equity interest in Nine Rivers, together with its subsidiaries, the "Nine Rivers Group". The Nine Rivers Group engages in the Financial Services Business. Goodwill acquired through business combination is allocated to the Group's cash generating unit (the "Financial Services CGU") that is expected to benefit from that business.

Impairment testing of goodwill

The recoverable amount of the Financial Services CGU as at 31 December 2017 and 2018 been determined on the basis of a combination of the asset approach and the market approach. The asset approach is used to assess the market value of entity's interest of the Nine Rivers Group, while the market approach values the premium above the net asset value for the licenses which are registered by Nine Rivers. The key assumptions of the above approaches are the selection of the transactions of the comparable companies. Only the transactions occurred within two years started from the end of the reporting period are chosen to compare with the premium of the net assets of the Nine Rivers Group.

31 December 2018

During the year ended 31 December 2018, the Nine Rivers Group has undergone a restructuring process. Based on the forecast prepared by the management to determine the recoverable amount of the Financial Services CGU, the carrying amount of the goodwill exceeds its recoverable amount and therefore an impairment of HK$3,522,000 has been provided for the year ended 31 December 2018.

31 December 2017

The Valuer has been engaged to determine the recoverable amount of the Financial Services CGU, pursuant to which, no impairment has been provided for the year ended 31 December 2017 as the recoverable amount exceeds its carrying amount of the goodwill.

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16. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Unlisted shares, at cost*	**17,306**	–
Loan to associate**	**–**	15,506
Due from an associate***	**120**	27
Share of loss of associates	**(5,949)**	(3,910)
	11,477	11,623

* The investment costs represented (i) 49% equity interest in Violet Garden Limited ("VG"), a company incorporated in Samoa with limited liabilities and is principally engaged in investments, with the investment cost of US$49 (equivalent to HK$382) which is presented as "nil" as a result of rounding as at 31 December 2017. Upon the Loan Capitalisation (as defined below) during the year ended 31 December 2018, the investment cost was increased to HK$15,506,000; and (ii) 38% equity interest in Arcadia Global Limited, a company incorporated in Samoa with limited liabilities and is principally engaged in property investments, with the investment cost of HK$1,800,000, which was acquired during the year ended 31 December 2018.

** As at 31 December 2017, the balance represented the Group's proportionate shareholder loan of HK$15,506,000 to VG, which was unsecured, interest-free and had no fixed terms of repayment. During the year ended 31 December 2018, each of the shareholders of VG (including the Group) has agreed to capitalise (the "Loan Capitalisation") their respective shareholder loans as share capital.

*** The amount due from VG is unsecured, interest-free and has no fixed terms of repayment.

The following table summarized the financial information of the associates as extracted from their unaudited management accounts:

	2018	2017
	HK$'000	*HK$'000*
Total assets*	**20,033**	23,059
Total liabilities	**(3,783)**	(31,038)
Revenue for the year	**–**	–
Loss for the year	**(4,394)**	(7,979)

31 December 2018

* Included in the total assets of HK$20,033,000 as at 31 December 2018 mainly represented equity investment at fair value through profit or loss, a loan and interest receivable and investment in property.

31 December 2017

* Included in the total assets of HK$23,059,000 as at 31 December 2017 mainly represented equity investment.

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17. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Solar Power Company *(note (a))*	–	27,271
Unlisted income fund *(note (b))*	–	17,153
	–	44,424

Notes:

(a) Information of the Solar Power Company

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity interest	–	20,500
Impairment	–	(6,814)
	–	13,686
SPC Loan	–	13,585
Net carrying amount	–	27,271

Included in the available-for-sale investment with cost of HK$34,085,000 as at 31 December 2017, as to HK$20,500,000 was an equity investment in a solar power company (the "Solar Power Company", together with its subsidiaries, the "Solar Power Group") engaged in the solar power generation business; and as to the remaining balance of HK$13,585,000 represented a loan (the "SPC Loan") advanced to the Solar Power Company. During the year ended 31 December 2017, the Group made an impairment of available-for-sale investment of HK$6,814,000.

On 13 October 2016, the Group entered into a sale and purchase agreement (the "Solar Acquisition Agreement") with an independent third party and pursuant to which, the Group acquired 17.5% equity interest in the Solar Power Company at a cash consideration of HK$20,500,000. As the Group did not have significant influence over the Solar Power Company, such equity investment was accounted for as available-for-sale investments as at 31 December 2017.

On 22 February 2017, the Group further entered into a loan agreement with the Solar Power Company, to provide the SPC Loan of US$1,750,000 (equivalent to HK$13,585,000) to the Solar Power Company. The SPC Loan is unsecured, interest-free and is repayable upon demand subject to the consent of all shareholders of the Solar Power Company. The Directors considered that the SPC Loan forms part of a long term investment in the Solar Power Group and therefore, the SPC Loan was accounted for as available-for-sale investments forming part of the Group's investment in the Solar Power Company as at 31 December 2017.

17. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) Information of the Solar Power Company *(Continued)*

Impairment assessment of available-for-sale investments

As at 31 December 2017, the recoverable amounts of the investment in Solar Power Company and the SPC Loan were determined by the Directors with reference to net asset value of the Solar Power Company as at 31 December 2017. During the second half of 2017, a power plant of the Solar Power Company was relocated to a new site and certain plant and equipment of such power plant were disposed of and impaired resulting in a reduction on the net asset value of the Solar Power Company. Accordingly, the net asset value of the Solar Power Company had been reduced and an impairment loss of HK$6,814,000 on the investment in the Solar Power Company was made by the Group for the year ended 31 December 2017.

As at 31 December 2017, the amount was stated at cost less impairment because the range of reasonable fair value estimate is so significant that the Directors of the Company are of the opinion that the fair value cannot be measured reliably. The Group at the time did not intend to dispose them in the near future.

As detailed in note 2.2 to the consolidated financial statements, upon the adoption of HKFRS 9, the interest in the Solar Power Company was reclassified from available-for-sale investments to equity investment at fair value through other comprehensive income as follows:

	HK$'000
As at 1 January 2018	27,271
Reclassified to equity investments at fair value through other comprehensive income upon adoption of HKFRS 9 *(note 18)*	(27,271)
Restated balance as at 1 January 2018	–

(b) Unlisted income fund

	HK$'000
At 1 January 2017, at fair value	10,000
Acquisition of subsidiaries *(note 33)*	14,851
Disposals	(7,989)
Fair value gain	291
At 31 December 2017	17,153

Included in the available-for-sale investment of HK$17,153,000 as at 31 December 2017 comprised an investment in the unlisted income fund made in December 2016.

During the year ended 31 December 2017, the Group recorded a fair value gain on the available- for-sale investment of HK$291,000 and recognised into the available-for-sale investments revaluation reserve.

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17. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(b) Unlisted income fund *(Continued)*

As detailed in note 2.2 to the consolidated financial statements, upon the adoption of HKFRS 9, the interest in the Unlisted income fund was reclassified from available-for-sale investments as follows:

	HK$'000
As at 1 January 2018	**17,153**
Reclassified to debt investments at fair value through other comprehensive income upon adoption of HKFRS 9 *(note 18)*	**(17,153)**
Restated balance as at 1 January 2018	**–**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investment at fair value through other comprehensive income

	2018 ***HK$'000***	2017 *HK$'000*
Equity investment at fair value through other comprehensive income:		
– Interest in Solar Power Company *(note 17(a))*	**9,839**	–
– SPC Loan *(note 17(a))*	**13,585**	–
	23,424	–

The Group has elected the option to irrevocably designate some of its previous available-for-sale investments as equity investment at fair value through other comprehensive income as at 1 January 2018 on the basis that they are not held for trading.

The movements of the equity investment at fair value through other comprehensive income are as follows:

	Unlisted equity interest *HK$'000*	**SPC Loan** *HK$'000*	**Total** *HK$'000*
As at 31 December 2017			–
Reclassified from available-for-sale investments upon adoption of HKFRS 9 *(notes 2.2 and 17(a))*	13,686	13,585	27,271
Fair value adjustment on initial adoption of HKFRS 9 as at 1 January 2018 *(note 2.2)*	8,038	–	8,038
Restated balance as at 1 January 2018	21,724	13,585	35,309
Fair value loss on equity investment at fair value through other comprehensive income	(11,885)	–	(11,885)
At 31 December 2018	9,839	13,585	23,424

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Equity investment at fair value through other comprehensive income *(Continued)*

The Directors engaged an independent professional valuer (the "Valuer"), to determine the fair value of the interest in the Solar Power Group as at 1 January 2018 (being the date of initial adoption of HKFRS 9).

Based on the valuation report dated 14 August 2018 (the "FVOCI Valuation Report"), the fair value of the Group's equity interest in the Solar Power Group (excluding the SPC Loan) as at 1 January 2018 was approximately HK$21,724,000, under the market approach.

In November 2018, the Group, entered into a sale and purchase agreement (the "Solar Disposal Agreement") with a company wholly-owned by a director of the Solar Power Company (the "Purchaser") and that director (the "Guarantor") to dispose (the "Solar Power Disposal") of all the equity investment at fair value through other comprehensive income (including Interest in the Solar Power Company and the SPC Loan) at a cash consideration (the "Consideration") of HK$24,050,000, in which, as to HK$12,000,000 (note 26) of which had been received as at 31 December 2018. The Solar Power Disposal was completed subsequently on 31 January 2019. Given that the Solar Power Disposal was completed close to the year end date, the Directors considered that the Consideration less cost of disposal of HK$626,000 amounting to HK$23,424,000 reflected the fair value of the Group's equity interest in the Solar Power Group (including the SPC Loan) as at 31 December 2018.

Debt investment at fair value through other comprehensive income

	2018	2017
	HK$'000	*HK$'000*
Debt investment at fair value through other comprehensive income		
Debt investment	**–**	–

The movements of the debt investment at fair value through other comprehensive income are as follows:

	HK$'000
As at 31 December 2017	–
Reclassified from available-for-sale investments upon adoption of HKFRS 9 *(notes 2.2 and 17(a))*	17,153
Fair value adjustment on initial adoption of HKFRS 9 as at 1 January 2018 *(note2.2)*	–
Restated balance as at 1 January 2018	17,153
Disposals	(17,153)
At 31 December 2018	–

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19. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	–	–
Work in progress	–	287
Finished goods	242	322
	242	609

At 31 December 2018, the Group's inventories with carrying amount of approximately HK$367,000 (2017: HK$4,753,000) were written-down to net realisable value of HK$Nil (2017: HK$Nil).

As disclosed in note 6 to the consolidated financial statements, HK$Nil (2017: HK$133,000) staff costs and HK$Nil (2017: HK$97,000) depreciation was allocated to the inventories during 2018.

20. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables *(note a)*	21,654	9,101
Less: Impairment	(7,855)	(6,718)
	13,799	2,383
Account receivables arising from its Financial Services Business *(note b)*		
– Cash clients' account	–	–
– Margin clients' account	–	8,463
– Other clients	100	231
Less: Impairment	(100)	(88)
	–	8,606
	13,799	10,989

20. TRADE RECEIVABLES *(Continued)*

(a) Trade receivables

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 HK$'000	2017 HK$'000
Current to 30 days	**–**	2,309
31 to 60 days	**4,923**	74
61 to 90 days	**2,674**	–
91 to 180 days	**6,202**	–
	13,799	2,383

The movements in the loss allowance for impairment of trade receivables during the reporting period are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**6,718**	6,718
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**119**	–
At 1 January (restated)	**6,837**	6,718
Impairment losses recognised *(note 6)*	**1,018**	–
At 31 December	**7,855**	6,718

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20. TRADE RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Not past due	Past due	Past due over 1 year	Total
Expected credit loss rate	5%	10%	100%	
Gross carrying amount (HK$'000)	7,997	6,891	6,766	21,654
Expected credit losses (HK$'000)	400	689	6,766	7,855

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision of individually impaired trade receivables of HK$6,718,000 with a carrying amount before provision of HK$9,101,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	HK$'000
Neither past due nor impaired	2,383
Less than 1 month past due	–
1 to 3 months past due	–
More than 3 months	–
At 31 December 2017	2,383

The trade receivables are non-interest bearing and are normally settled on 90-day terms.

20. TRADE RECEIVABLES *(Continued)*

(b) Accounts receivables arising from its Financial Services Business

The settlement terms of account receivables from cash clients are two days after the trade date. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these account receivables.

The account receivables from the margin clients are repayable on demand and interest bearing at the prime lending rate plus 0.1% to 5.5%. The total market value of the securities portfolio of the corresponding margin clients amounted to HK$Nil (2017: HK$22,120,000) as at the end of the reporting period.

The account receivable from other clients are non-interest bearing and are normally settled on 60-day terms.

The movements in the provision for impairment of account receivables arising from the Financial Services Business are as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**88**	–
Impairment losses recognised	**12**	88
At 31 December	**100**	88

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of account receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision of individually impaired account receivables of HK$88,000 with a carrying amount before provision of HK$8,694,000.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Listed equity investments, at market value	**846**	1,980

The above listed equity investments at 31 December 2018 were classified as held for trading and were, upon initial recognition, designated by the Group as equity investments at fair value through profit or loss. During the year, the Group recognised (i) a fair value loss of approximately HK$1,134,000 (2017: HK$132,000) (note 6); and (ii) a loss on disposal of approximately HK$Nil (2017: HK$7,689,000) (note 6). The Group did not receive any dividend income from its listed equity investments.

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22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	HK$'000	*HK$'000*
Prepayments and deposits paid *(note (a))*	**7,589**	1,384
Other receivables and other assets	**10,040**	5,870
Tax receivables	**116**	111
Convertible bond receivable *(note (b))*	**4,001**	4,001
	21,746	11,366
Less: Impairment	**(608)**	(600)
	21,138	10,766

At 31 December 2018, an impairment loss of HK$608,000 (2017: HK$600,000) has been provided against the other receivables. Except for such impairment, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

(a) In December 2018, the Group entered into a subscription agreement (the "Subscription Agreement") with an investment company holding equity interest in healthcare business. Pursuant to the Subscription Agreement, the Group would subscribe new shares of the investment company representing its 28% issued shares on an enlarged basis for a consideration of HK$2,040,000. The subscription was completed subsequently on 10 January 2019. In December 2018, the Group further entered into a memorandum of understanding and made a refundable payment of HK$4,000,000 for the exclusivity of the remaining 72% of the investment company. At the date of these consolidated financial statement, no formal sale and purchase agreement has been entered into.

(b) In 2017, the Company subscribed a convertible bond (the "Convertible Bond A") with a principal amount of HK$4,001,000 issued by an independent third party (the "CB Issuer") which bears interest at 1.5% per annum and is convertible into the 626,742 ordinary shares of the CB Issuer at a conversion price of HK$6.38381 per share.

The conversion right of the Convertible Bond A should be initially recognised as a derivative financial asset and should be stated at its fair value at the end of the reporting period.

The Directors are of the opinion that the fair value of the conversion right was not material to the consolidated financial statements as at 31 December 2017 and 2018 and therefore was not recognised in the consolidated financial statements.

23. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of Financial Services Business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding trade payables (note 25) to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

24. CASH AND BANK BALANCES

	2018	2017
	HK$'000	*HK$'000*
Cash and bank balances	**28,168**	56,852

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$391,000 (2017: HK$4,607,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

25. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**4,164**	–
Trade payables arising from its Financial Services Business *(note (b))*		
– Margin clients' account	**8**	–
– Cash clients' account	**19**	–
– Clearing house	**7**	238
	4,198	238

Notes:

(a) Trade payables

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

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**–**	–
31 – 60 days	**4,164**	–
	4,164	–

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

(b) Trade payables arising from its Financial Services Business

The trade payables to margin and cash clients are repayable on demand and interest bearing at prevailing market rates.

The trade payable to clearing house is repayable within two business days, unsecured and interest free.

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26. OTHER LOAN, OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Other payables and accruals	**39,521**	34,743
Other loan *(note (a))*	**16,902**	16,225
Deposit received in advance for the Solar Power Disposal *(note 18)*	**12,000**	–
	68,423	50,968
Less: Other loan classified as a non-current portion	**(16,902)**	(16,225)
	51,521	34,743

Notes:

(a) The movement of the other loan is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**16,225**	13,826
Fair value of loans obtained, fair value	**–**	1,834
Interest expenses *(note 7)*	**677**	565
At 31 December	**16,902**	16,225
Reclassification as a non-current portion	**(16,902)**	(16,225)
Current portion	**–**	–

Pursuant to the restructuring in October 2016, the relevant shareholders of the Forestry and Agricultural Business provided a working capital loan facilities up to HK$51,750,000 for carrying out of timber logging activities. Such working capital loans are unsecured, interest-free and have a term of 10 years, of which, HK$22,763,000 (2017: HK$22,763,000) has been drawn down by the Group as at 31 December 2018. The interest-free nature of the working capital loan represented an interest saving to the Group. Since no further loan was drawn down during the year ended 31 December 2018 and no interest saving was credited to profit and loss of the Group (2017: credit of HK$1,113,000) (note 6).

The loans from the relevant shareholders of the Forestry and Agricultural Business are repayable from the profits of the Forestry and Agricultural Business. As such, the Directors consider it appropriate to classify such loans as non-current liabilities as at 31 December 2017 and 2018.

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27. OTHER BORROWING

	Effective interest rate (%)	Maturity	2018 HK$'000	2017 HK$'000
Other borrowing – unsecured	8.5	2019	**8,000**	8,000
Analysed into:				
Other borrowing repayable:				
Within one year			**8,000**	–
Carrying amount of borrowing that is not repayable within one year from the end of the reporting period but contains a repayment on demand clause (shown under current liabilities)			**–**	8,000
In the second year			**–**	–
			8,000	8,000

28. CONVERTIBLE BOND

In October 2017, the Company issued convertible bond with principal amount of HK$18,000,904 (the "Convertible Bond") to an independent third party (the "CB Holder"). The Convertible Bond, which is convertible into 166,060,000 ordinary shares of the Company at a conversion price of HK$0.1084 per share, bears an interest rate at 1% per annum and matures in October 2019. Each of the Company and the CB Holder were granted an early redemption option (the "Derivative") to request the counterparty to redeem the Convertible Bond any time after the first anniversary of the date of the issuance of the Convertible Bond.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount less the fair value of the Derivative granted to the CB Holder was assigned as the equity component and is included in shareholders' equity.

As at 31 December 2017 and 2018, the movement of the Convertible Bond as follows:

	2017 HK$'000
Nominal value of the Convertible Bond	18,001
Less: Fair value of the Derivative granted to the CB Holder	(913)
Equity component	(3,931)
Liability component at the issuance date*	13,157
Interest expenses *(note 7)*	400
Included in accrued interest – current liabilities	(32)
Liability component at 31 December 2017	13,525

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28. CONVERTIBLE BOND *(Continued)*

	2018
	HK$'000
Liability component at 1 January 2018	**13,525**
– Included in accrued interests	**32**
Interest expenses (note 7)	**835**
Redemption of convertible bond	**(14,392)**
Liability component at 31 December 2018	**–**

* The fair value of the Derivative granted to the Company of HK$2,310,000 was included in the liability component of the Convertible Bond of HK$15,467,000 (before deducting the Derivative) as the early redemption option granted to the Company is closely related to the host debt contract and the Derivative granted to the Company did not separated from the liability host contract (i.e. Liability component of the Convertible Bond).

On 9 April 2018, the Group entered into a Trust Deed (the "Trust Deed") with an independent professional trustee (the "Trustee"), and pursuant to which, the Trustee is engaged by the Group as its trustee for the purpose of its share award scheme (the "Share Award Scheme") to its employees. Subsequently, the Trustee, under the instruction of the Company, acquired the Convertible Bond from the CB Holder at a consideration of approximately HK$14,501,000 pursuant to sale and purchase agreement (the "Convertible Bond S&P") dated 10 May 2018 entered into with the CB Holder. The Convertible Bond S&P was completed on 10 May 2018. As at 31 December 2018 and up to the date of these consolidated financial statements, the Convertible Bond was still held by the Trustee for purpose of the Share Award Scheme and no award had been granted to any eligible person under the Share Award Scheme. The acquisition of the Convertible Bond represented an early redemption of the Convertible Bond during the year and the related gain on redemption of the Convertible Bond is calculated as follows:

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Consideration for the acquisition[ө]	14,149	352	14,501
Less:			
Carrying amount of the liability component	(14,392)	–	(14,392)
Carrying amount of the equity component	–	(3,931)	(3,931)
Carrying amount of the derivative	(913)	–	(913)
Gain on redemption of the Convertible Bond	(1,156)	(3,579)	(4,735)

ө As at the date of redemption on 10 May 2018, the fair value of the liability component of the Convertible Bond of HK$14,149,000 was determined by the Valuer using partial differential equations, namely the Crank-Nicolson finite-difference method. The related consideration is allocated to the liability component at its fair value as at the date of redemption, the remaining portion is allocated to equity component and accordingly, the Group recognised a gain on early redemption of the Convertible Bond of HK$4,735,000, of which, as to HK$1,156,000 (note 5) was recognised in the consolidated statement of profit or loss and the remaining balance of HK$3,579,000 was recognised in the retained earnings.

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29. SHARE CAPITAL

	Notes	2018 Number of shares	2018 Nominal value HK$'000	2017 Number of shares	2017 Nominal value HK$'000
Authorised:					
At beginning of year, ordinary shares of HK$0.05 (2017: HK$0.01) each		**4,000,000,000**	**200,000**	20,000,000,000	200,000
Share consolidation	*(a)*	**–**	**–**	(16,000,000,000)	–
At end of year, ordinary shares of HK$0.05 (2017: HK$0.05)		**4,000,000,000**	**200,000**	4,000,000,000	200,000
Issued and fully paid:					
At beginning of year, ordinary shares of HK$0.05 (2017: HK$0.01) each		**831,261,212**	**41,563**	3,463,606,061	34,637
2017 Share Consolidation	*(a)*	**–**	**–**	(2,770,884,849)	–
2017 Placing	*(b)*	**–**	**–**	138,540,000	6,926
At end of year, ordinary shares of HK$0.05 (2017: HK$0.05)		**831,261,212**	**41,563**	831,261,212	41,563

(a) On 13 January 2017, the Company completed a share consolidation (the "2017 Share Consolidation") on the basis that every five issued and unissued existing shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each. The 2017 Share Consolidation was approved by independent shareholders at the special meeting held on 12 January 2017.

(b) On 8 February 2017, the Company entered into a placing agreement (the "2017 Placing Agreement") with the placing agent, pursuant to which, the Company placed (the "2017 Placing") a total of 138,540,000 New Shares (the "2017 Placing Shares") of HK$0.05 each to not less than six placees who and whose respective ultimate beneficial owners are independent third parties at a placing price of HK$0.2 per 2017 Placing Share. The 2017 Placing was completed on 23 February 2017, with the net proceeds of approximately HK$26,639,000 for strengthen the working capital of the Group.

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30. SHARE OPTION SCHEME

In June 2011, pursuant to an ordinary resolution passed by the shareholders of the Company, the Company adopted a new share option scheme (the "Share Option Scheme") and terminated the prior share option scheme which was adopted on 14 December 2001. The purpose of the Share Option Scheme is to enable the Company to grant share options (the "Share Options") to participants in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. Under the Share Option Scheme, options may be granted to any employees and Directors and its subsidiaries to subscribe for shares of the Company.

The total number of shares in respect of which Share Options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Share Options granted to independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. Subject to the terms of the Share Option Scheme, the Share Option may be exercised in whole or in part at any time during the period to be determined and identified by the board of directors (the "Board") to each grantee at the time of making an offer for the grant of the Share Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

The Company granted 77,307,291 and 5,818,830 Share Options on 10 November 2017 and 13 November 2017, respectively, under the Share Options Scheme to their directors, employees, consultants and co-operators for a term of 2 years, in which, as to 10,806,395 Share Options were granted to the directors of the Company.

The consideration of HK$10 is payable on the grant date of the Share Options. Share Options may be exercised during the validity and exercise period of two years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

30. SHARE OPTION SCHEME *(Continued)*

Details of specific categories and the outstanding Share Options during the years ended 31 December 2017 and 2018 are as follows:

31 December 2018

Name or category of participant	Exercise period	Outstanding as at 1 January 2018	Granted during the year	Cancelled during the year	Outstanding as at 31 December 2018	Fair value at the grant date *HK$*	Exercise price at the grant date *HK$*
Executive director							
Mr. Chan Ching Hang	10 November 2017 to 9 November 2019	8,312,612	–	–	8,312,612	0.0593	0.099
Independent non-executive directors							
Mr. Hong Bingxian	10 November 2017 to 9 November 2019	831,261	–	–	831,261	0.0593	0.099
Mr. Hung Kenneth	10 November 2017 to 9 November 2019	831,261	–	–	831,261	0.0593	0.099
Ms. Pang King Sze, Rufina	10 November 2017 to 9 November 2019	831,261	–	–	831,261	0.0593	0.099
Employees	10 November 2017 to 9 November 2019	16,625,224	–	–	16,625,224	0.0593	0.099
	13 November 2017 to 12 November 2019	4,156,307	–	–	4,156,307	0.0596	0.099
Consultants and co-operators	10 November 2017 to 9 November 2019	49,875,672	–	–	49,875,672	0.0593	0.099
	13 November 2017 to 12 November 2019	1,662,523	–	–	1,662,523	0.0596	0.099
		83,126,121	–	–	83,126,121		

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30. SHARE OPTION SCHEME *(Continued)*

31 December 2017

Name or category of participant	Exercise period	Outstanding as at 1 January 2017	Granted during the year	Cancelled during the year	Outstanding as at 31 December 2017	Fair value at the grant date *HK$*	Exercise price at the grant date *HK$*
Executive director							
Mr. Chan Ching Hang	10 November 2017 to 9 November 2019	4,200,000	–	(4,200,000)	–	0.0096	0.016
	10 November 2017 to 9 November 2019	–	8,312,612	–	8,312,612	0.0593	0.099
Independent non-executive directors							
Mr. Hong Bingxian	10 November 2017 to 9 November 2019	–	831,261	–	831,261	0.0593	0.099
Mr. Hung Kenneth	10 November 2017 to 9 November 2019	–	831,261	–	831,261	0.0593	0.099
Ms. Pang King Sze, Rufina	10 November 2017 to 9 November 2019	–	831,261	–	831,261	0.0593	0.099
Employees	10 November 2017 to 9 November 2019	–	16,625,224	–	16,625,224	0.0593	0.099
	13 November 2017 to 12 November 2019	–	4,156,307	–	4,156,307	0.0596	0.099
Consultants and co-operators	10 November 2017 to 9 November 2019	–	49,875,672	–	49,875,672	0.0593	0.099
	13 November 2017 to 12 November 2019	–	1,662,523	–	1,662,523	0.0596	0.099
		4,200,000	83,126,121	(4,200,000)	83,126,121		

30. SHARE OPTION SCHEME *(Continued)*

The fair value of 77,307,291 Share Options and 5,818,830 Share Options granted by the Company on 10 November 2017 and 13 November 2017 were HK$4,580,000 and HK$350,000 respectively. The fair value of the Share Options were estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Date of grant	
	10 November 2017	**13 November 2017**
Expected volatility	195.090%	194.865%
Historical volatility	195.090%	194.865%
Risk-free interest rate	1.056%	1.056%
Life of options	2 years	2 years
Weighted average share price	HK$0.0593	HK$0.0596

The life of the options is based on the validity and exercise period of the share options granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual income.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value. The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda (the "Companies Act").

(ii) Contributed surplus

Pursuant to a reorganisation in 2001, the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provisions of Section 54 of the Companies Act.

(iii) Share options reserve

Share options reserve comprises the portion of grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments.

(iv) Convertible bond equity reserve

The convertible bond equity reserve comprises the value of the unexercised equity component of convertible bond issued by the Group recognised in accordance with the accounting policy adopted for convertible bond in note 2.4 to the consolidated financial statements.

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31. RESERVES *(Continued)*

(v) Available-for-sales investments revaluation reserve

The available-for-sales investments revaluation reserve comprises the cumulative net change in fair value of available-for-sales investments held at the end of the reporting period and is dealt with in accordance with accounting policy in note 2.4 to the consolidated financial statements.

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the consolidated financial statements.

(vii) Fair value reserve (non-recycling)/(recycling)

The fair value reserve (non-recycling)/(recycling) comprises the cumulative net change in the fair value of equity/debt instruments designated as measured at FVOCI under HKFRS 9 that are held at the end of the reporting period with the accounting policy set out in note 2.4 to the consolidated financial statements.

32. NON WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	2018	2017
Percentage of equity interest held by non-controlling interests:		
CTM	**84%**	84%
ACD	**84%**	84%
CLD	**84%**	84%
Unicorn Sail	**48%**	48%
Vibrant Decade	**69%**	69%
China Platinum	**39%**	39%
Wright Global	**69%**	69%
Prosper Dynamic	**22%**	22%
Environment Capital	**69%**	69%
China Cambodia	**84%**	84%
Forest Glen	**84%**	84%
IR Cambodia	**69%**	69%
Richking	**84%**	84%
Mighty Pine	**84%**	84%
Nine Rivers *(as defined in note 33)*	**40%**	40%
Sky Luck *(as defined in note 33)*	**40%**	40%
Fortune Tao *(as defined in note 33)*	**40%**	40%

32. NON WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	2018	2017
	HK$000	*HK$000*
Profit/(loss) for the years ended 31 December 2018 and 2017 allocated to non-controlling interests:		
CTM	**(2,430)**	(733)
ACD	**(13)**	(192)
CLD	**(13)**	(119)
Unicorn Sail	**(5)**	(6)
Vibrant Decade	**1,442**	950
China Platinum	**(4)**	(5)
Wright Global	**(7)**	(8)
Prosper Dynamic	**(3)**	(2)
Environment Capital	**(7)**	(6)
China Cambodia	**(16)**	(10)
Forest Glen	**(15)**	(18)
IR Cambodia	**(2,884)**	2,804
Richking Development	**(10)**	(9)
Mighty Pine	**(10)**	(9)
Nine Rivers	**(3,175)**	(1,291)
Sky Luck	**(4)**	(3)
Fortune Tao	**(160)**	(244)

32. NON WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate summaries of financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	CTM	ACD	CLD	Unicorn Sail	Vibrant Decade	China Platinum	Wright Global	Prosper Dynamic	Environment Capital	China Cambodia	Forest Glen	IR Resources (Cambodia)	Richking Development	Mighty Pine	Nine Rivers*	Sky Luck*	Fortune Tao*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018																	
Revenue	-	-	-	-	26,592	-	-	-	-	-	-	-	-	-	1,611	-	805
Total expenses	(2,886)	(16)	(16)	(11)	(24,502)	(10)	(11)	(13)	(10)	(19)	(18)	(4,180)	(12)	(11)	(9,628)	(11)	(1,210)
Profit/(Loss) for the year	(2,886)	(16)	(16)	(11)	2,090	(10)	(11)	(13)	(10)	(19)	(18)	(4,180)	(12)	(11)	(8,017)	(11)	(405)
Total comprehensive income for the year	(2,886)	(16)	(16)	(11)	2,090	(10)	(11)	(13)	(10)	(19)	(18)	(4,180)	(12)	(11)	(8,017)	(11)	(405)
At 31 December 2018																	
Current assets	1,391	581	609	3	20,485	4	-	3	426,835	79,649	-	3,120	-	-	21,280	-	2,399
Non-current assets	-	-	-	5	39	4	-	5	503,081	54,600	250,000	-	-	-	13,508	10,000	-
Current liabilities	(117,981)	(19,818)	(16,784)	(40)	(7,857)	(36)	(29)	(33)	(319,200)	-	(42,172)	(26,205)	(80,040)	(7,849)	(2,929)	(5,959)	(308)
	(116,590)	(19,237)	(16,175)	(32)	12,667	(28)	(29)	(25)	610,716	134,249	207,828	(23,085)	(80,040)	(7,849)	31,859	4,041	2,091

32. NON WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	CTM	ACD	CLD	Unicorn Sai	Vibrant Decade	China Platinum	Wright Global	Prosper Dynamic	Environment Capital	China Cambodia	Forest Glen	IR Resources (Cambodia)	Richking Development	Mighty Pine	Nine Rivers*	Sky Luck*	Fortune Tao*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017																	
Revenue	–	–	–	–	21,063	–	–	–	–	–	–	3,256	–	–	1,398	–	884
Total expenses	(11,458)	(6,633)	(4,002)	(12)	(19,686)	(11)	(12)	(11)	(9)	(12)	(22)	(13,849)	(11)	(11)	(4,658)	(8)	(1,500)
Profit/(Loss) for the year	(11,458)	(6,633)	(4,002)	(12)	1,377	(11)	(12)	(11)	(9)	(12)	(22)	(10,593)	(11)	(11)	(3,260)	(8)	(616)
Total comprehensive income for the year	(11,458)	(6,633)	(4,002)	(12)	1,377	(11)	(12)	(11)	(9)	(12)	(22)	(10,593)	(11)	(11)	(3,260)	(8)	(616)
At 31 December 2017																	
Current assets	26,938	9,024	609	3	15,009	4	–	3	472,922	81,074	81,697	6,248	–	–	28,300	–	3,621
Non-current assets	–	–	–	5	39	4	8	5	503,081	54,600	250,000	–	–	–	21,598	10,000	252
Current liabilities	(140,642)	(28,245)	(16,768)	(29)	(4,353)	(26)	(27)	(20)	(365,277)	(1,406)	(123,851)	(25,153)	(80,028)	(7,838)	(7,487)	(5,948)	(1,377)
	(113,704)	(19,221)	(16,159)	(21)	10,695	(18)	(19)	(12)	610,726	134,268	207,846	(18,905)	(80,028)	(7,838)	42,411	4,052	2,496

* As detailed in note 33 to the consolidated financial statements, the Nine Rivers Group was acquired on 15 June 2017. Therefore, the above financial information of the Nine Rivers Group was presented for the period from 15 June 2017 to 31 December 2017 (the results of the post acquisition).

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33. ACQUISITION OF SUBSIDIARIES

On 13 October 2016, the Group entered into a sale and purchase agreement (the "Nine Rivers S&P") with an independent third party, pursuant to which, the Group acquired (the "NR Acquisition") 60.4% equity interest in Nine Rivers Group at a consideration (the "NR Consideration") of approximately HK$33,220,000 (subject to downward adjustment). The Consideration was finally adjusted to HK$27,642,000 at the completion date (the "NR Acquisition Completion Date") on 15 June 2017. Nine Rivers is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("SFO").

The fair values of the identifiable assets and liabilities of the NR Acquisition as at the NR Acquisition Completion Date were as follows:

	Fair value
	HK$000
Property, plant and equipment *(note 13)*	3,099
Intangible asset *(note 14)*	500
Available-for-sale investments *(note 17)*	14,851
Trade receivables	3,912
Prepayments, other receivables and other assets	2,340
Cash and bank balances	17,361
Trade and other payables	(2,130)
Total identifiable net assets of the NR Acquisition	39,933
Less: Non-controlling interests	(15,813)
Goodwill *(note 15)*	3,522
The Consideration	27,642

The goodwill arising from the NR Acquisition is attributable to the future growth and profitability expected to arise from the business combination.

An analysis of the cash flows in respect of the NR Acquisition is as follows:

	HK$000
The Consideration	(27,642)
Less: Cash and bank balances acquired	17,361
Net outflow of cash and cash equivalents included in cash flows from investing activities	(10,281)

Following the completion of the NR Acquisition, the Nine Rivers Group contributed approximately HK$3,438,000 of consolidated revenue and HK$5,300,000 of consolidated loss to the Group during the year ended 31 December 2017. Had the acquisition of the NR Acquisition been taken place at the beginning of the financial year ended 31 December 2017, the consolidated revenue and the consolidated loss of the Group for the year would be increased to approximately HK$40,621,000 and HK$121,160,000, respectively.

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34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group did not have any major non-cash transaction during the year.

(b) Changes in liabilities arising from financing activities

	Other loan *HK$000* *(note 26(a))*	Other borrowing *HK$000* *(note 27)*	Convertible bonds *HK$000* *(note 28)*
At 1 January 2017	13,826	–	–
Changes from financing cash flows	2,399	8,000	18,001
Derivatives	–	–	(913)
Equity component of convertible bonds	–	–	(3,931)
Interest expenses	–	–	400
Included in accrued interest			
– current liabilities	–	–	(32)
At 31 December 2017 and 1 January 2018	16,225	8,000	13,525
Changes from financing cash flows	–	–	–
Interest expenses *(note 7)*	677	–	835
Included in accrued interest			
– current liabilities	–	–	32
Early redemption of convertible bond *(note 28)*	–	–	(14,392)
At 31 December 2018	16,902	8,000	–

35. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 ***HK$000***	2017 *HK$000*
Within 1 year	**889**	1,108
In the second to fifth years, inclusive	**–**	781
	889	1,889

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36. RELATED PARTY BALANCES AND TRANSACTIONS

(a) In addition to the balances and transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with a related party during the year:

	2018	2017
	HK$000	*HK$000*
Disposal of equity investments at fair value through profit or loss to its associate	–	6,745

(b) Compensation of key management personnel of the Group:

	2018	2017
	HK$000	*HK$000*
Short term employee benefits	**1,281**	3,252
Post-employment benefits	**18**	18
Equity-settled share option expenses	–	493

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has the following event:

(a) completion of the Solar Power Disposal took place on 31 January 2019 (as detailed in note 18 to the consolidated financial statements).

(b) completion of the subscription of new shares of the investment company took place on 10 January 2019 (as detailed in note 22(a) to the consolidated financial statements).

38. FINANCIAL INSTRUMENTS BY CATEGORY

2018

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Designated as such upon recognition *HK$000*	Held for trading *HK$000*	Debts investments *HK$000*	Equity investments *HK$000*	Financial asset at amortised cost *HK$000*	Total *HK$000*
Equity investments at fair value through profit or loss	–	846	–	–	–	846
Equity investments at fair value through other comprehensive income	–	–	–	23,424	–	23,424
Trade receivables	–	–	–	–	13,799	13,799
Other receivables and other assets	–	–	–	–	20,197	20,197
Cash held on behalf of customers	–	–	–	–	52	52
Cash and bank balance	–	–	–	–	28,168	28,168
	–	846	–	23,424	62,216	86,486

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon recognition *HK$000*	Held-to Held for trading *HK$000*	Financial liabilities amortised cost *HK$000*	Total *HK$000*
Trade payables	–	–	4,198	4,198
Other loan, other payables and accruals	–	–	51,521	51,521
Other borrowing	–	–	8,000	8,000
Other loan	–	–	16,902	16,902
	–	–	80,621	80,621

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38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2017

Financial assets

	Financial assets at fair value through profit or loss					
	Designated as such upon recognition *HK$000*	Held for trading *HK$000*	Held-to maturity investments *HK$000*	Loans and receivables *HK$000*	Available-for-sale financial assets *HK$000*	Total *HK$000*
Equity investments at fair value through profit or loss	–	1,980	–	–	–	1,980
Available-for-sales investment	–	–	–	–	44,424	44,424
Trade receivables	–	–	–	10,989	–	10,989
Deposits and other receivables	–	–	–	9,981	–	9,981
Cash held on behalf of customers	–	–	–	564	–	564
Cash and bank balance	–	–	–	56,852	–	56,852
	–	1,980	–	78,386	44,424	124,790

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon recognition *HK$000*	Held for trading *HK$000*	Financial liabilities amortised cost *HK$000*	Total *HK$000*
Derivative financial instrument	–	913	–	913
Trade payables	–	–	238	238
Other loan, other payables and accruals	–	–	34,427	34,427
Other borrowing	–	–	8,000	8,000
Convertible bond	–	–	13,525	13,525
Other loan	–	–	16,541	16,541
	–	913	72,731	73,644

39. FINANCIAL INSTRUMENTS BY CATEGORY

Management has assessed that the fair values of cash and bank balances, trade receivables, equity investments at fair value through other comprehensive income, equity investments at fair value through profit or loss, financial assets included in the prepayments, other receivables and other assets, cash held on behalf of customers, trade payables, financial liabilities included in other loan, other payables and accruals, derivative financial instruments, convertible bond and other borrowing, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments at fair value through other comprehensive income *(note (a))*	**–**	**–**	**23,424**	**23,424**
Equity investments at fair value through profit or loss	**846**	**–**	**–**	**846**
	846	**–**	**23,424**	**24,270**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	–	17,153	–	17,153
Equity investments at fair value through profit or loss	1,980	–	–	1,980
	1,980	17,153	–	19,133

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39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

Notes:

(a) The fair values of unlisted equity investments at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculate an appropriate price multiple, such as enterprise value to earnings before interest and taxes ("EV/EBIT") multiple and price to earnings ("P/E") multiple, for each comparable company identified make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBIT multiple of peers	2018: 11.0 to 23.7	increase in multiple would result in increase in fair value
		Average P/E multiple of peers	2018: 5.2 to 24.3	increase in multiple would result in increase in fair value
		Discount for lack of marketability	2018: 25%	increase in discount would result in decrease in fair value

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Derivative financial instrument	–	–	–	–
	–	–	–	–

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instrument	–	913	–	913
	–	913	–	913

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are trade receivables, equity investments at fair value through profit or loss, equity investments at fair value through other comprehensive income, prepayments, other receivables and other assets, trade payables, other loan, other payables and accruals, other borrowing and convertible bond. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$, United States Dollar ("US$") or Renminbi ("RMB") and accordingly the Group's foreign currency risk is not material as the exchange rate of HK$ against US$ is quite stable. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure and will apply appropriate measures if necessary.

The exchange rate of RMB was comparatively volatile. The following table demonstrates the sensitivity at the financial year end to a reasonably possible change in the exchange rate of RMB, with all other variables held constant, of the Group's loss before tax.

	2018		2017	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in loss before tax**	Increase/ (decrease) in exchange rate	Increase/ (decrease) in loss before tax
	%	***HK$000***	*%*	*HK$000*
If the Hong Kong Dollar weakness against the RMB	**5.0**	**49**	5.0	40
If the Hong Kong Dollar strengthens against the RMB	**(5.0)**	**(49)**	(5.0)	(40)

Price of agricultural products (such as timber and latex)

Agricultural products (such as timber and latex) are common commodity and their prices are subject to a number of factors including the consumer demand, the supply in the market, the substitution of timber and latex etc. When there is a continuous decline in the price of the agricultural products, the profitability of the Group and the recoverable amount of the Group's intangible assets will be adversely affected.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial assets

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
Trade receivables*	–	–	–	13,799	13,799
Financial assets included in prepayments, other receivables and other assets					
– normal **	20,197	–	–	–	20,197
Cash held on behalf of customers					
– Not yet past due	52	–	–	–	52
Cash and cash equivalents					
– Not yet past due	28,168	–	–	–	28,168
	48,417	–	–	13,799	62,216

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets have a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure and year-end staging as at 31 December 2017

The Group's credit risk is primarily attributable to trade receivables, other receivables and other assets, cash held on behalf of customers and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables. Other than this there are no significant concentrations of credit risk within the Group in relation to other financial assets.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds and will arrange financing if necessary. As at 31 December 2018, the Group had cash and bank balances of approximately HK$28,168,000 (2017: HK$56,852,000) and recorded net current assets of approximately HK$20,064,000 (2017: net current assets HK$20,466,000). In previous periods, the Company entered into the loan facilities for the carrying out of the timber logging activities. As at 31 December 2018, the Company had withdrawn approximately HK$22,763,000 (2017: HK$22,763,000). This other loan is unsecured, interest-free and has a term of ten years, and will only be repaid under the conditions that profit has been generated from the Group's plantation operation.

The maturity of the financial liabilities of the Group at the end of each of the reporting period is as follows:

As at 31 December 2018

	On demand or no fixed terms of repayment *HK$'000*	3 months to 12 months *HK$'000*	1 to 5 years *HK$'000*	5 to10 years *HK$'000*	Total *HK$'000*
Trade payables	–	4,198	–	–	4,198
Financial liabilities included in other loan, other payables and accruals	51,521	–	–	–	51,521
Other borrowing	–	8,000	–	–	8,000
Other loan	–	–	–	16,902	16,902
	51,521	12,198	–	16,902	80,621

As at 31 December 2017

	On demand or no fixed terms of repayment *HK$'000*	3 months to 12 months *HK$'000*	1 to 5 years *HK$'000*	5 to10 years *HK$'000*	Total *HK$'000*
Trade payables	238	–	–	–	238
Financial liabilities included in other loans, other payables and accruals	34,743	–	–	–	34,743
Other borrowing	–	–	8,000	–	8,000
Convertible bond	–	–	18,001	–	18,001
Other loan	–	–	–	22,763	22,763
	34,981	–	26,001	22,763	83,745

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31 December 2018

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other loans, other payables and accruals, derivative financial instrument, other borrowing, convertible bond, tax payables and other loan, less cash held on behalf of customers and cash and bank balances. Capital includes equity attributable to ordinary equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2018 ***HK$000***	2017 *HK$000*
Trade payables	**4,198**	238
Other loan, other payables and accruals	**51,521**	34,743
Derivative financial instrument	**–**	913
Other borrowing	**8,000**	8,000
Convertible bond	**–**	13,525
Tax payables	**3,886**	3,875
Other loan	**16,902**	16,225
Less: Cash held on behalf of customers	**(52)**	(564)
Cash and bank balances	**(28,168)**	(56,852)
Net debt	**56,287**	20,103
Total capital:		
Equity attributable to equity holders	**21,091**	63,083
Capital and net debt	**77,378**	83,186
Gearing ratio	**73%**	24%

Notes to Consolidated Financial Statements

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	2017
	HK$000	*HK$000*
Non-current assets		
Property, plant and equipment	**2,969**	142
Investments in subsidiaries and structured entity	**74**	74
Interests in associates	**113**	20
Total non-current assets	**3,156**	236
Current assets		
Equity investments at fair value through profit or loss	**846**	1,980
Prepayments, other receivables and other assets	**484**	818
Due from an ex-director	**–**	1,337
Due from subsidiaries and structured entity	**141,475**	164,644
Cash and bank balances	**926**	7,195
Total current assets	**143,731**	175,974
Current liabilities		
Other payables and accruals	**7,092**	8,263
Derivative financial instrument	**–**	913
Other borrowing	**8,000**	8,000
Convertible bond	**–**	13,525
Bond payable	**13,000**	–
Due to an ex-director	**3,311**	–
Due to subsidiaries and structured entity	**94,485**	83,737
Total current liabilities	**125,888**	114,438
NET CURRENT ASSETS	**17,843**	61,536
Net assets	**20,999**	61,772
EQUITY		
Issued capital	**41,563**	41,563
Reserves	**(20,564)**	20,209
Total equity	**20,999**	61,772

Chan Ching Hang
Director

Pang King Sze Rufina
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share options reserve *HK$'000*	Equity component of convertible bond *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2017	245,500	–	2,016	–	(161,084)	86,432
Placing of shares *(note 29(b))*	19,713	–	–	–	–	19,713
Equity-settled share option arrangement *(note 30)*	–	–	4,930	–	–	4,930
Cancellation of share option	–	–	(2,016)	–	2,016	–
Issue of convertible bond, net of transaction costs	–	–	–	3,931	–	3,931
Loss for the year and total comprehensive income for the year	–	–	–	–	(94,797)	(94,797)
At 31 December 2017	265,213	–	4,930	3,931	(253,865)	20,209
At 1 January 2018	265,213	–	4,930	3,931	(253,865)	20,209
Loss for the year and total comprehensive income for the year	–	–	–	–	(40,421)	(40,421)
Redemption of convertible bond *(note 28)*	–	–	–	(3,931)	3,579	(352)
At 31 December 2018	265,213	–	4,930	–	(290,707)	(20,564)

42. COMPARATIVE FIGURES

The Group has initially adopted HKFRS 9 and HKFRS 15 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of changes in accounting policies are disclosed in note 2.2.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2019.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. The consolidated financial statements for the year ended 31 December 2014 had been disclaimed by the auditors of the Company and the consolidated financial statements for the year ended 31 December 2015 had been qualified by the auditors of the Company. Details of the disclaimer opinion and qualified opinion of the auditors were set out in the annual reports for the years ended 31 December 2014 and 2015 of the Company, respectively.

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**28,390**	37,183	45,482	38,914	–
Cost of sales and services	**(22,808)**	(29,916)	(39,509)	(28,096)	–
Gross profit	**5,582**	7,267	5,973	10,818	–
Other income and gains	**1,616**	1,825	5,260	653	1,172
Selling and distribution costs	**(50)**	(1,450)	–	–	–
Administrative expenses	**(39,840)**	(42,950)	(55,812)	(15,310)	(15,464)
Finance costs	**(2,192)**	(1,432)	(14,186)	(29,162)	(25,728)
Fair value loss on equity investments through profit or loss	**(1,134)**	(132)	–	–	–
Loss on disposal of debt investments at fair value through other comprehensive income	**(232)**	–	–	–	–
Loss on disposal of equity investment at fair value through profit or loss, net	**–**	(7,689)	–	–	–
Loss on written off property, plant and equipment	**(120)**	–	–	–	–
Impairment loss on inventories	**(367)**	(1,814)	–	–	–
Impairment loss on goodwill	**(3,522)**	–	–	–	–
Impairment loss on property, plant and equipment	**(919)**	(16,789)	–	–	–
Impairment loss on available-for-sale investments	**–**	(6,814)	–	–	–
Impairment loss on prepayments, other receivables and other assets	**(8)**	–	–	–	(1,163)
Impairment loss on biological assets	**–**	–	–	–	(481)
Impairment loss on trade receivables	**(1,030)**	(88)	(4,717)	–	–
Impairment loss on intangible assets	**–**	(41,574)	(265,590)	–	–
Share of loss of associates	**(2,039)**	(3,906)	(4)	–	–
LOSS BEFORE TAX	**(44,255)**	(115,546)	(329,076)	(33,001)	(41,664)
Income tax expenses	**(644)**	(314)	(1,384)	(1,693)	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(44,899)**	(115,860)	(330,460)	(34,694)	(41,664)

Five Years Financial Summary

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DISCONTINUED OPERATION					
Share of loss from associates	**–**	–	–	(3)	(1)
Loss on disposal of associates	**–**	–	–	(386)	–
LOSS FOR THE YEAR	**(44,899)**	(115,860)	(330,460)	(35,083)	(41,665)
Attributable to:					
Ordinary equity holders of the Company	**(37,585)**	(103,347)	(317,743)	(35,083)	(41,665)
Non-controlling interests	**(7,314)**	(12,513)	(12,717)	–	–
	(44,899)	(115,860)	(330,460)	(35,083)	(41,665)

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**105,506**	147,906	188,423	344,585	340,308
TOTAL LIABILITIES	**(84,507)**	(77,519)	(53,397)	(165,737)	(126,377)
NON-CONTROLLING INTERESTS	**92**	(7,304)	(4,004)	–	3
	21,091	63,083	131,022	178,848	213,934