IR Resources Limited

同仁資源有限公司

(Incorporated in Bermuda with Limited Liability)

2019 Annual Report

(Stock Code: 8186)

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.

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Corporate Information

BOARD OF DIRECTORS

Executive Director

CHAN Ching Hang *(Chairman)*

Independent Non-Executive Directors

PANG King Sze, Rufina
CHEUNG Yin Keung
HONG Bingxian

AUDIT COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
CHEUNG Yin Keung
HONG Bingxian

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
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, 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
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 2019.

For the reporting period, the audited consolidated net loss of the Group decreased from HK$44.9 million in previous year to HK$15.1 million due to the write-back of other payables and accruals, decrease in staff costs and administrative expenses.

Looking forward, the ongoing Sino-United States conflicts, the social movement in Hong Kong, the global outbreak of the COVID-19, and the volatility of worldwide capital markets will continue to largely impact Hong Kong and worldwide economy including our businesses. We will remain cautious in implementing our business plans while keeping abreast of the 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, 25 March 2020

Management Discussion and Analysis

OVERVIEW

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

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the revenue of the Group was increased by 7.8% to HK$30.6 million (2018: HK$28.4 million).

Gross profit

Despite the increase in the revenue for the year ended 31 December 2019, the Group recorded a decrease in gross profit to HK$4.4 million (2018: HK$5.6 million), and the gross profit margin to 14.5% (2018: 19.7%).

Loss for the year

For the year ended 31 December 2019, the consolidated loss and loss attributable to the ordinary equity holders of the Company narrowed down to HK$15.1 million (2018: HK$44.9 million) and HK$20.8 million (2018: HK$37.6 million) respectively mainly attributable to the write-back of other payables and accruals, decrease in staff costs and administrative expenses. Basic and diluted loss per ordinary Share (the "Shares") of the Company for the year was HK17.6 cents (2018: HK36.2 cents (adjusted for the Share Consolidation)).

RECENT DEVELOPMENT

In January 2019, the disposal of the Group's 17.5% equity interest in a solar power group and the related shareholder loan for a consideration of HK$24.0 million was completed.

In April 2019, the Company completed the subscription (the "Share Subscription") of 166,200,000 then new Shares for net proceeds of HK$8.1 million.

In May 2019, the Company's share consolidation (the "Share Consolidation") of 8 existing Shares of HK$0.05 each into 1 consolidated Share of HK$0.40 each became effective.

In July 2019, the Company's capital reorganisation (the "Capital Reorganisation") to, *inter alia*, reduce the par value of each Share to HK$0.01 became effective.

In August 2019, the Group's convertible bond in a principal amount of HK$18.0 million was fully converted into 20,757,500 new Shares (the "CB Conversion").

Management Discussion and Analysis

REVIEW ON BUSINESS SEGMENTS

Forestry and agricultural business

For the year ended 31 December 2019, the Group's forestry and agricultural business recorded an increase in revenue of 13.4% to HK$30.2 million (2018: HK$26.6 million). However, the unlawful and selective logging activities and trade of illegal timber in the nearby region combined with the tightening and dynamic administrative policies of the government authorities and environmental protection and forestland preservation concern as well as the severe flooding and erosion in the Kingdom of Cambodia ("Cambodia") in 2019 have continued to adversely impact the scale and activities of the Group's operation in Cambodia. Despite the difficult operating environment, the unsettled Sino-United States trade war, the global outbreak of COVID-19 as well as the declining trend in the selling prices of agricultural products, the Group, noting the recently announced effort of the joint government authorities to contain illegal logging and export activities and such natural hazards as the national-wide flooding in 2019 being non-repetitive in nature, is prudently optimistic about the prospects of its forestry and agricultural business and will continue to monitor and assess the risk and challenges of this business segment.

Financial services business

For the year ended 31 December 2019, the Group's financial services business recorded revenue of HK$0.5 million (2018: HK$1.8 million). The decrease in the segment loss to HK$3.0 million from HK$10.7 million in 2018 was due to, amongst other things, the absence of impairment loss on goodwill in 2019 (2018: HK$3.5 million) and the segment restructuring amid the Sino-United States trade war, the economic downturn and the uncertainty of the financial market in Hong Kong.

Cultural business

The Group's cultural business did not record any revenue (2018: Nil) and recorded a segment loss of HK$0.2 million (2018: HK$1.8 million) during the year ended 31 December 2019. In view of the trend for social distancing and increasing demand for online activities as a result of the spread of COVID-19, the Group will look for opportunities to re-activate the business segment.

Logistics business

During the year ended 31 December 2019, the Group's logistics business did not record any revenue (2018: Nil) and recorded a segment loss of HK$0.003 million (2018: HK$0.005 million). The consumer behavioural and business operation changes resulted from the booming of work-from-home workforce, rising awareness of public health and surge in online shopping in the COVID-19 era are expected to spur demand and growth for logistics services. The Group will pursue appropriate business opportunities in this business segment.

PROSPECTS

The Group anticipates that the devastating impact of the Sino-United States conflicts and trade war, which coupled with the recent pandemic outbreak and spread of COVID-19 and worldwide closure of borders and the unprecedented volatility of the major financial markets, together with the ongoing social movement in Hong Kong, will continue to undoubtedly crash the People's Republic of China ("the PRC"), Southeast Asia and worldwide economy and shock the performance of the Hong Kong financial market. In view of the challenges ahead, the Company will cautiously monitor the operating environment of its business segments while keeping abreast of the business opportunities available, particularly those with potential to collaborate with the businesses of the Group.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2019, the Group's net cash used in operating activities amounted to HK$27.5 million (2018: HK$25.8 million). Its net cash outflow from investing activities amounted to HK$3.5 million (2018: inflow of HK$24.2 million) and net cash inflow from financing activities amounted to HK$7.0 million (2018: outflow of HK$15.2 million). As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK$24.0 million (2018: HK$28.8 million).

Management Discussion and Analysis

As at 31 December 2019, the Group had total assets of HK$74.5 million (2018: HK$105.5 million) and total liabilities of HK$60.3 million (2018: HK$84.5 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to total assets) was 80.9% (2018: 80.1%). As at 31 December 2019, the total borrowings of the Group amounted to HK$25.6 million (2018: HK$24.9 million), comprising borrowing of HK$8.0 million (2018: HK$8.0 million), and other loan of HK$17.6 million (2018: HK$16.9 million). As at 31 December 2019, the Group's current assets amounted to HK$56.1 million (2018: HK$87.7 million), of which HK$4.2 million (2018: HK$28.2 million) was cash and bank balances, and its current liabilities amounted to HK$42.0 million (2018: HK$67.6 million). As at 31 December 2019, the net assets of the Group amounted to HK$14.3 million (including non-controlling interests) (2018: HK$21.0 million) and the net asset value per Share in issue as at the end of the reporting period amounted to HK$0.10 (2018: HK$0.20 (adjusted for the Share Consolidation)).

CAPITAL STRUCTURE

As at 31 December 2019, the total number of issued Shares and the issued share capital of the Company were 145,440,151 (2018: 103,907,651(as adjusted for the Share Consolidation)) and HK$1,454,401 (2018: HK$41,563,060) respectively. The change in the total number of issued Shares and the issued share capital of the Company were resulted from (i) the Share Subscription, (ii) the Share Consolidation, (iii) the Capital Reorganisation and (iv) the CB Conversion.

FUND RAISING ACTIVITIES

During the year ended 31 December 2019, the Group conducted the following equity fund raising activity:

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
26 April 2019	Share Subscription	HK$8.1 million	General working capital	Fully utilised for corporate expenses

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

No significant capital commitment of the Group was outstanding as at 31 December 2019.

Significant Investments and Material Acquisitions and Disposals

There was no significant investment and material acquisition during the year ended 31 December 2019. Details of the Group's material disposal during the year ended 31 December 2019 was disclosed in the paragraph "Recent Development" above.

Charge on assets of the Group

As at 31 December 2019, no assets of the Group have been pledged.

RISKS FACTORS

Cambodia being a developing country

The Group operates its forestry and agricultural business in Cambodia, a developing country which is subject to evolving political, economic and social development and its administrative policies which may potentially affect the operation of the Group.

Management Discussion and Analysis

Adverse impact of natural hazards

In the event of prolonged and abnormally high level of rainfall at the location of the Group's operation, 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 market supply and the substitutions available etc. If there is a continuous decline in the prices of agricultural products, the profitability of the Group and the recoverable amount of its intangible assets will be adversely affected.

Competition

The market of the agricultural products is highly competitive and challenging due to pressure from rising production costs, volatile product prices and substitution of products. If the Group fails to respond to change in market conditions and implement appropriate strategies, the market demand of its agricultural products will be affected, and thus the financial performance of the Group.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, loans and interest receivables, and other receivables. For the year ended 31 December 2019, the Group reversed impairment loss on trade receivables of HK$86,000 (2018: recognition of impairment loss of HK$1.0 million).

Foreign exchange risk

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. Since almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in Hong Kong dollars, United States dollars or Renminbi and the exchange rates of the said currencies have been quite stable, the Group's foreign currency risk is not material. As such, the Group does not have a foreign currency hedging policy, but it will closely monitors its foreign exchange exposure and will apply appropriate measures if needed.

EMPLOYEES' INFORMATION

As at 31 December 2019, the Group had 43 (2018: 53) 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 35 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 39, 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. He retired as executive Director with effect on 31 May 2019.

Independent non-executive directors

Ms. Pang King Sze, Rufina, aged 45, 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. Cheung Yin Keung, aged 41, has more than 15 years of experience in business development and corporate administration. He is currently the person-in-charge of the Hong Kong office of a major Chinese herbal medicine provider in the PRC. Mr. Cheung holds a bachelor's degree in Chinese medicine from Hubei University of Chinese medicine in the PRC. He was appointed as independent non-executive Director with effect on 10 April 2019.

Mr. Hong Bingxian, aged 52, 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. Hung Kenneth, aged 49, has extensive experience in the entertainment industry. Mr. Hung is currently an independent non-executive director of China Demeter Financial Investments Limited, the shares of which are listed on GEM of the Stock Exchange and had held various positions in the entertainment industry. Mr. Hung holds a bachelor's degree in science from Woodbury University. He resigned as independent non-executive Director with effect on 10 April 2019.

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 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holdings and the principal activities of its principal 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 119 – 120 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	38.4%	–
Five largest customers in aggregate	100%	–
The largest supplier	–	38.5%
Five largest suppliers in aggregate	–	100%

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 2019 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 2019 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 31 to 118 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out on pages 34 and 35 of this annual report and in note 33 to the consolidated financial statements. As at 31 December 2019, the Company had no reserves available for distribution (2018: Nil).

DIVIDEND POLICY AND DIVIDENDS

The Company has adopted a dividend policy, such that it may distribute dividends to its shareholders by way of cash or shares. Any distribution of dividends shall be in accordance with the Bye-laws of the Company 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 Company will review the dividend policy 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 2019 (2018: Nil).

CHARITABLE DONATIONS

During the year ended 31 December 2019, the Group made charitable contributions totalling HK$167,000 (2018: HK$123,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2019 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2019 are set out in notes 28 and 29 to the consolidated financial statements.

Report of the Directors

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 39 to the consolidated financial statements.

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 *(retired on 31 May 2019)*

Independent non-executive Directors

Ms. Pang King Sze, Rufina
Mr. Cheung Yin Keung *(appointed on 10 April 2019)*
Mr. Hong Bingxian
Mr. Hung Kenneth *(resigned on 10 April 2019)*

Mr. Cheung Yin Keung and Mr. Hong Bingxian 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 2019, 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

As at 31 December 2019, no Directors or the chief executive of the Company have any interests and long positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations.

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 share 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 was granted under the Share Option Scheme during the year ended 31 December 2019. 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 *(Note)*	As 1 January 2019 *(Note)*	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 2019	Percentage of shareholding in the Company
Directors	10-11-2017	10-11-2017 to 9-11-2019	HK$0.792	1,350,797	–	–	(1,350,797)	–	–
Employees	10-11-2017	10-11-2017 to 9-11-2019	HK$0.792	2,078,153	–	–	(2,078,153)	–	–
	13-11-2017	13-11-2017 to 12-11-2019	HK$0.792	519,538	–	–	(519,538)	–	–
Consultants	10-11-2017	10-11-2017 to 9-11-2019	HK$0.792	6,234,459	–	–	(6,234,459)	–	–
	13-11-2017	13-11-2017 to 12-11-2019	HK$0.792	207,815	–	–	(207,815)	–	–
				10,390,762	–	–	(10,390,762)	–	–

Note: the exercise price and number of share options were adjusted for the Share Consolidation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as is known to any of the Directors or the chief executive of the Company, the following persons (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 meetings of the Company.

Long positions in shares of the Company

Name of shareholders	Capacity of interest	Number of Shares held	Number of underlying Shares held	Percentage of shareholding in the Company *(Note)*
Mega Trillion International Corporation	Corporate Owner	20,775,000	–	14.28%
Bank of Communications Trustee Limited	Trustee	20,757,500	–	14.27%
Million Pacific Holdings Corporation	Corporate owner	20,387,701	–	14.02%

Note: based on 145,440,151 Shares in issue as at 31 December 2019.

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 2019 or during the year ended 31 December 2019.

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

During the year ended 31 December 2019, 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 2019 are shown in note 8 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2019 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.

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 2019.

Report of the Directors

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 businesses of the Group or has any other conflicts of interests with the Group for the year ended 31 December 2019.

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.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits scheme for the year ended 31 December 2019 are set out in note 2.4 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group are set out in note 37 to the consolidated financial statements and none of them constituted any connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance 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 as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Corporate Governance 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 publicly available and to the knowledge of the Directors, there is sufficient public float of more than 25% of the Shares as 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 being independent.

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. Cheung Yin Keung and Mr. Hong Bingxian.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2019 and was of the opinion that the preparation had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

Report of the Directors

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by Ascenda Cachet CPA Limited, who retires and, being eligible, offers itself for re-appointment. A resolution for the re-appointment of Ascenda Cachet CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board
Chan Ching Hang
Chairman

Hong Kong, 25 March 2020

Corporate Governance Report

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises four Directors, who have various skills and experience in business, financial, accounting and management, of whom one is executive Director 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. The executive Director has given sufficient time and attention to the affairs of the Group and has sufficient experience to hold his position and to carry out his 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 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 meetings and annual general meeting held during the year ended 31 December 2019 are as follows:

		Board Meetings	Annual/Special general meetings
Executive Directors			
Mr. Chan Ching Hang *(Chairman)*		12/12	4/4
Mr. Zeng Lingchen	*(retired on 31 May 2019)*	1/5	0/2
Independent Non-executive Directors			
Ms. Pang King Sze, Rufina		10/12	3/4
Mr. Cheung Yin Keung	*(appointed on 10 April 2019)*	11/11	3/3
Mr. Hong Bingxian		9/12	0/4
Mr. Hung Kenneth	*(resigned on 10 April 2019)*	1/1	0/1

Corporate Governance Report

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 identifying a suitable candidate and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

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 of the Company assists the chairperson in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the meetings are observed.

The Company Secretary also assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules and 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. Mr. Fung Wing Sang is the Company Secretary of the Company and has compiled with Rule 5.15 of the GEM Listing Rules that he had undertaken not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2019.

Continuing Professional Development

During the year ended 31 December 2019, 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. Cheung Yin Keung. The Audit Committee's primary duties include making recommendations to the Board in relation to the appointment, re-appointment and removal of external auditor, ensuring the Group's financial statements, annual and interim reports and the independent auditor's 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.

Corporate Governance Report

For the year ended 31 December 2019, 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 auditor and its findings on the work performed and the related internal control issues; reviewing significant financial reporting judgments in accounting policies; reviewing and approving the external auditor's terms of engagement (including audit fee).

Details of the meeting of the Audit Committee held during the year ended 31 December 2019 were summarized as follows:

		Audit Committee meetings attended/held
Ms. Pang King Sze, Rufina		5/5
Mr. Cheung Yin Keung	*(appointed on 10 April 2019)*	3/3
Mr. Hong Bingxian		5/5
Mr. Hung Kenneth	*(resigned on 10 April 2019)*	2/2

NOMINATION COMMITTEE

The Nomination Committee of the Board 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 businesses and the Board. For the year ended 31 December 2019, 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 of the Board 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 among 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.

Corporate Governance Report

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.

Each of the Directors has confirmed that he/she had complied with the required standard during the year ended 31 December 2019.

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 2019, the Group has adopted suitable accounting policies in accordance with Hong Kong accounting principles and applied them consistently. A statement by the auditor of the Company about its responsibilities for the financial statements is set out in the Independent Auditor's 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.

INTERNAL CONTROL

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 reviewed the internal control system of the Group in order to ensure that the Group has adequate and effective internal control systems in place.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fees payable to the auditor of the Group including audit services was HK$1,250,000 (excluded 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 to ensure that the delegations are appropriate.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company uses a number of channels to communicate to shareholders and potential investors on the performance of the Company, including (i) the publication of quarterly, interim and annual reports; (ii) the AGM and special general meetings which provide a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) key information on the Group available on the website of the Company; and (iv) the Company's share registrar in Hong Kong serving the shareholders on all share registration matters. The Company aims to provide its shareholders and potential 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 businesses 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") of the Group contains the environmental and social information for the year ended 31 December 2019 and is summarised as follows:

A. ENVIRONMENT

A1. Emissions

General disclosure and Key Performance Indicators

During the year ended 31 December 2019, the Group did not generate significant emissions, water pollutions and hazardous wastes except for greenhouse gas ("GHG") emission and non-hazardous waste. The Group believes that environmental protection, low carbon footprint and resources conservation are the key trends in the society and aims to minimize the impact on the environment from its business operations. The Group integrating environmental and social aspects into its management in has taken the corresponding measures.

GHG Emission

The consumption of electricity at office premises is the largest sources of greenhouse gas emission of the Group. During the year ended 31 December 2019, the Group's total GHG emission amounted to 24.3 tonnes (2018: 25.9 tonnes) and is detailed as follows:

GHG Emission	Emission (carbon dioxide equivalent) 2019	2018
Direct GHG emission (Scope 1)	**0**	0
Indirect GHG emission (Scope 2)		
– electricity consumption	**24.3 tonnes**	25.9 tonnes

Note: GHG 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 GHG emissions of the Group are mainly indirect emissions in Scope 2 derived from electricity. The Group has implemented a number of measures to reduce energy consumption such as keeping the office temperature at 25°C, turning off unused electrical appliances and using LED lights or energy-saving light, etc.

The Group has complied with the relevant environmental laws and regulations in Hong Kong and the PRC 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 of wastes produced by its business activities. The Group does 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 has arranged with the suppliers to recycle the toners cartridges and used 6 kg (2018: 14 kg) of paper in 2019. The Group regularly monitors the consumption volume of paper, toner cartridges has from time to time encouraged its staff to become more aware of the significance of sustainable development and to recycle paper to reduce waste and to reuse and recycle the resources.

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

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

(ii) utilisation of used envelopes and duplex printing and single-sided printing would only be adopted in handling official documents and confidential documents when necessary; and

(iii) recommendation of 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 2019, the electricity consumption of the Group amounted to 29,000 kilo Watt-hours (2018: 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 2019, the Group consumed 33.5 tonnes (2018: 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 2019, the Group did not engaged any minor 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 2019, 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$167,000 (2018: HK$123,000) to a charitable institution.

Independent Auditor's Report

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

INDEPENDENT AUDITOR'S 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 31 to 118, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with 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 Auditor's 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 Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Assessment of the recoverable amounts of the Group's intangible assets and the property, plant and equipment relating 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, respectively, and notes 13 and 15 to the consolidated financial statements for further information.

Key Audit Matters

Included in the Group's intangible assets as at 31 December 2019 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 zero as at 31 December 2019 (2018: Nil).

Included in the Group's property, plant and equipment as at 31 December 2019 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 zero as at 31 December 2019 (2018: Nil).

For the purpose of assessing the recoverable amount of the 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 was estimated with reference to the estimated trees volume as at 31 December 2017 as calculated by a tree expert (the "Tree Expert"); and the internal records of the timber movements during the years ended 31 December 2018 and 2019, (ii) selling prices 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 (vi) a substantial additional funding from certain non-controlling interests of the subsidiaries for the operation of the Forestry and Agricultural Business.

Pursuant to the valuation report dated 25 March 2020, the Timber Logging Rights as at 31 December 2019 has determined to be of no commercial value. Accordingly, the carrying amounts of the Timber Logging Rights and the Forest PPE were zero as at 31 December 2019.

How our audit addressed the Key Audit Matter

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

- Holding discussions with the Valuer;
- Assessing the methodology and assumptions used in the Valuation and recalculating the recoverable amounts of the Timber Logging Rights and the Forest PPE;
- Re-assessing the useful lives 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 prices of the agricultural products, (iii) growth rate of the revenue, cost and tree volume, (iv) discount rate and (v) concession period; and
- Reviewing financing arrangements available to the Group and assessing whether the Group would have sufficient financial resources to support the operation of the Forestry and Agricultural Business.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Re-assessment of the control over the Company's subsidiaries engaged in the Forestry and Agricultural Business

Refer to note 3 to the consolidated financial statements for the disclosures of the related judgement and note 1 to the consolidated financial statements for further information.

Key Audit Matters

As detailed in note 1 to the consolidated financial statements, the effective equity interests of certain subsidiaries (the "Forestry Subsidiaries") in the Forestry and Agricultural Business held by the Group 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 Forestry Subsidiaries and therefore, the assets, liabilities and results of the Forestry Subsidiaries for the year ended 31 December 2019 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 Forestry Subsidiaries. In carrying out the assessments as to the Group's control over the Forestry 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 Forestry Subsidiaries; (ii) the existing rights retained by the Group to control the relevant activities of the Forestry Subsidiaries and affect its return; and (iii) the existing rights retained by the Group to control its operating and financing activities of the Forestry Subsidiaries.

How our audit addressed the Key Audit Matter

Our procedures in relation to the Group's management's determination of the Group's power to control over the Forestry Subsidiaries included, among others, the following:

– Re-assessing the controls over the composition of the board of directors, key management personnel and the respective operation committees of each of the Forestry Subsidiaries;

– Re-assessing the existing rights of the Group to control the relevant activities of the Forestry Subsidiaries and affect its return; and

– Re-assessing the existing rights of the Group to control its operating and financing activities of the Forestry Subsidiaries.

KEY AUDIT MATTERS *(Continued)*

Assessment of the recoverability of the Group's trade receivables, loans and interest receivables

Refer to notes 2.4 and 3 of the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates, respectively, and notes 20 and 21 of the consolidated financial statements for further information.

Key Audit Matters	How our audit addressed the Key Audit Matter
Included in (i) the Group's trade receivables as at 31 December 2019 were trade receivables arising from (a) sales of wood and agricultural products with a net carrying amount of approximately HK$12,672,000 (the amount before impairment was approximately HK$13,723,000); and (b) financial services business with a net carrying amount of zero (the amount before impairment was approximately HK$100,000); and (ii) the Group's loans and interest receivables as at 31 December 2019 were loans and interest receivables with a net carrying amount of approximately HK$15,363,000 (the amount before impairment was HK$15,363,000) arising from the Group's financial services business. For the purpose of assessing the recoverability of the Group's trade receivables, loans and interest 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, loans and interest receivabls is based on the evaluation of collectability, 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 and debtor, and their underlying securities and asset proofs. Based on the management's assessment on the recoverability of the Group's trade receivables, loans and interest receivables, the Group made a reversal of impairment of approximately HK$86,000 arising from sales of wood and agricultural products during the year ended 31 December 2019.	Our procedures in relation to the management's assessment of the recoverability of the Group's trade receivables, loans and interest receivables included, among others, the following: – Obtaining an understanding of how management estimated the recoverability of the Group's trade receivables, loans and interest 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 answd 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 each customer and debtor, and their underlying securities and asset proofs; – Assessing the basis of management's assessment of recoverability of trade receivables, loans and interest receivables 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 and debtors, their underlying securities and asset proofs; and – Recalculating the amount of impairment on trade receivables, loans and interest receivables as at 31 December 2019.

Independent Auditor's 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, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit 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 THE 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 either intend to liquidate the Group 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

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.

Independent Auditor's Report

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

We communicate with 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.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Sze Wing Chun.

Ascenda Cachet CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2020

Sze Wing Chun
Practising Certificate Number: P06035

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**30,629**	28,390
Cost of sales and services rendered	6	**(26,196)**	(22,808)
Gross profit		**4,433**	5,582
Other income and gains	5	**10,279**	1,616
Administrative expenses		**(24,101)**	(39,890)
Finance costs	7	**(1,442)**	(2,192)
Fair value loss on equity investments at fair value through profit or loss	6, 22	**(238)**	(1,134)
Loss on disposal of debt investments at fair value through other comprehensive income	6	**–**	(232)
Loss on written off of property, plant and equipment	6, 13	**(2,136)**	(120)
Loss on written off of intangible assets	6, 15	**(500)**	–
Impairment loss on trade receivables	6, 20(a), 20(b)	**–**	(1,030)
Impairment loss on other receivables	6	**–**	(8)
Impairment loss on inventories	6	**(91)**	(367)
Impairment loss on property, plant and equipment	6, 13	**–**	(919)
Impairment loss on goodwill	6, 16	**–**	(3,522)
Share of loss of associates		**(813)**	(2,039)
LOSS BEFORE TAX	6	**(14,609)**	(44,255)
Income tax expenses	10	**(467)**	(644)
LOSS FOR THE YEAR		**(15,076)**	(44,899)
(Loss)/profit for the year attributable to:			
Ordinary equity holders of the Company		**(20,818)**	(37,585)
Non-controlling interests		**5,742**	(7,314)
		(15,076)	(44,899)
			(Restated)
LOSS PER SHARE (HK cents)			
Basic	12	**(17.6) cents**	(36.2) cents
Diluted	12	**(17.6) cents**	(36.2) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
LOSS FOR THE YEAR		**(15,076)**	(44,899)
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:			
– Fair value loss on equity investments at fair value through other comprehensive income, net of tax (non-recycling)	18	**–**	(11,885)
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**32**	120
– Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)		**–**	(291)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		**32**	(12,056)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(15,044)**	(56,955)
Total comprehensive income/(expense) for the year attributable to:			
Ordinary equity holders of the Company		**(20,786)**	(49,641)
Non-controlling interests		**5,742**	(7,314)
		(15,044)	(56,955)

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**3,947**	5,860
Right-of-use assets	14(a)	**1,879**	–
Intangible assets	15	**–**	500
Goodwill	16	**–**	–
Interests in associates	17	**12,584**	11,477
Total non-current assets		**18,410**	17,837
Current assets			
Inventories	19	**151**	242
Trade receivables	20	**12,672**	13,799
Loans and interest receivables	21	**15,363**	4,967
Equity investment at fair value through other comprehensive income	18	**–**	23,424
Equity investments at fair value through profit or loss	22	**608**	846
Prepayments, other receivables and other assets	23	**23,122**	16,171
Cash held on behalf of customers	24	**6**	52
Cash and bank balances	25	**4,212**	28,168
Total current assets		**56,134**	87,669
Current liabilities			
Trade payables	26	**6**	4,198
Other payables and accruals	27	**28,442**	51,521
Other borrowing	29	**8,000**	8,000
Lease liabilities	14(b)	**1,263**	–
Tax payables		**4,321**	3,886
Total current liabilities		**42,032**	67,605
NET CURRENT ASSETS		**14,102**	20,064
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,512**	37,901
Non-current liabilities			
Other loan	28	**17,610**	16,902
Lease liabilities	14(b)	**637**	–
Total non-current liabilities		**18,247**	16,902
Net assets		**14,265**	20,999
EQUITY			
Share capital	31	**1,455**	41,563
Reserves	33	**7,160**	(20,472)
Total equity attributable to:			
Ordinary equity holders of the Company		**8,615**	21,091
Non-controlling interests		**5,650**	(92)
Total equity		**14,265**	20,999

Chan Ching Hang
Director

Pang King Sze, Rufina
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to ordinary equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Shares held for Share Award Scheme *HK$'000*	Contributed surplus *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Fair value reserve (non-recycling) *HK$'000*	Exchange reserve *HK$'000*	(Accumulated losses)/ Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2019	41,563	265,213*	–*	–*	(9,889)*	4,930*	(3,847)*	(548)*	(276,331)*	21,091	(92)	20,999
Loss for the year	–	–	–	–	–	–	–	–	(20,818)	(20,818)	5,742	(15,076)
Other comprehensive income: Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	32	–	32	–	32
Total comprehensive income/ (expense) for the year	–	–	–	–	–	–	–	32	(20,818)	(20,786)	5,742	(15,044)
Release of fair value reserve relating to equity investment at fair value thorugh other comprehensive income *(note 18)*	–	–	–	–	–	–	3,847	–	(3,847)	–	–	–
Cancellation and lapse of Share Options *(note 32)*	–	–	–	–	–	(4,930)	–	–	4,930	–	–	–
Share Subscription *(note 31(a))*	8,310	–	–	–	–	–	–	–	–	8,310	–	8,310
Capital Reorganisation – Capital reduction *(note 31(c)(i))*	(48,626)	–	–	48,626	–	–	–	–	–	–	–	–
– Reduction of share premium *(note 31(c)(iii))*	–	(265,213)	–	265,213	–	–	–	–	–	–	–	–
– Application of contributed surplus to set off against accumulated losses *(note 31(c)(iv))*	–	–	–	(313,839)	–	–	–	–	313,839	–	–	–
Conversion into Shares held under Share Award Scheme *(note 31(d))*	208	5,293	(5,501)	–	–	–	–	–	–	–	–	–
At 31 December 2019	1,455	5,293*	(5,501)*	–*	(9,889)*	–*	–*	(516)*	17,773*	8,615	5,650	14,265

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	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*	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/ (expense):													
Fair value loss on equity investments at fair value through other comprehensive income, net of tax (non-recycling) *(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)	–	–	–	–	–	–	(291)	–	–	–	(291)	–	(291)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	120	–	120	–	120
Total comprehensive income/ (expense) for the year	–	–	–	–	–	–	(291)	(11,885)	120	(37,585)	(49,641)	(7,314)	(56,955)
Deemed early redemption of Convertible Bond *(note 30)*	–	–	–	–	(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

* These reserve accounts comprise the consolidated reserves with a total balance of HK$7,160,000 (2018: negative total balance of HK$20,472,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(14,609)**	(44,255)
Adjustments for:			
Depreciation of property, plant and equipment	6, 13	**1,621**	2,184
Depreciation of right-of-use assets	6, 14(a)	**646**	–
Finance costs	7	**1,442**	2,192
Gain on deemed early redemption of Convertible Bond	5, 6, 30	**–**	(1,156)
Loss on disposal of debt investments at fair value through other comprehensive income	6	**–**	232
Fair value loss on equity investments at fair value through profit or loss	6, 22	**238**	1,134
Share of loss of associates		**813**	2,039
Loss on written off of property, plant and equipment	6, 13	**2,136**	120
Impairment loss on property, plant and equipment	6, 13	**–**	919
Impairment loss on trade receivables	6, 20(a), 20(b)	**–**	1,030
Reversal of impairment loss on trade receivables	5, 20(a)	**(86)**	–
Impairment loss on other receivables	6	**–**	8
Impairment loss on goodwill	6, 16	**–**	3,522
Written back of trade payables	5, 6	**8**	–
Written back of other payables and accruals	5, 6	**9,696**	–
Loss on written off of intangible assets	6, 15	**500**	–
Impairment loss on inventories	6, 19	**91**	367
Dividend income from debt investments at fair value through other comprehensive income	5, 6	**–**	(413)
Bank interest income	5, 6	**(1)**	(6)
		2,495	(32,083)
Decrease/(Increase) in trade receivables		**1,213**	(3,959)
Increase in loans and interest receivables		**(10,396)**	(5,135)
Decrease/(Increase) in prepayments, other receivables and other assets		**4,191**	(5,245)
Decrease in cash held on behalf of customers		**46**	512
(Decrease)/Increase in trade payables		**(4,200)**	3,960
(Decrease)/Increase in other payables and accruals		**(20,807)**	4,177
Net cash used in operating activities		**(27,458)**	(37,773)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment	13	**(1,844)**	(3,006)
Proceeds from disposal of debt investments at fair value through other comprehensive income		**–**	16,630
Deposit received from disposal of equity investment at fair value through other comprehensive income	18	**–**	12,000
Payment for transaction costs in relation to disposal of equity investment at fair value through other comprehensive income	18	**(626)**	–
Proceeds from disposal of equity investment at fair value through other comprehensive income	18	**12,050**	–
Payment for investment in an associate	17	**(2,040)**	(1,800)
Advance to an associate	17	**(11,022)**	(93)
Interest received		**1**	6
Dividend received		**–**	413
Net cash (used in)/from investing activities		**(3,481)**	24,150

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issue of new Shares	31(a)	**8,310**	–
Payment for deemed early redemption of Convertible Bond	30	**–**	(14,501)
Capital element of lease rentals paid	14(b)	**(625)**	–
Interest element of lease rentals paid	14(b)	**(54)**	–
Interest paid for other borrowing		**(680)**	(680)
Net cash from/(used in) financing activities		**6,951**	(15,181)
Net decrease in cash and cash equivalents		**(23,988)**	(28,804)
Cash and cash equivalents at beginning of the year		**28,168**	56,852
Effect of foreign exchange rate changes		**32**	120
Cash and cash equivalents at end of the year		**4,212**	28,168
Analysis of cash and cash equivalents:			
Cash and bank balances		**4,212**	28,168

Notes to Consolidated Financial Statements

31 December 2019

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 ordinary shares of the Company (the "Shares") are listed on the 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 2019 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
Vibrant Decade Limited ("Vibrant Decade")@θ#	Independent State of Samoa ("Samoa")	US$1,000	–	31%	Distribution of agricultural products
China Cambodia Resources Limited ("China Cambodia")@θ#	British Virgin Islands ("BVI")	US$27,042,548	–	16%	Investment holdings
IR Resources (Cambodia) Co., Ltd. ("IR Cambodia")@#	Cambodia	US$5,000	–	31%	Wood processing
Frankford Inc Limited	Hong Kong	HK$100	100%	–	Loan financing

Notes to Consolidated Financial Statements

31 December 2019

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	Indirect*	Principal activities
Nine Rivers Capital Partners Limited	Hong Kong	HK$100,000,000	–	60.4%	Provision of borkerage service, underwriting and placing service and securities trading
阿哈爾捷科技(深圳)有限公司@	The People's Republic of China ("the PRC")**	RMB3,000,000	–	100%	Cultural business
Loyal Talent Limited	Hong Kong	HK$10,000	–	100%	Logistic business

@ Not audited by Ascenda Cachet CPA Limited, who is not the statutory auditor of these subsidiaries.

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

(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.

** For the purpose of this report, excluding Hong Kong.

These companies are engaged in the Forestry and Agricultural Business and are classified as the Forestry Subsidiaries.

Information about the Structured Entity

In 2017, the Group had extended its business portfolio to cultural business in the PRC by entering into certain structured contracts (the "Structured Contracts") among (i) a wholly-owned subsidiary of the Group (a wholly foreign owned enterprise in the PRC); (ii) the sole registered shareholder of Hainan Nine Star Technology Network Limited, a domestic entity (the "Structured Entity") in the PRC; and (iii) the Structured Entity. In June 2018, the structured contracts were terminated and the Structured Entity was therefore no longer a structured entity of the Company and its result has not been consolidated into the consolidated financial statements of the Group since then.

Notes to Consolidated Financial Statements

31 December 2019

2.1 BASIS OF PREPARATION

Basis of preparation

In light of the measures and arrangements having been adopted for the working capital required in the business operations of the Group, the Directors are of the opinion that the Group would be able to continue as a going concern and would have sufficient financial 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 adjustments 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, have been reflected in these consolidated financial statements.

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 and equity investments at fair value through profit or loss, which have been measured at fair values. 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 2019

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 2019. 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 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 2019

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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19 which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the new and revised HKFRSs are described below:

HKFRS 16

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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Notes to Consolidated Financial Statements

31 December 2019

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

HKFRS 16 *(Continued)*

As a lessee – Leases previously classified as operating leasese

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for its office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

At the initial recognition of HKFRS 16 on 1 January 2019, the Group applied the exemption as the remaining lease terms of the leases on hand at the time were within 12 months. Therefore, there was no financial impact of the opening balance of the right-of-use assets and lease liabilities as at 1 January 2019 upon the adoption of HKFRS 16.

The lease liabilities as at 1 January 2019 reconciled to be operating lease commitments as at 31 Decmeber 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018 *(note 36(b))*	889
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(889)
Lease liabilities as at 1 January 2019	–

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

Amendments to HKAS 28

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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

HK(IFRIC)–Int 23

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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Amendments under Annual Improvements to HKFRSs 2015–2017 Cycle

Annual Improvements to HKFRSs 2015–2017 Cycle sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. Details of the amendments relevant to the preparation of the Group's consolidated financial statements are as follows:

HKAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any material impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements

31 December 2019

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*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 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. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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.

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.

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

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have significant impact on the Group's consolidated financial statements.

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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 the consolidated statement of 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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investment at fair value through other comprehensive income and equity investments at fair value through profit or loss at their 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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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 of disposal, 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.

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

Notes to Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(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.

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 leases
Constructed roads	3%
Motor vehicles	20%
Plant, machinery and equipment	20% – 33%
Leasehold improvements	Over the lease terms

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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.

Timber logging rights

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. The Timber Logging Rights give the Group rights to log trees in the allocated concession forests land in the Kratie District of Kratie Province in 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. The Timber Logging Rights are assessed for impairment whenever there is an indication that the Timber Logging Rights may be impaired.

Trading right

The non-transferable trading right on the Stock Exchange is stated at cost less any impairment losses, if any. The trading right is considered to have an indefinite useful life and is tested for impairment at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019)

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets for leased properties are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable before 1 January 2019)

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

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 assets' 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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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)

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)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss

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 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 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.

Derecognition of financial assets

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 risk 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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31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("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 for 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 for 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

Notes to Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(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.

Financial liabilities

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 payables, other payables and accruals, other loan and other borrowing.

Subsequent measurement

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

Financial liabilities at amortised cost (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 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Deferred tax assets are recognised for all deductible temporary differences, and 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.

Notes to Consolidated Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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.

When the contract contains a financing component which provides the customer with 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.

Services rendered

Revenue from provision of services mainly include service fee income from provision of financial information services, brokerage commission income and development of cultural related online application, which are recognised over time when services are rendered.

Revenue from other sources

Loan interest income

Loan interest income is accrued on an over-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.

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)*

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 32.

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 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.

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 detailed in note 1, the effective equity interests of certain of the Forestry Subsidiaries held by the Group are less than 50%. Despite that the effective equity interests of the Forestry Subsidiaries held by the Group are less than 50%, the management of the Group has assessed and considered that the Forestry Subsidiaries are non-wholly subsidiaries of the Group as at 31 December 2018 and 2019 because the composition of the board of directors, key management personnel and the operation committees of the Forestry Subsidiaries are being appointed by the Group, and the Group is exposed, or has rights, to variable returns from its involvement with the Forestry Subsidiaries and has the ability to affect those returns through its power over the Forestry Subsidiaries.

Notes to Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

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.

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 Group's operation. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reclassify non-current assets and liabilities as 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 30, the Company appointed a trustee for the purpose of its share award scheme (the "Share Award Scheme") to its employees. During the year ended 31 December 2018, the trustee, under the instruction of the Company, acquired the convertible bond from the convertible bond holder. As at 31 December 2018, 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 as at 31 December 2018 and up to the conversion of the convertible bond in August 2019. In previous year, the Directors considered that the acquisition of the convertible bond by the trustee was deemed to be an early redemption of the convertible bond by the Company. In assessing this accounting treatment, judgement was 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 2019

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 a 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 42, respectively.

Provision for expected credit losses on loans and interest receivables

The Group reviews its loan portfolios to assess whether there is any objective evidence that the loans receivable is impaired at least on a yearly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methods and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The net carrying amount of loans and interest receivables as at 31 December 2019 was approximately HK$15,363,000 (2018: HK$4,967,000). More details are given in note 21.

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 16, the impairment loss on goodwill of HK$3,522,000 was provided during the year ended 31 December 2019 (2018: Nil).

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 disposal and its value in use. The calculation of the fair value less costs to disposal 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.

Notes to Consolidated Financial Statements

31 December 2019

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 model with partial differential equations. 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

In previous year, the unlisted equity investments had been valued based on a market-based valuation technique as detailed in note 41. The valuation required 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 made estimates about the discount for illiquidity and size differences. The Group classified the fair value of these investments as Level 3.

Leases – estimating the incremental borrowing rate

As the interest rate implicit in the leases are not readily determinable, the Group uses an incremental borrowing rate ("IBR") to measure its lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 (2018: four) reportable operating segments as follows:

(a) the sale of wood and agricultural products and the timber logging business (the "Forestry and Agriculture 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income, unallocated finance costs, share of loss of associates as well as corporate expenses are excluded from such measurement.

Segment assets exclude interests in associates, unallocated head office and corporate assets as these assets are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2019

	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	30,156	–	–	–	30,156
Loan interest income	–	473	–	–	473
	30,156	473	–	–	30,629
Segment results	5,337	(2,966)	(237)	(3)	2,131
Unallocated corporate expenses					(15,211)
Share of loss of associates					(813)
Unallocated finance costs					(716)
Loss before tax					(14,609)
Income tax expenses					(467)
Loss for the year					(15,076)
Segment assets	18,609	18,171	1,458	–	38,238
Unallocated assets					36,306
Total assets					74,544
Segment liabilities	34,813	2,084	2,706	–	39,603
Unallocated liabilities					20,676
Total liabilities					60,279
Other information					
Capital expenditure	–	–	–	–	–
Unallocated capital expenditure					1,844
					1,844
Depreciation and amortisation	754	192	–	–	946
Unallocated depreciation and amortisation					1,321
					2,267
Other income and gains	8,329	324	–	–	8,653
Unallocated other income and gains					1,626
					10,279
Loss on written off of intangible assets *(notes 15)*	–	500	–	–	500
Loss on written off of property, plant and equipment *(note 13)*	2,136	–	–	–	2,136

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31 December 2019

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	–	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	(5,842)	(10,658)	(1,755)	(5)	(18,260)
Unallocated corporate expenses					(22,441)
Share of loss of associates					(2,039)
Unallocated finance costs					(1,515)
Loss before tax					(44,255)
Income tax expenses					(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 *(note 20)*	1,018	12	–	–	1,030
Loss on written off and impairment of property, plant and equipment *(note 13)*	–	1,039	–	–	1,039
					2,069

Notes to Consolidated Financial Statements

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4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) *Revenue from external customers*

	2019 HK$'000	2018 HK$'000
Hong Kong	**473**	1,798
The PRC	**30,156**	26,592
	30,629	28,390

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*

	2019 HK$'000	2018 HK$'000
Hong Kong	**17,005**	13,217
The PRC	**1,405**	1,730
ASEAN Countries	**–**	2,890
	18,410	17,837

The non-current assets information above is based on the locations of the assets and/or locations of the operations.

Information about major customers

Revenue from external customers individually contributing 10% or more of the Group's total revenue are as follows:

	2019 HK$'000	2018 HK$'000
Customer A*	**N/A#**	12,405
Customer B*	**6,065**	14,187
Customer C*	**9,578**	–
Customer D*	**11,776**	–
	27,419	26,592

* Revenue from the Forestry and Agricultural Business

\# The corresponding revenue from such customer did not contribute 10% or more of the Group's total revenue for the year ended 31 December 2019.

Notes to Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of wood and agricultural products	**30,156**	26,592
Related service fee income arising from provision of financial information services	**–**	728
Brokerage commission income	**–**	902
	30,156	28,222
Revenue from other source		
Loan interest income	**473**	168
Total revenue	**30,629**	28,390
Other income and gains		
Bank interest income *(note 6)*	**1**	6
Dividend income from debt investments at fair value through other comprehensive income *(note 6)*	**–**	413
Gain on deemed early redemption of Convertible Bond *(note 30)*	**–**	1,156
Reversal of impairment loss of trade receivables *(note 20)*	**86**	–
Written back of trade payables *(note 6)*	**8**	–
Written back of other payables and accruals *(note 6)*	**9,696**	–
Others	**488**	41
Total other income and gains	**10,279**	1,616
Total revenue, other income and gains	**40,908**	30,006

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

	Sales of wood and agricultural products ***HK$'000***
Timing of revenue recognition	
Goods transferred at a point in time	**30,156**
Total revenue from contracts with customers	**30,156**

For the year ended 31 December 2018

	Sales of wood and agricultural products *HK$'000*	Related income arising from Financial Services Business *HK$'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
Total revenue from contracts with customers	26,592	1,630	28,222

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

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

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

Sales of wood and agricultural products

The performance obligation is satisfied upon delivery of the goods and payment is generally due in 60 – 150 days from delivery.

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.

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6. LOSS BEFORE TAX

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

	2019 **HK$'000**	2018 HK$'000
Cost of sales	**26,196**	22,686
Cost of services rendered	**–**	122
	26,196	22,808
Auditor's remuneration:		
Annual audit	**1,250**	1,250
Depreciation of property, plant and equipment *(note 13)*	**1,621**	2,184
Depreciation of right-of-use assets *(note 14(a))*	**646**	–
Exchange losses, net	**–**	349
Fair value loss on equity investments at fair value through profit or loss *(note 22)*	**238**	1,134
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
Impairment loss on other receivables	**–**	8
Impairment loss on property, plant and equipment *(note 13)*	**–**	919
Impairment loss on goodwill *(note 16)*	**–**	3,522
Loss on written off of property, plant and equipment *(note 13)*	**2,136**	120
Loss on written off of intangible assets *(note 15)*	**500**	–
Impairment loss on inventories *(note 19)*	**91**	367
Minimum lease payments for land and buildings under HKAS 17	**–**	2,096
Lease expenses for short-term leases	**94**	–
Staff costs (excluding Directors' remuneration *(note 8)*):		
Wages and salaries	**9,206**	17,749
Retirement scheme contributions	**324**	455
Commission rebate	**–**	25
	9,530	18,229
Bank interest income *(note 5)*	**(1)**	(6)
Dividend income from debt investments at fair value through other comprehensive income *(note 5)*	**–**	(413)
Gain on deemed early redemption of Convertible Bond *(note 30)*	**–**	(1,156)
Reversal of impairment loss on trade receivables *(note 20)*	**(86)**	–
Written back of trade payables *(note 5)*	**(8)**	–
Written back of other payables and accruals *(note 5)*	**(9,696)**	–

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7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Loan interest from other borrowing	**680**	680
Convertible Bond interest *(note 30)*	**–**	835
Interest on other loan *(note 28)*	**708**	677
Interest on lease liabilities *(note 14(b))*	**54**	–
	1,442	2,192

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:

	2019	2018
	HK$'000	*HK$'000*
Fees	**339**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**846**	903
Retirement scheme contributions	**18**	18
	864	921
Total	**1,203**	1,281

8. DIRECTORS' REMUNERATION *(Continued)*

	Notes	**Fees** *HK$'000*	**Salaries, allowances and benefits in kind** *HK$'000*	**Retirement scheme contributions** *HK$'000*	**Total** *HK$'000*
2019					
Executive Directors of the Company					
Chan Ching Hang		**–**	**756**	**18**	**774**
Zeng Lingchen	*(a)*	**–**	**90**	**–**	**90**
		–	**846**	**18**	**864**
Independent non-executive Directors of the Company					
Pang King Sze, Rufina		**120**	**–**	**–**	**120**
Hong Bingxian		**120**	**–**	**–**	**120**
Cheung Yin Keung	*(b)*	**69**	**–**	**–**	**69**
Hung Kenneth	*(c)*	**30**	**–**	**–**	**30**
		339	**–**	**–**	**339**
		339	**846**	**18**	**1,203**

	Notes	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
2018					
Executive Directors of the Company					
Chan Ching Hang		–	723	18	741
Zeng Lingchen	*(a)*	–	180	–	180
		–	903	18	921
Independent non-executive Directors of the Company					
Pang King Sze, Rufina		120	–	–	120
Hong Bingxian		120	–	–	120
Hung Kenneth	*(c)*	120	–	–	120
		360	–	–	360
		360	903	18	1,281

Notes:

(a) Zeng Lingchen retired on 31 May 2019

(b) Cheung Yin Keung was appointed on 10 April 2019

(c) Hung Kenneth resigned on 10 April 2019

Notes to Consolidated Financial Statements

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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 (2018: Nil) and no emolument has been paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2018: Nil).

The number of Directors, whose remuneration fell within the following band is as follows:

	Number of Directors	
	2019	2018
Nil to HK$1,000,000	**6**	5

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2018: one) Director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2018: four) non-Directors highest paid employees for the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**8,789**	12,075
Retirement scheme contributions	**336**	380
Total	**9,125**	12,455

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1
Over HK$5,000,000	**1**	1
	4	4

10. INCOME TAX EXPENSES

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	467	644
The PRC	–	–
Cambodia	–	–
	467	644
Deferred tax	–	–
Total income tax expenses for the year	467	644

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% while the remaining assessable profits are taxed at 16.5%.

The 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 2018 and 2019 and where small-scale enterprises with low profitability meet certain conditions, the EIT rate shall be reduced to 20%. EIT has not been provided as the Group did not generate any assessable proftis arising in PRC during the years ended 31 December 2018 and 2019.

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 2018 and 2019.

Notes to Consolidated Financial Statements

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10. INCOME TAX EXPENSES *(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:

	2019		2018	
	HK$'000	**%**	*HK$'000*	*%*
Loss before tax	**(14,609)**	**–**	(44,255)	–
Tax at the statutory tax rates	**(2,492)**	**17.0**	(7,792)	17.6
Income not subject to tax	**(371)**	**2.5**	(435)	1.0
Expenses not deductible for tax	**4,402**	**(30.1)**	8,112	(18.3)
Tax losses not recognised	**365**	**(2.5)**	759	(1.8)
Utilisation of tax losses previously not recognised	**(1,437)**	**10.0**	–	–
Tax charge at effective tax rate	**467**	**(3.1)**	644	(1.5)

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:

	2019	2018
	HK$'000	*HK$'000*
Tax losses		
– Hong Kong	**65,474**	65,126
– Cambodia	**20,308**	25,405
	85,782	90,531

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:

	2019	2018
	HK$'000	*HK$'000*
2019	**–**	5,097
2020	**4,946**	4,946
2021	**10,815**	10,815
2022	**4,547**	4,547
2023	**–**	–
2024	**–**	–
	20,308	25,405

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11. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2019 (2018: Nil).

12. LOSS PER SHARE

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

The calculation of basic loss per Share is based on:

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per Share calculation	**(20,818)**	(37,585)

	Number of shares (in '000)	
	2019	2018 (Restated)
Weighted average number of Shares in issue during the year used in the basic loss per Share calculation*	**118,137**	103,908

* The weighted average number of Shares for the year ended 31 December 2018 has been adjusted for the Share Consolidation (as defined in note 31) on 17 May 2019 as if effective since 1 January 2018.

In addition, as detailed in note 31(d), 20,757,500 Shares were issued and held under the Share Award Scheme (as defined in note 31(d)). As no award has been granted to any eligible person under the Share Award Scheme as at 31 December 2019, the Shares held under the Share Award Scheme is excluded from the computation of the weighted average number Shares for the year ended 31 December 2019 when calculating the basic loss per Share.

No adjustment has been made to the basic loss per Share for the years ended 31 December 2018 and 2019 in respect of a dilution, as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per Share 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 2019						
At 1 January 2019:						
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
At 1 January 2019, net of accumulated depreciation and impairment	–	–	–	5,806	54	5,860
Additions	–	–	–	1,738	106	1,844
Written off	–	–	–	(2,136)	–	(2,136)
Depreciation provided during the year	–	–	–	(1,594)	(27)	(1,621)
At 31 December 2019, net of accumulated depreciation and impairment	–	–	–	3,814	133	3,947
At 31 December 2019:						
Cost	4,854	24,043	2,657	23,748	363	55,665
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(19,934)	(230)	(51,718)
Net carrying amount	–	–	–	3,814	133	3,947

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

	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)*	–	–	–	(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

Note: As detailed in note 16, during the year ended 31 December 2018, a subsidiary engaged in the Financial Services Business underwent a restructuring process and therefore, the related property, plant and equipment of HK$919,000 was impaired during the year ended 31 December 2018.

Notes to Consolidated Financial Statements

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14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES/LEASES

The Group as a lessee

The Group has lease contracts for its office premises used in its operations. Leases of office premises generally have lease term of one year with an extension option of one more year.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises *HK$'000*
At 1 January 2019	–
Additions	2,525
Depreciation provided during the year	(646)
At 31 December 2019	1,879

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the year are as follows:

	2019 ***HK$'000***
At 1 January	**–**
Inception of new leases	**2,525**
Accretion of interest recognised during the year	**54**
Payments	**(679)**
At 31 December	**1,900**
Analysed into:	
Current portion	**1,263**
Non-current portion	**637**
	1,900

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 ***HK$'000***
Interest on lease liabilities	**54**
Depreciation of right-of-use assets	**646**
Expense relating to short-term leases	**94**
Total amount recognised in profit or loss	**794**

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15. INTANGIBLE ASSETS

	Timber Logging Rights HK$'000 (note (a))	Trading right HK$'000 (note (b))	Total HK$'000
31 December 2018 and 2019			
At 1 January 2018, and 1 January 2019			
Cost	896,932	500	897,432
Accumulated amortisation and impairment	(896,932)	–	(896,932)
Net carrying amount	–	500	500
At 1 January 2018 and 2019, net of accumulated depreciation and impairment	–	500	500
Written off of intangible asset *(note 6)*	–	(500)	(500)
At 31 December 2019, net of accumulated depreciation and impairment	–	–	–
At 31 December 2018			
Cost	896,932	500	897,432
Accumulated amortisation and impairment	(896,932)	–	(896,932)
Net carrying amount	–	500	500
At 31 December 2019			
Cost	896,932	–	896,932
Accumulated amortisation and impairment	(896,932)	–	(896,932)
Net carrying amount	–	–	–

Notes:

(a) Timber Logging Rights

The Timber Logging Rights with a tenure of 70 years were acquired by the Group between 2007 and 2010. In July 2015, the Royal Government of Cambodia (the "Cambodian 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 Cambodian Government as at 31 December 2018 and 2019, the Directors sought a legal opinion and considered that the tenure of the Timber Logging Rights remained unchanged.

The Group uses the "unit of production method" as the amortisation method. Since the Timber Logging Rights were 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 and 2019 (as detailed below), no amortisation was provided since then.

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15. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) Timber Logging Rights *(Continued)*

At the end of each reporting period, the Directors have assessed the impairment of the Timber Logging Rights whenever there is an indication that the Timber Logging Rights may be impaired.

Impairment of the Timber Logging Rights

31 December 2019

The Directors engaged Peak Vision Appraisals Limited, an independent professional valuer (the "Valuer"), to determine the recoverable amount of the Timber Logging Rights as at 31 December 2019. Based on the valuation report dated 25 March 2020 (the "2019 IA Valuation Report"), the recoverable amount of the Timber Logging Rights as at 31 December 2019 remained to be of no commercial value (even though there is a slight increase in the future estimated selling prices of the agricultural products).

Apart from the key assumptions further disclosed below, the timber volume was one of the key assumptions used in the valuation of the Timber Logging Rights as at 31 December 2019. The estimated timber volume in 2019 was derived by the management with reference to (i) the volume and condition of timber in the forests underlying the Timber Logging Rights determined by a professional tree expert as at 31 December 2017, and (ii) the internal records of timber movements during the years ended 31 December 2018 and 2019.

Such assessment of the recoverable amount of the Timber Logging Rights was based on the valuation performed by the Valuer and for each of the years ended 31 December 2018 and 2019. 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 2018 IA Valuation Report (as defined below) and the 2019 IA Valuation Report, there were three generally accepted valuation approaches, namely, the market approach, the cost approach and the income approach. Since there was no sufficient comparable transaction 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 valued the Timber Logging Rights based on the discounted cash flows derived therefrom, was an appropriate method for the valuation.

15. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) Timber Logging Rights *(Continued)*

Impairment of the Timber Logging Rights *(Continued)*

31 December 2018

Based on the valuation report dated 22 March 2019 (the "2018 IA Valuation Report"), the recoverable amount of the Timber Logging Rights 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 Timber Logging Rights were fully impaired in 2017 and no further impairment loss of the Timber Logging Rights were provided or reversed for the years ended 31 December 2018 and 2019.

Key assumptions used in the Valuation

Extracted from the 2018 IA Valuation Report and the 2019 IA Valuation Report, the following were key assumptions used in the valuation of the Timber Logging Rights as at 31 December 2018 and 2019 on which the management has based its cash flow projections to assess the impairment of the Timber Logging Rights:

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
Estimated selling price of timber:		
Grade 1	**US$740 per m^3**	US$740 per m^3
Grade 2	**US$710 per m^3**	US$650 per m^3
Grade 3	**US$370 per m^3**	US$360 per m^3
Estimated selling price of latex:	**US$1.21per kg**	US$1.36 per kg
Growth rate:		
Revenue	**3.47%**	3.51%
Cost	**2.83%**	3.12%
Tree volume	**0.73%**	0.73%
Discount rate	**16.3%**	17.43%
Inflation rate	**1.11%**	1.10%
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.

Pursuant to the 2018 IA Valuation Report and the 2019 IA Valuation Report, the valuation based on the excess earnings method under the income approach 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 projected timber output amount based on the business plan.

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15. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) Trading right

The non-transferrable trading right on the Stock Exchange is considered to have an indefinite useful life and is tested for impairment at the end of each reporting period. Upon the cessation of the securities business of the Group's licensed corporation in the Financial Services Business on 21 January 2020, the trading right will be forfeited and was written off as at 31 December 2019.

16. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
At 1 January		
Cost	–	3,522
Impairment during the year	–	(3,522)
At 31 December	–	–

The goodwill of HK$3,522,000 arose from the acquisition of 60.4% equity interest in Nine Rivers, together with its subsidiaries (collectively, 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.

16. GOODWILL *(Continued)*

Impairment of goodwill for the year ended 31 December 2018

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

During the year ended 31 December 2018, the Nine Rivers Group 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 exceeded its recoverable amount as at 31 December 2018 and accordingly, an impairment of HK$3,522,000 was provided during the year ended 31 December 2018.

17. INTERESTS IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Unlisted shares, at cost*	**19,346**	17,306
Due from an associate	**–**	120
Share of loss of associates	**(6,762)**	(5,949)
	12,584	11,477

* The investment costs as at 31 December 2018 represented (i) 49% equity interest in Violet Garden Limited ("VG"), a company incorporated in Samoa with limited liability and principally engaged in investments holding, with investment cost of HK$15,506,000; and (ii) 38% equity interest in a company incorporated in Samoa with limited liabilities and principally engaged in fixed assets investment, with investment cost of HK$1,800,000. Apart from the above, the investment costs as at 31 December 2019 also included the investment cost of HK$2,040,000 which represented 28% equity interest in a company incorporated in Samoa with limited liability and principally engaged in healthcare business.

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17. INTERESTS IN ASSOCIATES *(Continued)*

* *(Continued)*

VG is considered a material associate of the Group as at 31 December 2018 and 2019.

The following table illustrates the summarised financial information in respect of VG adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019	2018
	HK$'000	*HK$'000*
Current assets	**42,412**	18,844
Non-current assets, excluding goodwill	**–**	915
Current liabilities	**(22,572)**	(113)
Net assets	**19,840**	19,646
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Carrying amount of the investment	**9,722**	9,627
Revenue	**–**	–
Profit/(Loss) for the year	**195**	(4,018)
Total comprehensive income/(expenses) for the year	**195**	(4,018)
Dividend received	**–**	–
Share of VG's profit/(loss) for the year	**95**	(1,969)
Share of VG's total comprehensive income/(expenses)	**95**	(1,969)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019	2018
	HK$'000	*HK$'000*
Share of the associates' loss for the year	**(908)**	(70)
Share of the associates' total comprehensive expense	**(908)**	(70)
Aggregate carrying amount of the Group's investments in the associates	**2,862**	1,730

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18. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest in Solar Power Company	**–**	9,839
SPC Loan	**–**	13,585
	–	23,424

31 December 2018

The equity investment at fair value through other comprehensive income represented an equity investment in a solar power company (the "Solar Power Company") which was engaged in solar power generation business. The balance of HK$13,585,000 represented the loan granted by the Group to the Solar Power Company ("SPC Loan"). During the year ended 31 December 2018, the Group recorded a fair value loss on equity investment at fair value through other comprehensive income of HK$11,885,000.

In November 2018, the Group entered into a sale and purchase agreement with a company wholly-owned by a director of the Solar Power Company to dispose of all of the Group's interests in the Solar Power Company and the SPC Loan at a cash consideration of HK$24,050,000 (the "Solar Power Disposal"). The net proceeds from the Solar Power Disposal (after deducting the transaction costs of HK$626,000) was HK$23,424,000. The Group received a deposit of HK$12,000,000 from the buyer for the Solar Power Disposal and the amount was included in "Other payables and accruals" as at 31 December 2018 (note 27).

31 December 2019

The Solar Power Disposal was completed on 31 January 2019 and the related fair value reserve of approximately HK$3,847,000 were directly transferred to the Group's retained earnings.

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19. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Finished goods	**151**	242

At 31 December 2019, the Group's inventories with carrying amount of approximately HK$458,000 (2018: HK$367,000) were written down to their net realisable values. Accordingly, impairment loss on inventories of HK$91,000 (2018: HK$367,000) was recognised for the year ended 31 December 2019.

20. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**13,723**	21,654
Less: Impairment allowances	**(1,051)**	(7,855)
	12,672	13,799
Trade receivables arising from the Financial Services Business *(note (b))*		
– Other clients	**100**	100
Less: Impairment allowances	**(100)**	(100)
	–	–
	12,672	13,799

20. TRADE RECEIVABLES *(Continued)*

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60–150 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019	2018
	HK$'000	*HK$'000*
31 to 60 days	**4,645**	4,923
61 to 90 days	**4,201**	2,674
91 to 180 days	**3,826**	6,202
	12,672	13,799

The movements in impairment allowances for trade receivables during the reporting period are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**7,855**	6,837
(Reversal of impairment)/Impairment losses recognised *(note 6)*	**(86)**	1,018
Amount written off as uncollectible	**(6,718)**	–
At 31 December	**1,051**	7,855

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). 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.

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20. TRADE RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

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 2019

	Not yet past due	Past due within 1 year	Past due over 1 year	Total
Expected credit loss rate	**5%**	**10%**	**100%**	
Gross carrying amount *(HK$'000)*	**7,282**	**6,393**	**48**	**13,723**
Expected credit losses *(HK$'000)*	**364**	**639**	**48**	**1,051**

As at 31 December 2018

	Not yet past due	Past due within 1 year	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

(b) Trade receivables arising from the Financial Services Business

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

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

	2019 ***HK$'000***	2018 *HK$'000*
At 1 January	**100**	88
Impairment allowances recognised	**–**	12
At 31 December	**100**	100

As at 31 December 2018 and 2019, the trade receivables arising from the Financial Services Business were aged over 1 year and had been fully impaired.

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). 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.

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21. LOANS AND INTEREST RECEIVABLES

The loans receivables represented outstanding loans arose from the Financial Services Business during the year, which were unsecured, interest-bearing at fixed rates, and with credit periods mutually agreed between the contracting parties. Overdue balances are reviewed regularly and handled closely by senior management.

	2019 ***HK$'000***	2018 *HK$'000*
Loans receivables	**15,000**	4,800
Interest receivables	**363**	167
Less: Impairment allowances	**–**	–
	15,363	4,967

As at 31 December 2019 and 2018, all loans and interest receivables were due from the borrowers within one year and were classified as current assets.

The ageing analysis of loans and interest receivables at the end of each reporting period is prepared based on contractual due date and is set out below:

	2019 ***HK$'000***	2018 *HK$'000*
Not yet past due	**15,363**	4,967

ECL is recognised in two stages. For credit exposures of which there has not been a significant increase in credit risk since initial recognition, ECL is 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 of 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.

In the opinion of the Directors, according to the assessment of impairment of ECL, the probability of default and the loss given default were estimated to be minimal as at 31 December 2018 and 2019.

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22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Listed equity investments, at market value	**608**	846

The equity investments as at 31 December 2018 and 2019 were held for trading purpose and were designated by the Group as equity investments at fair value through profit or loss. During the year, the Group recognised a fair value loss of approximately HK$238,000 (2018: HK$1,134,000) (note 6). The Group did not receive any dividend income from its listed equity investments.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	HK$'000	*HK$'000*
Prepayments and deposits paid *(note (a))*	**3,221**	7,589
Deposits and other receivables	**9,251**	9,074
Due from an associate *(note (b))*	**11,142**	–
Tax receivables	**116**	116
	23,730	16,779
Less: Impairment allowances	**(608)**	(608)
	23,122	16,171

At 31 December 2019, impairment allowances of HK$608,000 (2018: HK$608,000) were provided for 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 related to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, other than the above impairment allowances, the loss allowance for other assets was assessed to be minimal.

Notes:

(a) Included in prepayments and deposits paid as at 31 December 2018 mainly represented (i) the Group's consideration of HK$2,040,000 paid by the Group for its investment of 28% equity interest in an associate engaged in healthcare business (which was completed in January 2019); and (ii) the refundable deposits of HK$4,000,000 for the proposed further investment of remaining 72% equity interest of such associate which was subsequently expired and fully refunded in January 2019.

(b) The amount due from an associate is unsecured, interest-free and is repayable on three-month demand notice.

24. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its Financial Services Business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets and has recognised the corresponding trade payables (note 26) 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.

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25. CASH AND BANK BALANCES

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**4,212**	28,168

At 31 December 2019, the Group's cash and bank balances denominated in RMB amounted to approximately HK$11,000 (2018: HK$391,000). The RMB is not freely convertible into other currencies, however, under PRC'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.

26. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**–**	4,146
Trade payables arising from Financial Services Business *(note (b))*		
– Margin clients' account	**–**	26
– Cash clients' account	**6**	19
– Clearing house	**–**	7
	6	4,198

Notes:

(a) Trade payables

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

	2019	2018
	HK$'000	*HK$'000*
31 – 60 days	**–**	4,164

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

(b) Trade payables arising from the Financial Services Business

The trade payables to margin and cash clients are repayable on demand and interest bearing at prevailing market rates. Based on the deposit or transaction date, the trade payables to margin and cash clients accounts were aged over 1 year.

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

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27. OTHER PAYABLES AND ACCRUALS

	2019 *HK$'000*	2018 *HK$'000*
Other payables and accruals	**28,442**	39,521
Deposit received in advance for the Solar Power Disposal *(note 18)*	**–**	12,000
	28,442	51,521

28. OTHER LOAN

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	**16,902**	16,225
Interest expenses accrued *(note 7)*	**708**	677
At 31 December	**17,610**	16,902

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 timber logging activities. Such working capital loans are unsecured, interest-free and have a term of 10 years, of which HK$22,763,000 (2018: HK$22,763,000) has been drawn down by the Group as at 31 December 2019. As at 31 December 2018 and 2019, the present value of such working capital loan was HK$16,902,000 and HK$17,610,000, respectively.

The loan from the relevant shareholders of the Forestry and Agricultural Business was repayable from the profits of the Forestry and Agricultural Business. As such, the Directors considered that it was appropriate to classify the loan as non-current liabilities as at 31 December 2018 and 2019.

29. OTHER BORROWING

	Effective interest rate (%)	2019 HK$'000	2018 HK$'000
Other borrowing – unsecured	8.5	**8,000**	8,000
Analysed into:			
Repayable within one year or on demand		**8,000**	8,000

Due to the failure of renewal of the other borrowing in May 2019, the lender filed a suit in the Court of First Instance of the High Court of Hong Kong to demand immediate repayment from the Group (note 38).

30. CONVERTIBLE BOND

In October 2017, the Company issued a 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 was convertible into 166,060,000 Shares (before Share Consolidation) at a conversion price of HK$0.1084 per Share (before Share Consolidation), bore interest at 1% per annum and matured 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 of HK$15,467,000 at the issuance date was estimated 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.

During the year ended 31 December 2018, the movements of the Convertible Bond were as follows:

	2018 HK$'000
Liability component at 1 January 2018	13,525
Accrued interest included in current liabilities	32
	13,557
Interest expenses *(note 7)*	835
Deemed early redemption of Convertible Bond	(14,392)
Liability component at 31 December 2018	–

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30. CONVERTIBLE BOND *(Continued)*

The fair value of the Derivative at the issuance date amounting to HK$2,310,000 was included in the liability component of the Convertible Bond of HK$15,467,000 at the issuance date as the early redemption option granted to the Company was closely related to the host debt contract and the Derivative granted to the Company did not separate from the liability host contract (i.e. liability component of the Convertible Bond).

An independent professional trustee (the "Trustee"), engaged by the Group as the trustee for its share award scheme (the "Share Award Scheme"), entered into and completed a sale and purchase agreement on 10 May 2018 for the acquisition of the Convertible Bond from the CB Holder at a consideration of approximately HK$14,501,000. As at 31 December 2018, the Convertible Bond was held by the Trustee for 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 was accounted for as a deemed early redemption of the Convertible Bond during the year ended 31 December 2018 and the related gain on deemed early redemption of the Convertible Bond was calculated as follows:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
Consideration for acquisition#	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 granted to the CB Holder	(913)	–	(913)
Gain on deemed early redemption of the Convertible Bond	(1,156)	(3,579)	(4,735)

As at 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 was allocated to the liability component at its fair value, whilst the remaining portion was allocated to equity component and accordingly, the Group recognised a gain of HK$4,735,000, of which 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.

As further detailed in note 31(d), the Convertible Bond was converted into new Shares for the purpose of the Share Award Scheme by the Trustee.

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31. SHARE CAPITAL

Shares	Notes	2019 Number of Shares	2019 Nominal value per Share HK$	2019 Amount HK$'000	2018 Number of Shares	2018 Nominal value per Share HK$	2018 Amount HK$'000
Authorised:							
At 1 January		**4,000,000,000**	**0.05**	**200,000**	4,000,000,000	0.05	200,000
Share Consolidation	*(b)*	**(3,500,000,000)**	**0.4**	**–**	–	–	–
Capital Reorgnisation:							
Capital reduction	*(c)(i)*	**–**	**–**	**(195,000)**	–	–	–
Capital increase	*(c)(ii)*	**19,500,000,000**	**0.01**	**195,000**	–	–	–
At 31 December		**20,000,000,000**	**0.01**	**200,000**	4,000,000,000	0.05	200,000
Issued and fully paid:							
At 1 January		**831,261,212**	**0.05**	**41,563**	831,261,212	0.05	41,563
Share Subscription	*(a)*	**166,200,000**	**0.05**	**8,310**	–	–	–
Share Consolidation	*(b)*	**(872,778,561)**	**0.4**	**–**	–	–	–
Captial Reorganisation – capital reduction	*(c)(i)*	**–**	**–**	**(48,626)**	–	–	–
Conversion into Shares held under Share Award Scheme	*(d)*	**20,757,500**	**0.01**	**208**	–	–	–
At 31 December		**145,440,151**	**0.01**	**1,455**	831,261,212	0.05	41,563

Notes:

(a) On 12 April 2019, the Company entered into a subscription agreement with an independent third party (the "Subscriber"), pursuant to which, the Subscriber agreed to subscribe (the "Share Subscription") for 166,200,000 subscription Shares (or 20,775,000 as adjusted for the Share Consolidation) at the subscription price of HK$0.05 per subscription Share (or HK$0.4 as adjusted for the Share Consolidation). The Share Subscription was completed on 26 April 2019, with gross proceeds amounting to HK$8,310,000.

(b) On 17 May 2019, a share consolidation (the "Share Consolidation") on the basis that every eight issued and unissued existing Shares were consolidated into one consolidated Share of HK$0.4 each became effective. The Share Consolidation was approved by independent shareholders at the special general meeting held on 16 May 2019.

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31. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) On 3 July 2019, the Company effected a capital reorganisation (the "Capital Reorganisation") involving the capital reduction, the capital increase, the reduction of share premium and the application of contributed surplus to set off against accumulated losses. The Capital Reorganisation was approved by independent shareholders at the special general meeting on 2 July 2019, details of which are as follows:

(i) Capital reduction

This involves (i) the reduction of the nominal value of each then issued Share from HK$0.4 each (after taken into account the effect of the Share Consolidation) to HK$0.01 each by cancelling the paid up capital of the Company, which resulted in a reduction of issued and paid up capital of the Company from approximately HK$49,873,000 divided into 124,682,651 Shares of par value of HK$0.40 each to approximately HK$1,247,000 divided into 124,682,651 Shares of par value of HK$0.01 each; and (ii) the reduction of the authorised share capital of the Company from par value of HK$0.40 each to HK$0.01 each, which resulted in the authorised share capital of the Company being reduced from HK$200,000,000 divided into 500,000,000 Shares of par value of HK$0.40 each to HK$5,000,000 divided into 500,000,000 Shares of par value of HK$0.01 each. The credit arising from such capital reduction of approximately HK$48,626,000 was transferred to the contributed surplus;

(ii) Capital increase

This involves the increase of the authorised share capital of the Company from HK$5,000,000 divided into 500,000,000 new Shares to HK$200,000,000 divided into 20,000,000,000 new Shares;

(iii) Reduction of share premium

The share premium account of the Company standing with a credit balance of approximately HK$265,213,000 as at 31 December 2018 was fully transferred to the contributed surplus; and

(iv) Application of contributed surplus to set off against accumulated losses

Following the completion of the capital reduction, the capital increase and the reduction of share premium, the remaining credit amount standing in the contributed surplus account of the Company was applied to set off the accumulated losses of the Company in full.

(d) As detailed in note 30, the Trustee acquired the Convertible Bond for the purpose of the Share Award Scheme in May 2018. As at 31 December 2018, the Convertible Bond under the Share Award Scheme was held by the Trustee and no award had been granted to any eligible person. The acquisition of the Convertible Bond was accounted for as a deemed early redemption of the Convertible Bond during the year ended 31 December 2018.

In August 2019, the Convertible Bond was converted (the "Conversion") into 20,757,500 Shares (as adjusted for the Share Consolidation) (the "Conversion Shares") of the Company.

As at 31 December 2019 and up to the date of this report, the Conversion Shares are still held by the Trustee under the Share Award Scheme and no award has been granted to any eligible person under the Share Award Scheme, and therefore, the Conversion Shares held under the Share Award Scheme are accounted for in the "Shares held for Share Award Scheme" account as at 31 December 2019.

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32. 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 eligible 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 the Shares.

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 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 9,663,411 and 727,354 Share Options (adjusted for the Share Consolidation) 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 1,350,801 Share Options (adjusted for the Share Consolidation) were granted to the Directors.

The consideration of HK$10 is payable on the grant date of the Share Options. The 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, and will not be less than the higher of (i) the closing price of the 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 Shares.

All of the Share Options have been lapsed or cancelled in November 2019 and no Share Options are outstanding as at 31 December 2019.

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32. SHARE OPTION SCHEME *(Continued)*

Details of specific categories and the outstanding Share Options during the years ended 31 December 2019 and 2018 are as follows:

31 December 2019

Name and category of participant	Exercise period	Outstanding as at 1 January 2019* *(note (a))*	Granted during the year	Cancelled/ Lasped during the year *(notes (b))*	Outstanding as at 31 December 2019	Fair value at the grant date *HK$** *(note (a))*	Exercise price at the grant date *HK$** *(note (a))*
Executive Director							
Mr. Chan Ching Hang	10 November 2017 to 9 November 2019	1,039,076	–	(1,039,076)	–	0.474	0.792
Independent non-executive Directors							
Mr. Hong Bingxian	10 November 2017 to 9 November 2019	103,907	–	(103,907)	–	0.474	0.792
Mr. Hung Kenneth *(note (c))*	10 November 2017 to 9 November 2019	103,907	–	(103,907)	–	0.474	0.792
Ms. Pang King Sze, Rufina	10 November 2017 to 9 November 2019	103,907	–	(103,907)	–	0.474	0.792
Employees	10 November 2017 to 9 November 2019	2,078,153	–	(2,078,153)	–	0.474	0.792
	13 November 2017 to 12 November 2019	519,538	–	(519,538)	–	0.477	0.792
Consultants and co-operators	10 November 2017 to 9 November 2019	6,234,459	–	(6,234,459)	–	0.474	0.792
	13 November 2017 to 12 November 2019	207,815	–	(207,815)	–	0.474	0.792
		10,390,762	–	(10,390,762)	–		

Notes:

(a) The fair value and exercise price at the grant date and the number of Share Options were adjusted for the Share Consolidation (note 31(b)).

(b) 10,390,762 Share Options were lapsed and cancelled during the year ended 31 December 2019 and accordingly, the share option reserve of HK$4,930,000 were directly transferred to the retained earnings.

(c) Mr. Hung Kenneth resigned as an independent non-executive Director on 10 April 2019.

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32. SHARE OPTION SCHEME *(Continued)*

31 December 2018

Name and category of participant	Exercise period	Outstanding as at 1 January 2018*	Granted during the year	Cancelled/ lapsed 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	1,039,076	–	–	1,039,076	0.474	0.792
Independent non-executive Directors							
Mr. Hong Bingxian	10 November 2017 to 9 November 2019	103,907	–	–	103,907	0.474	0.792
Mr. Hung Kenneth	10 November 2017 to 9 November 2019	103,907	–	–	103,907	0.474	0.792
Ms. Pang King Sze, Rufina	10 November 2017 to 9 November 2019	103,907	–	–	103,907	0.474	0.792
Employees	10 November 2017 to 9 November 2019	2,078,153	–	–	2,078,153	0.474	0.792
	13 November 2017 to 12 November 2019	519,538	–	–	519,538	0.477	0.792
Consultants and co-operators	10 November 2017 to 9 November 2019	6,234,459	–	–	6,234,459	0.474	0.792
	13 November 2017 to 12 November 2019	207,815	–	–	207,815	0.474	0.792
		10,390,762	–	–	10,390,762		

* The fair value and exercise price at the grant date and the number of Share Options were adjusted for the Share Consolidation (note 31(b)).

The fair value of 9,663,409 Share Options (adjusted for Share Consolidation) and 727,353 Share Options (adjusted for the Share Consolidation) 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 Share 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%
Lives of Share Options	2 years	2 years
Weighted average Share price (adjusted for the Share Consolidation)	HK$0.474	HK$0.477

The life of the Share 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.

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33. 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 less the premium applied in share reduction (notes 31(c)(iii) and 31(c)(iv)). 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) Shares held for Share Award Scheme

	Number of Shares		**Amount**	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
At 1 January	**–**	–	**–**	–
Conversion into Shares held under Shares Award Scheme *(note)*	**20,757,500**	–	**5,501**	–
At 31 December	**20,757,500**	–	**5,501**	–

Note: In August 2019, the Convertible Bond was converted by the Trustee into 20,757,500 Shares. Please refer to note 31(d) for details.

(iii) Contributed surplus

The contributed surplus represents the credit arising from the Capital Reorganisation in July 2019, of which was applied and utilised to set off against accumulated losses of the Company.

(iv) Share option reserve

The share option 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.

(v) Equity component of Convertible Bond

The equity component of Convertible Bond comprises the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond.

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

The fair value reserve (non-recycling)/(recycling) comprises the cumulative net changes in the fair value of equity/debt instruments designated as measured at fair value through other comprehensive income in accordance with the accounting policy adopted for equity/debt instruments designated at fair value through other comprehensive income.

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33. RESERVES *(Continued)*

(vii) 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 adopted for foreign currencies.

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	2019	2018
Percentage of equity interest held by non-controlling interests:		
CTM	**84.0%**	84.0%
ACD	**84.0%**	84.0%
CLD	**84.0%**	84.0%
Vibrant Decade	**69.0%**	69.0%
China Cambodia	**84.0%**	84.0%
IR Cambodia	**69.0%**	69.0%
Nine Rivers Group	**39.6%**	39.6%

	2019	2018
	HK$'000	*HK$'000*
Profit/(loss) for the years ended 31 December 2019 and 2018 allocated to non-controlling interests:		
CTM	**4,990**	(2,430)
ACD	**349**	(13)
CLD	**637**	(13)
Vibrant Decade	**2,320**	1,442
China Cambodia	**(13)**	(16)
IR Cambodia	**(1,278)**	(2,884)
Nine Rivers Group	**(1,056)**	(3,339)

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34. PARTLY-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	Vibrant Decade	China Cambodia	IR Cambodia	Nine Rivers Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019							
Revenue, other income and gains	**6,855**	**523**	**865**	**30,241**	**–**	**–**	**–**
Total expenses	**(928)**	**(109)**	**(109)**	**(26,792)**	**(15)**	**(1,853)**	**(2,669)**
Profit/(Loss) for the year	**5,927**	**414**	**756**	**3,449**	**(15)**	**(1,853)**	**(2,669)**
Total comprehensive income/ (expense) for the year	**5,927**	**414**	**756**	**3,449**	**(15)**	**(1,853)**	**(2,669)**
At 31 December 2019							
Current assets	**1,397**	**580**	**609**	**20,237**	**79,634**	**168**	**26,225**
Non-current assets	**–**	**–**	**–**	**39**	**–**	**–**	**4,741**
Current liabilities	**(112,060)**	**(19,403)**	**(16,028)**	**(4,160)**	**–**	**(25,106)**	**(1,183)**
Non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(593)**
	(110,663)	**(18,823)**	**(15,419)**	**16,116**	**79,634**	**(24,938)**	**29,190**

	CTM	ACD	CLD	Vibrant Decade	China Cambodia	IR Cambodia	Nine Rivers Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year edned 31 December 2018							
Revenue	–	–	–	26,592	–	–	1,611
Total expenses	(2,866)	(16)	(16)	(24,502)	(19)	(4,180)	(9,628)
Profit/(Loss) for the year	(2,886)	(16)	(16)	2,090	(19)	(4,180)	(8,017)
Total comprehensive income/ (expense) for the year	(2,886)	(16)	(16)	2,090	(19)	(4,180)	(8,017)
At 31 December 2018							
Current assets	1,391	581	609	20,485	79,649	3,120	21,280
Non-current assets	–	–	–	39	54,600	–	13,508
Current liabilities	(117,981)	(19,818)	(16,784)	(7,857)	–	(26,205)	(2,929)
	(116,590)	(19,237)	(16,175)	12,667	134,249	(23,085)	31,859

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$2,525,000 and HK$2,525,000, respectively, in respect of new lease arrangements for office premises (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Other borrowing *HK$'000* *(note 29)*	**Other loan** *HK$'000* *(note 28)*	**Lease liabilities** *HK$'000* *(note 14(b))*	**Convertible bonds** *HK$'000* *(note 30)*	**Total** *HK$'000*
At 1 January 2018	8,000	16,225	–	13,525	37,750
Changes from financing cash flows:					
– Interest paid for other borrowing	(680)	–	–	–	(680)
Interest expenses *(note 7)*	680	677	–	835	2,192
Included in accrued interest					
– current liabilities	–	–	–	32	32
Consideration for the early redemption of convertible bond-liabilities position and Derivatives	–	–	–	(14,149)	(14,149)
Derivatives	–	–	–	913	913
Gain on deemed early redemption of convertible bond-liabilities position and Derivatives	–	–	–	(1,156)	(1,156)
At 31 December 2018 and 1 January 2019	8,000	16,902	–	–	24,902
Changes from financing cash flows:					
– Capital element of lease rentals paid	–	–	(625)	–	(625)
– Interest element of lease rentals paid	–	–	(54)	–	(54)
– Interest paid for other borrowing	(680)	–	–	–	(680)
	(680)	–	(679)	–	(1,359)
Inception of new leases		–	2,525	–	2,525
Accretion of interest recognised during the year		–	54	–	54
Interest expenses (note 7)	680	708	–	–	1,388
At 31 December 2019	8,000	17,610	1,900	–	27,510

(c) Total cash outflows for leases

The total cash outflows for leases included in the statement of cash flows is as follows:

	2019 ***HK$'000***
Within operating activities	**(94)**
Within financing activities	**(679)**
	(773)

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36. COMMITMENTS

(a) Capital Commitments

As at 31 December 2019 and 2018, the Group did not have any material capital commitments.

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its properties under operating lease arrangements. Leases for properties were 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*
Within 1 year	889

37. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of key management personnel of the Group:

	2019 ***HK$'000***	2018 *HK$'000*
Short term employee benefits	**1,185**	1,281
Post-employment benefits	**18**	18
	1,203	1,299

Further details of Directors' and the chief executive's emoluments are included in notes 8 and 9.

The number of the Directors, chief executive and key management personnel of the Group, whose remuneration/compensation fell within the following bands is as follows:

	Number of the Directors, chief executive and key management personnel	
	2019	2018
Nil to HK$1,000,000	**6**	5

38. LITIGATION

During the year ended 31 December 2019, the Group involved in a litigation (the "Litigation") regarding the demand for immediate repayment of its other borrowing of HK$8,000,000 due to the failure of renewal of the borrowing by the lender (note 29).

The Directors have exercised their due care in defending the Group in the Litigation, assessing the financial impact in respect of the legal costs and claims, if any, of the Litigation. Since the Litigation is still on-going, the Directors would continue to exercise their due care in monitoring the progress of the Litigation and would assess the financial impact of the Group as and when appropriate. The Directors consider that the adequacy of provision for the Litigation has been made during the year ended 31 December 2019.

39. EVENTS AFTER THE REPORTING PERIOD

(a) The Group has ceased its securities business of the licensed corporation in the Financial Services Business on 21 January 2020.

(b) Since the spread of COVID-19 in January 2020, the prevention and control of COVID-19 has been implemented across the PRC and all major countries. COVID-19 has certain impacts on the business operation and overall economy in many areas or industries. Up to the date of this report, the financial effect cannot be ascertained. The Group will keep continuous attention on the situation of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

40. FINANCIAL INSTRUMENTS BY CATEGORY

2019

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*	Financial assets at amortised cost *HK$'000*	Total *HK$'000*
Equity investments at fair value through profit or loss	**608**	**–**	**608**
Trade receivables	**–**	**12,672**	**12,672**
Loans and interest receivables	**–**	**15,363**	**15,363**
Other receivables and other assets	**–**	**19,901**	**19,901**
Cash held on behalf of customers	**–**	**6**	**6**
Cash and bank balances	**–**	**4,212**	**4,212**
	608	**52,154**	**52,762**

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40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2019 *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	**6**
Other payables and accruals	**28,442**
Other borrowing	**8,000**
Other loan	**17,610**
	54,058

2018

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments at fair value through profit or loss	846	–	–	846
Equity investment at fair value through other comprehensive income	–	23,424	–	23,424
Trade receivables	–	–	13,799	13,799
Loans and interest receivables	–	–	4,967	4,967
Other receivables and other assets	–	–	15,230	15,230
Cash held on behalf of customers	–	–	52	52
Cash and bank balances	–	–	28,168	28,168
	846	23,424	62,216	86,486

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40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2018 *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	4,198
Other payables and accruals	51,521
Other borrowing	8,000
Other loan	16,902
	80,621

41. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and bank balances, trade receivables, loans and interest receivables, equity investment 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 payables and accruals, other loan, lease liabilities 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 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***HK$'000***	**Significant observable inputs (Level 2)** ***HK$'000***	**Significant unobservable inputs (Level 3)** ***HK$'000***	**Total** ***HK$'000***
Equity investments at fair value through profit or loss	**608**	**–**	**–**	**608**

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41. FAIR VALUE MEASUREMENT *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

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 investment at fair value through other comprehensive income *(note)*	–	–	23,424	23,424
Equity investments at fair value through profit or loss	846	–	–	846
	846	–	23,424	24,270

Note: The fair values of unlisted equity investment at fair value through other comprehensive income was estimated using a market-based valuation technique discounted cash flow valuation model based on assumptions that were not supported by observable market prices or rates. The valuation required the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to 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 was calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple was then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The discounted multiple was applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The Directors believed that the estimated fair values resulting from the valuation technique, which were recorded in the consolidated statement of financial position, and the related changes in fair values, which were recorded in other comprehensive income, were reasonable, and that they were the most appropriate values at the end of the reporting period. The Group did not have any unlisted equity investment classified as fair value through other comprehsive income as at 31 December 2019.

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

The Group did not have any financial liabilities measured at fair value during the years ended 31 December 2019 and 2018.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are trade receivables, loans and interest receivales, equity investment 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 lease liabilties. The main purpose of these financial instruments is to raise financial resources for the Group's operations. The Group has various other financial assets such as trade receivables which arise directly from its operations.

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 summarised below.

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 are denominated either in HK$, US$ or 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 consider hedging significant foreign currency exposure should the need arises.

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.

	2019		2018	
	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 HK$ weakens against the RMB	**5.0**	**64**	5.0	49
If HK$ strengthens against the RMB	**(5.0)**	**(64)**	(5.0)	(49)

Price of agricultural produces (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 market supply, 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.

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42. 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 produces. 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

The tables below show 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. 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.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
Trade receivables*	–	–	–	13,823	13,823
Loans and interest receivables	15,363	–	–	–	15,363
Financial assets included in prepayments, other receivables and other assets					
– normal **	20,509	–	–	–	20,509
Cash held on behalf of customers					
– Not yet past due	6	–	–	–	6
Cash and bank balances					
– Not yet past due	4,212	–	–	–	4,212
	40,090	–	–	13,823	53,913

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

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	21,754	21,754
Loans and interest receivables	4,967	–	–	–	4,967
Financial assets included in prepayments, other receivables and other assets					
– normal **	15,838	–	–	–	15,838
Cash held on behalf of customers					
– Not yet past due	52	–	–	–	52
Cash and bank balances					
– Not yet past due	28,168	–	–	–	28,168
	49,025	–	–	21,754	70,779

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

** 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 had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds and will arrange financing if necessary. As at 31 December 2019, the Group had cash and bank balances of approximately HK$4,212,000 (2018: HK$28,168,000) and recorded net current assets of approximately HK$14,102,000 (2018: HK$20,064,000). In previous years, the Group had loan facilities for the carrying out of the timber logging activities. As at 31 December 2019, the Group had withdrawn HK$22,763,000 (2018: HK$22,763,000). The 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 Forestry and Agricultural Business.

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

Liquidity risk *(Continued)*

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 2019

	On demand or within 3 months *HK$'000*	3 months to 12 months *HK$'000*	1 to 5 years *HK$'000*	5 to 10 years *HK$'000*	Total *HK$'000*
Trade payables	–	6	–	–	6
Financial liabilities included in other payables and accruals	28,442	–	–	–	28,442
Other borrowing	8,000	–	–	–	8,000
Lease liabilities	–	1,253	647	–	1,900
Other loan	–	–	–	17,610	17,610
	36,442	1,259	647	17,610	55,958

As at 31 December 2018

	On demand or within 3 months *HK$'000*	3 months to 12 months *HK$'000*	1 to 5 years *HK$'000*	5 to 10 years *HK$'000*	Total *HK$'000*
Trade payables	–	4,198	–	–	4,198
Financial liabilities included in 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

42. 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 payables and accruals, other borrowing, lease liabilities, tax payables and other loan, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios at the end of each reporting period are as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Trade payables	**6**	4,198
Other payables and accruals	**28,442**	51,521
Other borrowing	**8,000**	8,000
Lease liabilities	**1,900**	–
Tax payables	**4,321**	3,886
Other loan	**17,610**	16,902
Less: Cash and bank balances	**(4,212)**	(28,168)
Net debt	**56,067**	56,339
Total capital:		
Equity attributable to ordinary equity holders	**8,615**	21,091
Capital and net debt	**64,682**	77,430
Gearing ratio	**87%**	73%

43. COMPARATIVE AMOUNTS

As further explained in note 2.2, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the consolidated financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17 and related interpretations.

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 ***HK$'000***	2018 *HK$'000*
Non-current assets		
Property, plant and equipment	**3,947**	2,969
Investments in subsidiaries	**74**	74
Interests in associates	**135**	113
Right-of-use asset	**537**	–
Total non-current assets	**4,693**	3,156
Current assets		
Equity investments at fair value through profit or loss	**608**	846
Prepayments, other receivables and other assets	**936**	484
Due from subsidiaries	**137,052**	141,475
Cash and bank balances	**2,749**	926
Total current assets	**141,345**	143,731
Current liabilities		
Other payables and accruals	**5,948**	7,092
Other borrowing	**8,000**	8,000
Bond payables	**25,000**	13,000
Due to an ex-director	**–**	3,311
Due to subsidiaries	**95,859**	94,485
Lease liability	**507**	–
Total current liabilities	**135,314**	125,888
NET CURRENT ASSETS	**6,031**	17,843
TOTAL ASSETS LESS CURRENT LIABILITY	**10,724**	20,999
NON-CURRENT LIABILITY		
Lease liability	**44**	–
Net assets	**10,680**	20,999
EQUITY		
Share capital	**1,455**	41,563
Reserves	**9,225**	(20,564)
Total equity	**10,680**	20,999

Chan Ching Hang
Director

Pang King Sze Rufina
Director

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

Note:

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

	Share capital	Share premium	Shares held for Share Adward Scheme	Contributed surplus	Share option reserve	Equity component of Convertible Bond	(Accumulated losses)/ Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	41,563	265,213	–	–	4,930	3,931	(253,865)	61,772
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(40,421)	(40,421)
Deemed early redemption of Convertible Bond *(note 30)*	–	–	–	–	–	(3,931)	3,579	(352)
At 31 December 2018	41,563	265,213	–	–	4,930	–	(290,707)	20,999
At 1 January 2019	41,563	265,213	–	–	4,930	–	(290,707)	20,999
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(18,629)	(18,629)
Cancellation and lapse of Share Options *(note 32)*	–	–	–	–	(4,930)	–	4,930	–
Share Subscription *(note 31(a))*	8,310	–	–	–	–	–	–	8,310
Conversion into Shares held under Share Award Scheme *(note 31(d))*	208	5,293	(5,501)	–	–	–	–	–
Capital Reorganisation								
– Capital reduction*(note 31(c)(i))*	(48,626)	–	–	48,626	–	–	–	–
– Reduction of share premium *(note 31(c)(iii))*	–	(265,213)	–	265,213	–	–	–	–
– Application of contributed surplus to set off against accumulated losses *(note 31(c)(iv))*	–	–	–	(313,839)	–	–	313,839	–
At 31 December 2019	1,455	5,293	(5,501)	–	–	–	9,433	10,680

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 March 2020.

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 2015 had been qualified by the auditors of the Company. Details of the qualified opinion of the auditors were set out in the annual report of the Company for the year ended 31 December 2015.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**30,629**	28,390	37,183	45,482	38,914
Cost of sales and services rendered	**(26,196)**	(22,808)	(29,916)	(39,509)	(28,096)
Gross profit	**4,433**	5,582	7,267	5,973	10,818
Other income and gains	**10,279**	1,616	1,825	5,260	653
Administrative expenses	**(24,101)**	(39,890)	(44,400)	(55,812)	(15,310)
Finance costs	**(1,442)**	(2,192)	(1,432)	(14,186)	(29,162)
Fair value loss on equity investments at fair value through profit or loss	**(238)**	(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	**(2,136)**	(120)	–	–	–
Loss on written off of intangible assets	**(500)**	–	–	–	–
Impairment loss on inventories	**(91)**	(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 other receivables	**–**	(8)	–	–	–
Impairment loss on trade receivables	**–**	(1,030)	(88)	(4,717)	–
Impairment loss on intangible assets	**–**	–	(41,574)	(265,590)	–
Share of loss of associates	**(813)**	(2,039)	(3,906)	(4)	–
LOSS BEFORE TAX	**(14,609)**	(44,255)	(115,546)	(329,076)	(33,001)
Income tax expenses	**(467)**	(644)	(314)	(1,384)	(1,693)
LOSS FOR THE YEAR	**(15,076)**	(44,899)	(115,860)	(330,460)	(34,694)

Five Years Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DISCONTINUED OPERATION					
Share of loss from associates	**–**	–	–	–	(3)
Loss on disposal of associates	**–**	–	–	–	(386)
LOSS FOR THE YEAR	**(15,076)**	(44,899)	(115,860)	(330,460)	(35,083)
Loss for the year attributable to:					
Ordinary equity holders of the Company	**(20,818)**	(37,585)	(103,347)	(317,743)	(35,083)
Non-controlling interests	**5,742**	(7,314)	(12,513)	(12,717)	–
	(15,076)	(44,899)	(115,860)	(330,460)	(35,083)

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**74,544**	105,506	147,906	188,423	344,585
TOTAL LIABILITIES	**(60,279)**	(84,507)	(77,519)	(53,397)	(165,737)
NON-CONTROLLING INTERESTS	**(5,650)**	92	(7,304)	(4,004)	–
TOTAL EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**8,615**	21,091	63,083	131,022	178,848