IR RESOURCES LIMITED

(Incorporated in Bermuda with Limited Liability)

2017

ANNUAL REPORT

(Stock Code: 8186)

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

GEM is positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than 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. the greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the stock exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors of IR Resources Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to IR Resources Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN Ching Hang *(Chairman)*
ZENG Lingchen

Independent Non-Executive Directors

PANG King Sze, Rufina
HONG Bingxian
HUNG Kenneth

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPLIANCE OFFICER

CHAN Ching Hang

COMPANY SECRETARY

FUNG Wing Sang

AUDITORS

Ascenda Cachet CPA Limited
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Norton Rose Fulbright Hong Kong
W. K. To & Co.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

36th Floor, Times Tower
391–407 Jaffe Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

8186

WEBSITE ADDRESS

www.irresources.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of IR Resources Limited (the "Company"), I would like to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

During the year, the Group completed the acquisition of the controlling stake in Nine Rivers Capital Partner Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance to ride on the growth in the Hong Kong capital market, increased its investment in the solar power generation business and developed the online cultural business. Given the inclusion of higher-margin financial services business and online cultural business, the Group recorded an increase in audited consolidated gross profit and gross profit margin to HK$7.3 million and 19.5% respectively. In addition, the Group's audited consolidated net loss for the year also decreased to HK$115.9 million which was attributable to the decrease in administrative expenses, finance cost and impairment loss.

Going forward, the Group will continue to streamline its business and keep abreast of the investment and business opportunities available with a view to arriving a balanced business portfolio.

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, 15 February 2018

Management Discussion and Analysis

OVERVIEW

The Group is principally engaged in (a) the sale of wood and agricultural produce and the timber logging business in Cambodia (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 "Online Cultural Business"); and (d) the logistics business (the "Logistics Business").

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, the revenue of the Group amounted to HK$37.2 million (2016: HK$45.5 million) representing a decrease of 18.2% from the previous year. The decrease in revenue was mainly attributable to the combined impact of (i) the decline in the revenue from the Forestry and Agricultural Business by 35.8% to HK$24.3 million; and (ii) the inclusion of the revenue of HK$2.5 million from the Financial Services Business and HK$10.4 million from the Online Cultural Business.

Gross profit

For the year ended 31 December 2017, the Group recorded gross profit of HK$7.3 million (2016: HK$6.0 million) and gross profit margin of 19.5% (2016: 13.1%). The increase in gross profit and gross profit margin was mainly attributable to the inclusion of the Financial Services Business and the Online Cultural Business during the year which commanded higher margins (accounting for an aggregate of 34.6% of the Group's total revenue) and the Forestry and Agricultural Business had maintained a gross profit margin comparable to the previous year.

Loss for the year

For the year ended 31 December 2017, the consolidated loss and loss attributable to the equity holders of the Company amounted to HK$115.9 million (2016: HK$330.5 million) and HK$103.4 million (2016: HK$317.7 million). The substantial decrease in net loss of the Group was mainly attributable to the combined impact of (i) a decrease of HK$224.0 million in the impairment loss on its intangible assets relating to its exclusive rights in respect of the forests to HK$41.6 million (2016: HK$265.6 million); (ii) an impairment loss on property, plant and equipment of HK$16.8 million (2016: Nil) and (iii) impairment loss on available-for-sale investments of HK$6.8 million (2016: Nil).

Basic and diluted loss per Share for the year was HK12.7 cents (2016: HK73.9 cents).

RECENT DEVELOPMENT

In January 2017, the Company's share consolidation (the "2017 Share Consolidation") of 5 existing shares (the "Shares") of HK$0.01 each into 1 consolidated Share of HK$0.05 each has become effective.

In February 2017, the Company completed the placing of 138,540,000 new Shares for net proceeds of HK$26.6 million under the general mandate at the placing price of HK$0.2 per Share.

In February 2017, the Group contributed a shareholder's loan of HK$13.6 million to a 17.5%-owned company engaged in solar power generation business in the People's Republic of China (the "PRC").

In June 2017, the Group completed the acquisition of a controlling stake in a securities and brokerage and fund management corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

During the second half of 2017, the Group established a wholly-owned subsidiary to develop the Online Cultural Business.

Management Discussion and Analysis

REVIEW ON BUSINESS SEGMENTS

Forestry and Agricultural Business

During the year ended 31 December 2017, the financial performance of the Forestry and Agricultural Business was adversely affected by the continuous tightening administrative policies of the government authorities in Cambodia on forestland (one of the country's most important natural resources) and the unusual prolonged rainy season in Cambodia. As such, the revenue of the Forestry and Agricultural Business decreased by 35.8% to HK$24.3 million for the year ended 31 December 2017 (2016: HK$37.9 million). In addition, the decreasing trend in the selling prices of the agricultural produces in 2017 has adversely affected the fair value of the exclusive rights of the Group's forests and the related property, plant and equipment in Cambodia, resulting in the Group having recorded a non-cash impairment loss of HK$41.6 million on intangible assets and HK$16.8 million on property, plant and equipment, and, therefore a segment loss of HK$63.8 million (2016: HK$282.2 million).

In view of the unfavourable political environment, the unusual unfavourable weather and the effort made by the subscribers and their contribution to the development of the Forestry and Agricultural Business (including the installation of the new equipment and the contribution of working capital), the Group has decided not to exercise its right under the share charge and continue to work with the subscribers. Going forward, the Group will continue to monitor and assess the risk and challenges of this business segment from time to time with a view to mitigating the adverse impact of this business segment on the Group's financial results.

Financial Services Business

The Financial Services Business recorded revenue of HK$2.5 million and a segment loss of HK$3.9 million for the year ended 31 December 2017.

Online Cultural Business

The Online Cultural Business involved the provision of services in the development and upgrading of Chinese cultural related online applications. During the year ended 31 December 2017, this business segment recorded revenue and a segment profit of HK$10.4 million and HK$0.4 million respectively.

Logistics Business

During the year ended 31 December 2017, the Logistics Business did not record any segment revenue (2016: HK$7.6 million) and recorded a segment loss of HK$0.4 million (2016: profit of HK$0.4 million). The Group will continue to monitor and formulate development plan in respect of this segment.

PROSPECTS

The environmental impact of the Group's Forestry and Agricultural Business will continue to be the subject of environment protection and forestland preservation concern and remain subject to the stringent administrative policies of the Cambodia government. The Group will continue to monitor the business environment of this business segment and adjust its strategies from time to time given the challenges faced by the Group (including but not limited to reducing the Group's reliance and/or seeking other opportunities to mitigate the risk). On the other hand, the Group will continue to develop its Financial Services Business to ride on the growth potential of the Hong Kong financial/capital market as fueled by the closer collaboration between the capital market of the PRC and Hong Kong. Looking forward, the Group will keep abreast and seize the opportunities available in the traditional economy, the financial economy and the new economy with a view to arriving at a balanced business portfolio.

Management Discussion and Analysis

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2017, the Group's net cash used in operating activities amounted to HK$49.1 million (2016: HK$39.2 million). Its net cash used in investing activities amounted to HK$34.5 million (2016: HK$40.3 million) and net cash from financing activities amounted to HK$55.0 million (2016: HK$161.4 million). As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK$28.6 million (2016: net cash inflow of HK$81.9 million).

As at 31 December 2017, the Group had total assets of HK$147.9 million (2016: HK$188.4 million) and total liabilities of HK$77.5 million (2016: HK$53.4 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to the total assets) was 52.4% (2016: 28.3%). As at 31 December 2017, the total borrowings of the Group amounted to HK$37.7 million (2016: HK$13.8 million), comprising borrowing of HK$8 million (2016: Nil), convertible bond of HK$13.5 million (2016: Nil) and other loan of HK$16.2 million (2016: HK$13.8 million).

As at 31 December 2017, the Group's current assets amounted to HK$81.8 million (2016: HK$93.6 million), of which HK$56.9 million (2016: HK$86.4 million) was cash and bank deposits, and its current liabilities amounted to HK$61.3 million (2016: HK$53.4 million).

As at 31 December 2017, the net assets of the Group amounted to HK$70.4 million (including non-controlling interests) (2016: HK$135.0 million) and the net asset value per ordinary shares in issue as at the end of the reporting period amounted to HK$0.09 (2016: HK$0.20 (as adjusted after the 2017 Share Consolidation)).

CAPITAL STRUCTURE

As at 31 December 2017, the total number of issued ordinary shares and the issued share capital of the Company were 831,261,212 (2016: 3,463,606,061 before the 2017 Share Consolidation, or 692,721,212 as adjusted after the 2017 Share Consolidation) and HK$41,563,060 (2016: HK$34,636,060) respectively. The change in the number of issued shares and the share capital of the Company was due to (i) the 2017 Share Consolidation and (ii) completion of the placing of 138,540,000 new Shares in February 2017.

FUND RAISING ACTIVITIES

During the year ended 31 December 2017, the Group conducted the following equity fund raising exercises:

Date of announcement	Events	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
8 February 2017	Placing	HK$26.6 million	General working capital, future business development and possible investments	(i) HK$4 million used for investment in a winery business; (ii) HK$4.8 million used for the Financial Services Business; (iii) HK$1 million used for the Online Cultural Business; (iv) HK$8.2 million used for the Forestry and Agricultural Business; and (v) HK$8.6 million as the general corporate expenses of the Group.
20 October 2017	Issue of convertible bonds	HK$17.8 million	Business development and working capital	HK$2.8 million has been used for the corporate expenses of the Group.

Management Discussion and Analysis

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

Details of the capital commitment of the Group as at 31 December 2017 were disclosed in note 37 to the consolidated financial statements.

Significant Investment and Material Acquisition and Disposal

Details of the Group's significant investments and material acquisitions during the year ended 31 December 2017 were disclosed in the paragraph "Recent Development" above.

Charge on assets of the Group

As at 31 December 2017, no assets of the Group have been pledged.

RISKS FACTORS

Competition

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

Cambodia being a developing country

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

Adverse impact from natural hazards

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

Price of agricultural produces

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

Management Discussion and Analysis

Liquidity risk

The liquidity of the Group refers primarily to its ability to maintain adequate cash inflow to meet its debt obligation and it is the Group's policy is to regularly monitor current and expected liquidity requirements. The Group's liquidity risk was mainly resulted from the Group's significant operating losses in the past years (net loss of the Group amounted to HK$330.5 million and HK$115.9 million for each of the years ended 31 December 2016 and 2017 respectively). As at 31 December 2017, the Group had net current assets of HK$20.5 million (2016: HK$40.2 million) and had cash and bank balances of HK$56.9 million (2016: HK$86.4 million) and therefore is not expected to have any going concern issue in the short term.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and cash and bank balances. For the year ended 31 December 2017, the Group recorded impairment loss on trade receivables of HK$0.10 million (2016: HK$4.7 million).

Online business

The information technology industry is characterized by rapid technological changes, changes in consumer preferences, quick development and enhancement of products and emerging industry standards. The future development of the Online Cultural Business will depend on the Group's ability to (i) develop new products that address the increasingly sophisticated and varied needs of customers and (ii) respond to technological advances and emerging industry standards and practices on a timely basis. If the Group is unable to develop and introduce new products in a timely manner in response to the changing market conditions and/or customers' preferences, or if new products are not accepted by the market, the financial performance of the Online Cultural Business will be deteriorated.

Foreign exchange

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

EMPLOYEES' INFORMATION

As at 31 December 2017, the Group had 70 (2016: 165) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

Biographical Details of Directors

DIRECTORS

Executive directors

Mr. Chan Ching Hang, aged 33 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 37, possesses substantial experience in plantation of rubber trees and sale of rubber products. Prior to joining the Company, Mr. Zeng held management positions in two rubber plantation companies in the PRC. He holds a bachelor's degree in environmental engineering.

Independent non-executive directors

Ms. Pang King Sze, Rufina, aged 43, has more than 20 years of experience in the areas of audit, financial management and internal control. She is currently the co-founder and a partner of a certified public accountants firm in Hong Kong. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountants and a member of the New Zealand Institute of Chartered Accountants. Ms. Pang holds a bachelor's degree in business.

Mr. Hong Bingxian, aged 50, has more than 20 years of experience in production and international trade and substantial knowledge in logistics management and production process. He is the founder and managing director of a manufacturing group in the PRC.

Mr. Kenneth Hung, aged 46, has extensive experience in the entertainment industry in Hong Kong and the PRC. Mr. Hung is presently an executive director of Interactive Entertainment China Cultural Technology Investments Limited (formerly known as China Mobile Games and Cultural Investment Limited) and an independent non-executive director of China Demeter Financial Investments Limited, and was the chairman and an executive director of DX.com Holdings Limited, the shares of which are all listed on the GEM of the Stock Exchange. Mr. Hung holds a bachelor's degree in science.

Report of the Directors

The Directors submit herewith this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

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

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 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	29.6%	–
Five largest customers in aggregate	84.8%	–
The largest supplier	–	24.3%
Five largest suppliers in aggregate	–	89.6%

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 2017 and the material factors underlying its results and financial position are provided in the sub-sections headed "Overview", "Financial Review", "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 9. 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 to ensure 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 2017 and the state of the Group's and the Company's affairs as at that date are set out in the consolidated financial statements on pages 32 to 118 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out on page 35 of this annual report and in note 31 to the consolidated financial statements. As at 31 December 2017, the Company had no reserves available for distribution (2016: Nil).

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group made charitable contributions totalling HK$43,000. (2016: HK$854,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2017 are set out in note 27 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any material events after the end of the reporting period.

Report of the Directors

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

In accordance with Bye-Laws 99 of the Company's Bye-Laws, Mr. Zeng Lingchen 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 10 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 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long positions in shares of the Company

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

Report of the Directors

SHARE OPTION SCHEME

Pursuant to the share option scheme approved by the shareholders of the Company on 10 June 2011, employees and directors of the Company and its subsidiaries may be granted options to subscribe for the Shares and the principal terms are set out in the Company's circular dated 27 April 2011.

Details of the movement in and balance of the share options granted under the share option scheme during the year ended 31 December 2017 and as at 31 December 2017 are as follows:

In accordance with the terms of the share option scheme, options granted during the year ended 31 December 2017 have been vested as at the date of grant. The closing price of the Shares immediately before the date on which the share options were granted was HK$0.099.

The fair value of the share options granted as at 10 and 13 November 2017 is determined to be HK$0.0593 and HK$0.0596 respectively using the Trinomial Option Pricing Model with the expected volatility based on the historical share price volatility over the past 3 months. The variables and assumptions used in computing the fair value of the share options as at 10 and 13 November 2017 are based on the Directors' best estimate. The value of an option may vary with different variables of certain subjective assumptions.

				Number of share options					
Grantee	**Date of grant**	**Exercise period**	**Exercise price per Share**	**As 1 January 2017**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**At 31 December 2017**	**% of shareholding of the Company** *(Note 2)*
Directors	27-5-2016	27-5-2016 to 26-5-2018	HK$0.80 *(Note 1)*	4,200,000 *(Note 1)*	–	–	(4,200,000)	–	–
Directors	10-11-2017	10-11-2017 to 9-11-2019	HK$0.099	–	10,806,395 *(Note 2)*	–	–	10,806,395	1.3%
Employees	10-11-2017	10-11-2017 to 9-11-2019	HK$0.099	–	16,625,224	–	–	16,625,224	2%
	13-11-2017	13-11-2017 to 12-11-2019	HK$0.099	–	4,156,307	–	–	4,156,307	0.5%
Consultants	10-11-2017	10-11-2017 to 9-11-2019	HK$0.099	–	49,875,672	–	–	49,875,672	6%
	13-11-2017	13-11-2017 to 12-11-2019	HK$0.099	–	1,662,523	–	–	1,662,523	0.7%

Notes:

1. As adjusted by the 2017 Share Consolidation.

Report of the Directors

2. Details of the options granted to the directors of Company is as follows:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 31 December 2017, no other Directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as is known to any of the Directors or the chief executive of the Company, the following person (other than a Director or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 10% or more of any class of share capital carrying rights to vote at general meeting of the Company.

Long positions in shares of the Company

Name	Capacity interest	Number of Ordinary Shares held	Number of underlying Shares held	Approximately Percentage of shareholding in the Company
China Wah Yan Healthcare Limited and its subsidiaries	Corporate owner	237,293,772	–	28.55%

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 2017 or during the year ended 31 December 2017.

Report of the Directors

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

During the year ended 31 December 2017, 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 2017 are shown in note 8 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2017 and up to the date of this annual report, permitted indemnity provisions were in force for the benefit of the Directors of the Company 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 2017.

COMPETING INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

PENSION SCHEMES

Details of the Group's pension scheme for the year ended 31 December 2017 are set out in note 2.4 to the consolidated financial statements on page 62 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in note 38 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules.

Report of the Directors

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 18 to 21 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENCE

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

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 of three independent non-executive Directors, namely, Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Kenneth Hung.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2017 and was of the opinion that the preparation had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

AUDITORS

The consolidated financial statements for the years ended 31 December 2015, 2016 and 2017 were audited by Ascenda Cachet CPA Limited, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board
Chan Ching Hang
Chairman

Hong Kong, 15 February 2018

Corporate Governance Report

THE BOARD OF DIRECTORS

Board composition

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

The composition of the Board and the Directors' biographical information are set out on page 10 of this annual report.

The Board

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

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

Details of the Board meetings, special general meeting and annual general mating held during the year ended 31 December 2017 are as follows:

	Board Meetings	Annual/Special general meeting
Executive Directors		
Mr. Chan Ching Hang *(Chairman)*	8	2
Mr. Zeng Lingchen	8	0
Independent Non-executive Directors		
Ms. Pang King Sze, Rufina	7	0
Mr. Hong Bingxian	7	0
Mr. Hung Kenneth	6	0

Chairperson and Chief Executive

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

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

Corporate Governance Report

Term of appointment and re-election

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

Company Secretary

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

Mr. Fung Wing Sang ("Mr. Fung") is the Company Secretary of the Company and has compiled with Rule 5.15 of the GEM Listing Rules that Mr. Fung undertook not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2017.

Continuing Professional Development

During the year ended 31 December 2017, the Directors have from time to time read relevant information to gain understanding of the markets for their continuous contribution to the Group.

AUDIT COMMITTEE

The Audit Committee, as at the date of this annual report, comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Kenneth Hung. The Audit Committee's primary duties include making recommendation to the Board in relation to the appointment, re-appointment and removal of external auditors ensuring the Group's financial statements, annual and interim reports, and the independent 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.

For the year ended 31 December 2017, the Audit committee discharged its responsibilities by reviewing the interim and annual results of the Group and the relevant statements and reports prior to the approval by the Board; discussion with the external auditors' reports and their finding on the work performed and the related internal control issues; reviewing significant financial reporting judgment in accounting policies; reviewing and approving the external auditors terms of engagement (including audit fee).

Details of the meeting of the Audit Committee held during the year ended 31 December 2017 were summarized as follows:

	Audit committee meeting attended/held
Ms. Pang King Sze, Rufina	4
Mr. Hong Bingxian	4
Mr. Kenneth Hung	4

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee, as at the date of this annual report, comprises three members, the majority of which are independent non-executive Directors. The chairperson of the 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. One meeting of Nomination Committee was held for the year ended 31 December 2017 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, as at the date of this annual report, comprises three members, the majority of which are independent non-executive Directors. The chairperson of the 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 also provided with other resources enabling it to discharge its duties.

Remuneration of Executive Directors

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

Remuneration of Non-executive Directors

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

Having made enquiry of all Directors, they have confirmed that he/she had complied with the required standard during the year ended 31 December 2017.

INTERNAL CONTROLS

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

Corporate Governance Report

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the fees payable to the auditors of the Group in respect of audit services were HK$1,200,000 (excluded other disbursements).

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. Responsibility 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 the powers and responsibilities. All committees are required to report to the Board in relation to their decisions, findings and/or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. The Board will from time to time review the delegations by the Board to different committees such that delegations are appropriate.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

Environmental, Social and Governance Report

This Environmental, Social and Governance Report (the "ESG Report") contains the environmental and social information of the Group during 1 January to 31 December 2017 and are summarised as follows:

A. ENVIRONMENT

A1. Emissions

General disclosure and Key Performance Indicators

The Group mainly engaged in forestry and agricultural, financial services, online cultural and logistics businesses. Given the level of activities under the forestry and agricultural and the logistics businesses for the year, and that the financial services and online cultural businesses do not involve any manufacturing processes in the course of business, during the year ended 31 December 2017, the Group did not generate significant emissions, water pollutions and hazardous wastes, except for greenhouse gas ("GHG") emission and non-hazardous waste.

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

GHG Emission

The consumption of electricity at the offices is the largest sources of greenhouse gas emission of the Group. During the year ended 31 December 2017, the Group's total GHG emission amounted to 745.6 tonnes and is detailed as follows:

Green House Gas Emission	Emission (carbon dioxide equivalent)
Direct GHG emission (Scope 1)	0
Indirect GHG emission (Scope 2)	
– electricity consumption	26.6 tonnes
Other indirect GHG emission (Scope 3)	
– paper, timber and water consumption	719.0 tonnes

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

The greenhouse gas emissions of the Group are mainly indirect emissions in Scope 2, which are derived from the purchase of electricity. The rest are other indirect emissions in Scope 3, including paper, timber and water consumption. The Group has implemented a number of measures to mitigate energy consumption including keeping the office temperature at 25°C, turning off any unused electrical appliances, using LED lights or energy-saving light in the office, etc.

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

Environmental, Social and Governance Report

Waste Management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by its business activities. The Group will not generate hazardous waste in the course of its business operations and the non-hazardous wastes generated by it mainly comprise paper and toner cartridges. The Group arranges with the suppliers to recycle the toners cartridges and used 13kg of paper in 2017.

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

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

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

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

(iii) recommend the use of recycled paper.

A2. Use of Resources

General disclosure and Key Performance Indicators

Energy consumption

The energy consumption of the Group is relatively low and mainly comprises electricity purchased. The Group has energy saving measures in place to minimize its energy consumption where possible. During the year ended 31 December 2017, the electricity consumption of the Group amounted to 31,700 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 2017, the Group consumed 57.9 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 regulation/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 2017, the Group has not engaged any child labour or forced labour and has complied with the relevant laws and regulations, including the Employment of Children Regulations under the Employment of Children Regulation 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 2017, 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 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$43,000 to a charitable institution.

Independent Auditors' Report

Ascenda Cachet
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

INDEPENDENT AUDITORS' REPORT

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

OPINION

We have audited the consolidated financial statements of IR Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 118, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditors' Report

KEY AUDIT MATTERS

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

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

Impairment assessment of the intangible assets and the property, plant and equipment related to the forestry and agricultural business in Cambodia

Refer to notes 2.4 and 3 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 13 and 15 to the consolidated financial statements for further information.

Key Audit Matter

Included in the intangible assets as at 31 December 2017 were certain timber logging rights (the "Timber Logging Rights") in relation to three forests in Cambodia forming an integral part of the forestry and agricultural business (the "Forestry and Agricultural Business") with a net carrying value of Nil as at 31 December 2017 (which had a net carrying amount before impairment of approximately HK$41,574,000) and an impairment loss of approximately HK$41,574,000 was charged to profit and loss for the year then ended.

Included in the property, plant and equipment as at 31 December 2017 were certain property plant and equipment (the "Forest PPE") forming an integral part of the Forestry and Agricultural Business with a net carrying value of Nil as at 31 December 2017 (which had a net carrying amount before impairment of approximately HK$16,789,000) and an impairment loss of approximately HK$16,789,000 was charged to profit and loss for the year then ended.

How our audit addressed the Key Audit Matter

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

– Hold discussions with the Tree Expert and the Valuer;

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

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

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of the intangible assets and the property, plant and equipment related to the forestry and agricultural business in Cambodia *(Continued)*

Refer to notes 2.4 and 3 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 13 and 15 to the consolidated financial statements for further information. (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
For the purpose of assessing the impairment of Timber Logging Rights and the Forest PPE, the management engaged an independent professional valuer (the "Valuer") to perform valuation (the "Valuation") regarding the intangible assets based on the management's assumptions. Significant management judgement was used to determine the key assumptions underlying the valuation method, including (i) estimated trees volume derived by a tree expert (the "Tree Expert") engaged by the management, (ii) selling price of the agricultural produces (such as timber and latex), (iii) growth rate of the revenue, cost and tree volume, (iv) discount rate, (v) concession period, and (iv) a substantial additional funding from certain non-controlling interests of the subsidiaries for the operation of its Forestry and Agricultural Business. Pursuant to the valuation report dated 15 February 2018, the Timber Logging Rights as at 31 December 2017 was of no commercial value; and as the Forestry PPE are used only for the Forestry and Agricultural Business and would not generate any other income streams and/or other residual value as detailed in note 13 to the consolidated financial statements; the impairment losses on the Timber Logging Rights and the Forest PPE of approximately HK$41,574,000 and HK$16,789,000, respectively, were provided for during the year ended 31 December 2017.	– Reviewing existing loan facilities and other proposed financing arrangements of the Group and assessing whether the Group would have sufficient financial resources to support the operation of its Forestry and Agricultural Business.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Re-assessment of the control over the restricted subsidiaries

Refer to note 3 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 1 and 32 to the consolidated financial statements for further information.

Key Audit Matter

The Company entered into and completed a subscription agreement on 14 October 2016 which allowed certain independent third parties to subscribe (the "Subscription") for certain new shares in the relevant subsidiaries (the "Restructured Subsidiaries") forming the Group's Forestry Business in Cambodia. The Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries to the extent that the effective equity interests of the Restructured Subsidiaries held by the Group upon the completion of the Subscription are less than 50%.

During the year, the management of the Group has re-assessed and considered that the Group has the power to control over the Restructured Subsidiaries and therefore, the assets, liabilities and results of the Restructured Subsidiaries for the year ended 31 December 2017 have been fully consolidated into these consolidated financial statements of the Group.

For the purpose of re-assessing the control over the Restructured Subsidiaries, the management determined the Group has a power to control over the Restructured Subsidiaries. In carrying out the assessments, significant management judgement was used to determine the control, including (i) the composition of the board of directors, key management personnel and the operation committees of the respective Restructured Subsidiaries; (ii) the existing rights retained by the Group to control the relevant activities of the Restructured Subsidiaries and affect its return; and (iii) the existing rights retained by the Group to control its operating and financing activities of the Restructured Subsidiaries.

How our audit addressed the Key Audit Matter

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

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

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

– Re-assessing the existing rights retained by the Group to control its operating and financing activities of the Restructured Subsidiaries; re-assessing the design and implementation of key controls which impact the valuation of the assets (the impairment loss on the Timber Logging Rights in articular) and liabilities of the Restructured Subsidiaries as at the Restructuring Date.

Independent Auditors' Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2017, other than the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit on the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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 Auditors' Report

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

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

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

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

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

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

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

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number: P03723

Hong Kong
15 February 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**37,183**	45,482
Cost of sales and services	6	**(29,916)**	(39,509)
Gross profit		**7,267**	5,973
Other income and gains	5	**1,825**	5,260
Selling and distribution expenses		**(1,450)**	–
Administrative expenses		**(44,764)**	(55,812)
Finance costs	7	**(1,432)**	(14,186)
Fair value loss on equity investments at fair value through profit or loss	6, 21	**(132)**	–
Loss on disposal of equity investments at fair value through profit or loss, net		**(7,689)**	–
Impairment loss on trade receivables	6, 20	**(88)**	(4,717)
Impairment loss on intangible assets	6, 15	**(41,574)**	(265,590)
Impairment loss on property, plant and equipment	6, 13	**(16,789)**	–
Impairment loss on available-for-sale investments	6, 18	**(6,814)**	–
Share of loss of an associate	17	**(3,906)**	(4)
LOSS BEFORE TAX	6	**(115,546)**	(329,076)
Income tax expense	10	**(314)**	(1,384)
LOSS FOR THE YEAR		**(115,860)**	(330,460)
Loss attributable to:			
Ordinary equity holders of the Company		**(103,347)**	(317,743)
Non-controlling interests		**(12,513)**	(12,717)
		(115,860)	(330,460)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic loss per share	12		
For loss for the year		**(12.74) cents**	(73.90) cents
Diluted loss per share	12		
For loss for the year		**(12.74) cents**	(73.90) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
LOSS FOR THE YEAR	**(115,860)**	(330,460)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(383)**	277
Fair value gain on available-for-sale investments *(note 18(b))*	**291**	–
Less: Income tax effect	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(92)**	277
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(115,952)**	(330,183)
Attributable to:		
Ordinary equity holders of the Company	**(103,439)**	(317,466)
Non-controlling interests	**(12,513)**	(12,717)
	(115,952)	(330,183)

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	**6,077**	22,736
Biological assets	14	**–**	–
Intangible assets	15	**500**	41,574
Goodwill	16	**3,522**	–
Interests in an associate	17	**11,623**	4
Available-for-sale investments	18	**44,424**	30,500
Total non-current assets		**66,146**	94,814
Current assets			
Inventories	19	**609**	1,674
Trade receivables	20	**10,989**	887
Equity investments at fair value through profit or loss	21	**1,980**	–
Prepayments, deposits and other receivables	22	**10,766**	4,642
Cash held on behalf of customers	23	**564**	–
Cash and bank balances	24	**56,852**	86,406
Total current assets		**81,760**	93,609
Current liabilities			
Trade payables	25	**238**	742
Other loan, other payables and accruals	26	**34,743**	49,391
Derivative financial instrument	28	**913**	–
Other borrowing	27	**8,000**	–
Convertible bond	28	**13,525**	–
Tax payables		**3,875**	3,264
Total current liabilities		**61,294**	53,397
NET CURRENT ASSETS		**20,466**	40,212
TOTAL ASSETS LESS CURRENT LIABILITIES		**86,612**	135,026
Non-current liability			
Other loan	26(a)	**16,225**	–
Total non-current liability		**16,225**	–
Net assets		**70,387**	135,026
EQUITY			
Share capital	29	**41,563**	34,637
Reserves	31	**21,520**	96,385
Total equity attributable to:			
Equity holders of the Company		**63,083**	131,022
Non-controlling interests		**7,304**	4,004
Total equity		**70,387**	135,026

Chan Ching Hang
Director

Pang King Sze, Rufina
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Other reserve *HK$'000*	Share options reserve *HK$'000*	Equity component of convertible bond *HK$'000*	Available-for-sale investments revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2016	131,198	972,987*	5,265*	–*	–*	–	–	(562)*	(930,040)*	178,848	–	178,848
Loss for the year	–	–	–	–	–	–	–	–	(317,743)	(317,743)	(12,717)	(330,460)
Other comprehensive income for the year, net of tax :												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	277	–	277	–	277
Total comprehensive income for the year	–	–	–	–	–	–	–	277	(317,743)	(317,466)	(12,717)	(330,183)
Loss on the restructuring *(note 32)*	–	–	–	(9,889)	–	–	–	–	–	(9,889)	16,721	6,832
Capital reorganisation *(note 29(a))*	(128,574)	(972,987)	(5,265)	–	–	–	–	–	1,106,826	–	–	–
Rights issue of shares *(note 29(b))*	26,240	230,061	–	–	–	–	–	–	–	256,301	–	256,301
Placing of shares *(note 29(d))*	5,773	15,439	–	–	–	–	–	–	–	21,212	–	21,212
Equity-settled share option arrangement *(note 30)*	–	–	–	–	2,016	–	–	–	–	2,016	–	2,016
At 31 December 2016 and 1 January 2017	34,637	245,500*	–*	(9,889)*	2,016*	–	–	(285)*	(140,957)*	131,022	4,004	135,026
Loss for the year	–	–	–	–	–	–	–	–	(103,347)	(103,347)	(12,513)	(115,860)
Other comprehensive income for the year, net of tax :												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(383)	–	(383)	–	(383)
Fair value gain on available-for-sale investments *(note 18(b))*	–	–	–	–	–	–	291	–	–	291	–	291
Total comprehensive income for the year	–	–	–	–	–	–	291	(383)	(103,347)	(103,439)	(12,513)	(115,952)
Placing of shares *(note 29(f))*	6,926	19,713	–	–	–	–	–	–	–	26,639	–	26,639
Equity-settled share option arrangement *(note 30)*	–	–	–	–	4,930	–	–	–	–	4,930	–	4,930
Cancellation of share option	–	–	–	–	(2,016)	–	–	–	2,016	–	–	–
Issue of convertible bond *(note 28)*	–	–	–	–	–	3,931	–	–	–	3,931	–	3,931
Non-controlling interests arising from acquisition of subsidiaries *(note 34)*	–	–	–	–	–	–	–	–	–	–	15,813	15,813
At 31 December 2017	41,563	265,213*	–*	(9,889)*	4,930*	3,931*	291*	(668)*	(242,288)*	63,083	7,304	70,387

* These reserve accounts comprise the consolidated reserves of HK$21,520,000 (2016: HK$96,385,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(115,546)**	(329,076)
Adjustments for:			
Depreciation	13	**3,324**	1,736
Finance costs	7	**1,432**	14,186
Loss on disposal of equity investments at fair value through profit or loss	21	**7,689**	–
Fair value loss on equity investments at fair value through profit or loss	21	**132**	–
Share of loss of associates	11	**3,906**	4
Impairment loss on property, plant and equipment	13	**16,789**	–
Loss on disposal of property, plant and equipment	13	**10**	–
Write-off of other receivables		**–**	39
Impairment loss on trade receivables	20	**88**	4,717
Impairment loss on intangible assets	15	**41,574**	265,590
Impairment loss on available-for-sale investments	18	**6,814**	–
Write down of inventories to net realisable value	19	**1,814**	–
Equity settled share option expenses	30	**4,930**	2,016
Write back of other payables and accruals	15	**–**	(3,229)
Fair value gain on other loan	26(a)	**(1,113)**	–
Dividend income from available-for-sale investments		**(684)**	–
Loan and bank interest income		**(515)**	(38)
		(29,356)	(44,055)
Increase in inventories		**(749)**	(1,674)
(Increase)/Decrease in trade receivables		**(6,278)**	8,366
Decrease/(Increase) in prepayments, deposits and other receivables		**217**	(110)
Decrease in trade payables		**(504)**	(5,354)
Increase in equity investments at fair value through profit or loss		**(9,801)**	–
(Decrease)/Increase in other payables and accruals		**(2,603)**	3,895
Cash used in operating activities		**(49,074)**	(38,932)
Interest paid		**–**	(231)
Oversea tax paid		**(41)**	–
Net cash flows used in operating activities		**(49,115)**	(39,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment	13	**(393)**	(9,872)
Proceeds from the disposal of property, plant and equipment	13	**28**	–
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	34	**(10,281)**	–
Loan to an available-for-sale investment	18	**(13,585)**	–
Proceeds from the disposal of available-for-sale investments		**8,043**	–
Purchases of available-for sale investments	18	**–**	(30,500)
Purchases of convertible bond	22	**(4,001)**	–
Increase in amount due from an associate	17	**(15,525)**	–
Interest received		**515**	38
Dividend income from available-for-sale investments		**684**	–
Net cash flows used in investing activities		**(34,515)**	(40,334)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other loan	26	**2,399**	20,644
Cash contributed by non-controlling interests	32	**–**	14
Proceeds from issue of convertible bond	28	**18,001**	–
Proceeds from rights issue		**–**	256,301
Proceeds from placing	29(f)	**26,639**	21,212
Proceeds from other loan	27	**8,000**	–
Repayment of loans		**–**	(62,287)
Loan interest paid		**(16)**	(74,504)
Net cash flows from financing activities		**55,023**	161,380
Net (decrease)/increase in cash and cash equivalents		**(28,607)**	81,883
Cash and cash equivalents at beginning of year		**86,406**	4,246
Effect of foreign exchange rate changes		**(383)**	277
Cash and cash equivalents at end of the year		**57,416**	86,406
Analysis of cash and cash equivalents:			
Cash held on behalf of customers		**564**	–
Cash and bank balances		**56,852**	86,406
		57,416	86,406

Notes to Consolidated Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION

IR Resources Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at 36/F., Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.

The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") is principally engaged in (i) forestry and agricultural business; (ii) logistics business; and (iii) the provision of financial services. During the year, the Group extended its business into the business of the online cultural business. Details are as follows:

Information about subsidiaries

Details of the principal subsidiaries held directly and indirectly by the Company as at 31 December 2017 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. (the "CTM")[@ßθ]	Kingdom of Cambodia ("Cambodia")	US$1,000,000	–	16%	Forestry and Agricultural Business
Agri-Industrial Crop Development (Cambodia) Co., Ltd. ("ACD")[@ßθ]	Cambodia	US$1,000,000	–	16%	Forestry and Agricultural Business
Crops and Land Development (Cambodia) Co., Ltd. ("CLD")[@ßθ]	Cambodia	US$1,000,000	–	16%	Forestry and Agricultural Business
Well Glory Capital Investment Limited	Hong Kong	HK$10,000	100%	–	Investment holdings
Green Resources Navigator International Limited[@]	BVI	US$1	100%	–	Investment holdings
Unicorn Sail Limited ("Unicorn Sail")[@ß]	Samoa	US$1,000	–	52%	Investment holdings
Vibrant Decade Limited ("Vibrant Decade")[@ßθ]	Samoa	US$1,000	–	31%	Trading of timber log

Notes to Consolidated Financial Statements

31 December 2017

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
China Platinum Corporation ("China Platinum")[@ß]	Anguilla	US$1,000	–	61%	Investment holdings
Wright Global Limited ("Wright Global")[@ß]	Samoa	US$1,000	–	31%	Investment holdings
Prosper Dynamic Enterprises Limited ("Prosper Dynamic")[@ß]	BVI	US$1,000	–	78%	Investment holdings
Environment Capital Prosperity Sports Investment Limited ("Environment Capital")[@θ]	BVI	US$1	–	31%	Investment holdings
China Cambodia Resources Limited ("China Cambodia")[@ßθ]	BVI	US$27,042,548	–	16%	Investment holdings
Forest Glen Group Limited ("Forest Glen")[@ßθ]	BVI	US$42,307,692	–	16%	Investment holdings
IR Resources (Cambodia) Co., Ltd. ("IR Cambodia")[@]	Cambodia	US$5,000	–	31%	Wood processing
Richking Development Limited ("Richking")[@θ]	BVI	US$1	–	16%	Investment holdings
Mighty Pine Limited ("Mighty Pine")[@θ]	BVI	US$100	–	16%	Investment holdings
Frankford Inc Limited	Hong Kong	HK$100	100%	–	Loan financing
Leading Sense Limited[@]	Samoa	US$100	100%	–	Investment holdings
Charm Sino Limited[@]	Samoa	US$100	100%	–	Investment holdings
Protective Fortune Limited[@]	Anguilla	US$100	100%	–	Investment holdings

Notes to Consolidated Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company(R) Direct	Percentage of equity attributable to the Company(R) Indirect	Principal activities
Nine Rivers Capital Partners Limited^	Hong Kong	HK$100,000,000	–	60.4%	Provision of brokerage service, underwriting and placing service and securities
Fortune Tao Financial Company Limited^	Hong Kong	HK$10,000,000	–	60.4%	Provision of financial information technology services
Guangzhou Yiwen Huisin Trading Limited^#@	the People's Republic of China ("PRC")	RMB7,827,000	–	100%	Trading of furniture and coal

@ Not audited by Ascenda Cachet CPA Limited.

ß These subsidiaries were partially disposed of during the year 31 December 2016, details of which, are set out in note 32 to the consolidated financial statements.

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

The subsidiary is registered as a wholly foreign owned enterprise with a total registered capital of RMB8,000,000 under the PRC law. As at the end of the reporting period, the Company has contributed RMB7,827,000 capital and the Company contributed the remaining balance of capital. During the year, this subsidiary has commenced a deregistration process and is still in a process at the date of these consideration financial statements.

^ This subsidiary was newly acquired during the year ended 31 December 2017.

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

Information about the Structured Entity

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

Notes to Consolidated Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about the Structured Entity *(Continued)*

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

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

The directors of the Company (the "Directors") are of the opinion that the Group has the power to govern the Structured Entity's financial, operating policies, relevant activities and the returns, and therefore, its results has been fully consolidated into the consolidated financial statements of the Group.

The Restructuring in previous year

(i) Subscription agreement

In September 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with five subscribers (the "Subscribers"), who are independent third parties. The relevant subscribers (the "Timber Logging Subscribers") will collaborate with a team of experienced personnel to establish an operating management team for the timber logging activities of the Group. Pursuant to the Subscription Agreement, (a) the Company has undergone an internal restructuring (the "Restructuring") completed on 14 October 2016 involving a deemed disposal of part of the equity interests in certain subsidiaries of the Company to the Subscribers; (b) the Timber Logging Subscribers have agreed to provide 10-year unsecured and interest-free working capital loan of up to HK$51,750,000 in aggregate for the carrying out of the timber logging activities and as at 31 December 2017, HK$22,763,000 (2016: HK$20,644,000) of which has been provided by the Timber Logging Subscriber (note 26(a)); and (c) the Timber Logging Subscribers have guaranteed that for the six-month period immediately after completion of the Subscription Agreement, the six-month period commencing on the seventh month after completion of the Subscription Agreement and the twelve-month period commencing on the thirteenth month after completion of the Subscription Agreement, the audited profit after tax (the "Profit Guarantee") derived from the timber logging activities will not be less than HK$5,000,000, HK$5,000,000 and HK$10,000,000, respectively.

(ii) Plantation agreement

In November 2015, the Group entered into a cooperation agreement (as supplemented) (the "Plantation Agreement") with a plantation operator (the "Plantation Partner"). Pursuant to the Plantation Agreement, (i) the Plantation Partner will engage in the plantation business of the Group and, together with the relevant Subscribers (the "Plantation Subscribers"), will provide unsecured and interest-free funding to carry out the plantation business of the three forests.

Notes to Consolidated Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Joint venture co-operation agreement

In December 2016, the Group entered into a co-operation agreement (the "JV Co-operation Agreement") with an independent joint venture partner (the "JV Partner") with substantial experience in the manufacturing of wood and agricultural produces in Cambodia. Under the Co-operation Agreement, (i) a co-operation factory was set up in December 2016; and (ii) subject to the Group's supply of adequate wood materials in compliance with the relevant rules and regulations of the Cambodian government to the co-operation factory, the JV Partner will engage in the manufacturing of wood and agricultural products for 2 years and could be further extended for 2 years and to provide related property, plant and equipment not less than US$1.8 million (approximately HK$14 million) to the co-operation factory, in which, as to approximately US$483,000 (approximately HK$3,767,000), has been injected by the JV Partner.

2.1 BASIS OF PREPARATION

Basis of preparation

The Group requires a substantial working capital for the operation of its forestry and agricultural business. In light of all the measures having been adopted and arrangements implemented under the Restructuring mentioned in note 1 above, the Directors are of the opinion that the Group would be able to continue as a going concern and would have sufficient cash resources to satisfy its future working capital and other financial requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. No 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 if the Group is unable to continue as a going concern.

Statement of compliance

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

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

In light of all the measures having been adopted and arrangements implemented that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis based on the Group's financial and liquidity position as at 31 December 2017. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these potential adjustments are not reflected in these consolidated financial statements.

Notes to Consolidated Financial Statements

31 December 2017

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 2017. 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 2017

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs, which are applicable to the Group, for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

Except for the amendments to amendments to HKFRS 12, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 35(a) to the consolidated financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction for the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, brining together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detail assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months upon the adoption from 1 January 2018.

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

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.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018 upon initial adoption of HKFRS 15 will not be material. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of (i) the sale of wood and agricultural produce and the timber logging business in Cambodia; (ii) the securities brokerage and trading, asset management and loan financing; (iii) the provision of services in the development and upgrading of Chinese cultural related online application; and (iv) the logistics business. The Group does not expect the adoption of HKFRS 15 will have a significant impact on the Group's financial performance and financial position. However, the presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's consolidated financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the consolidated financial statements will be expanded because of the disclosure of significant judgements made on how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right- of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 36 to the consolidated financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1,889,000. Upon adoption of HKAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's 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 consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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

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.

Notes to Consolidated Financial Statements

31 December 2017

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

Fair value measurement

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly is unobservable
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

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.

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or joint controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

Biological assets

Biological assets, which include mature and immature rubber plantations, are stated at fair value less costs that would be necessary to sell the assets, with any resultant gain or loss recognised in the consolidated statement of profit or loss.

The fair value of the rubber plantations is estimated by reference to estimations and management judgement using the discounted cash flows of the underlying biological assets.

The expected cash flows from the whole life cycle of the rubber plantations are determined using market prices and the estimated yield of the agricultural produce, net of maintenance and harvesting costs and any costs required to bring the rubber plantations to maturity. The estimated yield of the rubber plantations is dependent on the age of the rubber trees, the location of the plantations, soil type and infrastructure. The market prices of the produce are largely dependent on the prevailing market prices of latex.

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

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

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

Timber logging rights

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

Leases

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

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

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

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31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 derecognised when:

- the rights to receive cash flows from the asset have expired;
- 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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

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

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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables, other loans, other payables and accruals and other borrowing.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Loans and borrowings

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

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

Convertible bonds

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

Derecognition of financial liabilities

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 statement of financial position if, and only if, there is 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.

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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 positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Revenue recognition

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

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the consolidated financial statements.

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

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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.

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.

Notes to Consolidated Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Foreign currencies

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

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

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

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

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 in the consolidated financial statements, as part of the Restructuring of the Group's forestry and agricultural business, the Company entered into the Subscription Agreement in September 2016 to allow certain independent third parties to subscribe for new shares in the Restructured Subsidiaries (as defined in note 28 to the consolidated financial statements) forming the Group's forestry and agricultural business in Cambodia, which was completed on 14 October 2016. The Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries. Despite the fact that the effective interest rate of the Restructured Subsidiaries held by the Group upon the completion of the Subscription is less than 50%, the management of the Group has assessed and considered that such changes in ownership interest in the Restructured Subsidiaries did not result in a loss of control of the Restructured Subsidiaries as the composition of the board of directors, key management personnel and the operation committees of the respective Restructured Subsidiaries were being appointed by the Group, and the Group is exposed, or has rights, to variable returns from its involvement with the Restructured Subsidiaries and has the ability to affect those returns through its power over the Restructured Subsidiaries. The Group is still control over the Restructured Subsidiaries.

Accounting for structured entity governed under contractual arrangements as subsidiary

As detailed in note 1 to the consolidated financial statements, the Group do not hold any equity interests in the Structured Entity. However, under the Structured Contracts entered into between the Group, DE shareholder and the Structured Entity, the Directors determine that the Group has the power to govern the financial and operating policies of Structured Entity so as to obtain benefits from their activities. As such, Structured Entity is accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from the Structured Entity which are controlled by the Group through the Structured Contracts described above amounted to RMB8,670,000 (equivalent to HK$10,412,000) for the year ended 31 December 2017. At 31 December 2017, total assets and total liabilities of this structured entity amounted to RMB900,000 (equivalent to HK$1,081,000) and RMB545,000 (equivalent to HK$654,000), respectively.

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.

Notes to Consolidated Financial Statements

31 December 2017

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

Judgements *(Continued)*

Going concern

As mentioned in note 2.1 to the consolidated financial statements, the Directors are of the opinion that the Group would be able to continue as a going concern as the Group has sufficient financial resources to support the flexibility of the operation of its forestry and agricultural business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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 sell 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.

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.

Notes to Consolidated Financial Statements

31 December 2017

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

Estimation uncertainty *(Continued)*

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including these current creditworthiness and the past collection history of each customer.

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. The carrying amount of goodwill at 31 December 2017 was HK$3,522,000 (2016: NIL). Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

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

Fair value of biological assets

The Group's biological assets are valued at fair value less costs to sell. In determining the fair value of the biological assets, management has applied the income approach which requires a number of key assumptions and estimates to be made such as discount rate, log prices, plantation costs, growth and harvesting costs. Any changes in these estimates may affect the fair value of the biological assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant changes in the fair values of biological assets.

Impairment of available-for-sale financial assets

The unlisted equity investments have been assessed for impairment based on the financial statement and/or related financial information available for those investments. This assessment requires the Group to make estimates about expected future performance of the investments and hence they are subject to uncertainty.

Fair value of convertible bond and related derivative financial instruments

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

Notes to Consolidated Financial Statements

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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 extended its business into the operation of financial services and has four (2016: three) reportable operating segments as follows:

(a) the sale of wood and agricultural produce and the timber logging business in Cambodia (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 "Online 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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, fair value gains/(losses) from the Group's financial instruments as well as, head office and corporate expenses are excluded from such measurement.

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

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

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31 December 2017

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017

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

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4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2016

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales of wood and agricultural products	37,894	–	–	37,894
Sales of metallic resources	–	–	7,588	7,588
Loan interest income arising from financial services business	–	–	–	–
	37,894	–	7,588	45,482
Segment results	(282,229)	(7)	382	(281,854)
Unallocated expenses				(33,032)
Share of loss of an associate				(4)
Loss before tax and finance costs				(314,890)
Finance costs	(13,553)	–	–	(13,553)
Unallocated finance costs				(633)
Loss before tax				(329,076)
Income tax expense				(1,384)
Loss for the year				(330,460)
Segment assets	69,463	3,002	12,085	84,550
Unallocated assets				103,873
Total assets				188,423
Segment liabilities	(38,064)	–	(6,971)	(45,035)
Unallocated liabilities				(8,362)
Total liabilities				(53,397)
Other information				
Capital expenditure	9,864	–	–	9,864
Unallocated capital expenditure				30,508
				40,372
Depreciation and amortisation	1,727	–	–	1,727
Unallocated depreciation and amortisation				9
				1,736
Other income and gains	3,243	3	1	3,247
Unallocated other income and gains				2,013
				5,260
Impairment loss on intangible assets *(notes 6 and 15)*	(265,590)	–	–	(265,590)
Impairment loss on trade receivables *(notes 6 and 20)*	(4,717)	–	–	(4,717)

Notes to Consolidated Financial Statements

31 December 2017

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) *Revenue from external customers*

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong	**2,456**	–
The PRC	**31,476**	17,386
ASEAN Countries	**3,251**	28,096
	37,183	45,482

The classification of the revenue arising from (i) the Forestry and Agricultural Business; (ii) the Online 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*

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong	**18,078**	11
The PRC	**–**	3
ASEAN Countries	**3,644**	64,300
	21,722	64,314

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

Information about a major customer

Revenue of approximately HK$10,995,000 (2016: HK$23,712,000) was derived from sales of the Forestry and Agricultural Business to a single customer.

Notes to Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) net invoiced value of goods sold arising from Forestry and Agricultural Business and Logistics Business, after trade discounts and related resources taxes; (ii) loan interest income, brokerage commission income and related service fee income arising from Financial Services Business; and (iii) service fee income arising from its Online Cultural Business during the year.

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

	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Sales of wood and agricultural products	**24,315**	37,894
Sales of metallic resources	**–**	7,588
Loan interest income arising from Financial Services Business	**502**	–
Brokerage commission income	**1,070**	–
Related service fee income arising from provision of financial information services	**884**	–
Service fee income arising from development of Online Cultural Business	**10,412**	–
Total revenue	**37,183**	45,482
Other income and gains		
Bank interest income	**13**	38
Fair value gain on other loan (note 26(a))	**1,113**	–
Dividend income from available-for-sale investments	**684**	–
Write back of other payables and accruals	**–**	3,229
Others	**15**	1,993
Total other income and gains	**1,825**	5,260
Total revenue, other income and gains	**39,008**	50,742

Notes to Consolidated Financial Statements

31 December 2017

6. LOSS BEFORE TAX

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

	2017 **HK$'000**	2016 HK$'000
Cost of goods sold	**20,849**	39,509
Cost of services provided	**9,067**	–
	29,916	39,509
Auditors' remuneration:		
Annual audit	**1,200**	920
Other assurance services	**–**	25
	1,200	945
Amortisation of intangible assets *(note 15)*	**–**	–
Depreciation of property, plant and equipment* *(note 13)*	**3,324**	1,736
Write off of other receivables	**–**	39
Impairment loss on trade receivables *(note 20)*	**88**	4,717
Impairment loss on intangible assets *(note 15)*	**41,574**	265,590
Impairment loss on property, plant and equipment *(note 13)*	**16,789**	–
Impairment loss on available-for-sale investments *(note 18)*	**6,814**	–
Write down of inventories to net realisable value	**1,814**	–
Loss on disposal of property, plant and equipment	**10**	–
Loss on disposal of equity investments at fair value through profit or loss, net *(note 21)*	**7,689**	–
Exchange losses, net	**38**	21
Fair value loss on equity investments at fair value through profit or loss *(note 21)*	**132**	–
Minimum lease payments under operating leases:		
Land and buildings	**1,015**	659
Staff costs (excluding directors' remuneration *(note 8)*):		
Wages and salaries*	**19,283**	5,854
Pension scheme contributions	**485**	235
Equity-settled share options expenses	**1,235**	2,016
	21,003	8,105
Dividend income from available-for-sale investments	**(684)**	–
Write back of other payables and accruals	**–**	(3,229)
Bank interest income	**(13)**	(38)
Fair value gain on other loan *(note 26(a))*	**(1,113)**	–

* Cost of inventories include approximately HK$133,000 (2016: HK$58,000) and HK$97,000 (2016: HK$126,000) relating to staff costs and depreciation. As the goods are not yet sold at the end of the reporting period, the amounts are included in the inventories (note 19).

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7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Financial institution's loan interest	**451**	225
Bank overdraft interest	**–**	6
Convertible bond interest *(note 28)*	**400**	–
Interest on other borrowing	**581**	13,955
	1,432	14,186

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:

	2017	2016
	HK$'000	*HK$'000*
Fees	**360**	672
Other emoluments:		
Salaries, allowances and benefits in kind	**876**	4,651
Discretionary bonus	**57**	20,000
Pension scheme contributions	**18**	88
Equity–settled share options expenses *(note 30)*	**640**	–
	1,591	24,739
Total	**1,951**	25,411

Notes to Consolidated Financial Statements

31 December 2017

8. DIRECTORS' REMUNERATION *(Continued)*

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

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Pension scheme contributions *HK$'000*	Equity-settled share-options expenses *HK$'000*	Total *HK$'000*
2016						
Executive directors of the Company						
Chan Ching Hang@ *(note (a))*	–	56	–	1	–	57
Zeng Lingchen	180	–	–	–	–	180
Yu Xiao Min#	–	4,566	20,000	87	–	24,653
Xu Miao Xia#	132	29	–	–	–	161
	312	4,651	20,000	88	–	25,051
Independent non-executive directors of the Company						
Pang King Sze, Rufina	120	–	–	–	–	120
Hong Binxian	120	–	–	–	–	120
Hung Kenneth	120	–	–	–	–	120
	360	–	–	–	–	360
	672	4,651	20,000	88	–	25,411

Resigned in December 2016.

@ Appointed in December 2016.

Notes to Consolidated Financial Statements

31 December 2017

8. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(a) Mr. Chan Ching Hang ("Mr. Chan") was appointed as a director on 2 December 2016. Apart from the director's remuneration of HK$57,000 during the period from 2 December 2016 to 31 December 2016, the Group paid to him staff salary of approximately HK$103,000 and granted share options valued at HK$2,016,000 before his appointment as a director of the Company which had been included under "Staff costs" in note 6 to the consolidated financial statements. During the year ended 31 December 2016, the aggregate of his director's remuneration and staff salary constituted one of the five highest paid employees and fell within the band of HK$2,000,001 to HK$3,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil) and no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2016: HK$ Nil).

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

	Number of directors	
	2017	2016
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**–**	–
Over HK$5,000,000	**–**	1
	5	7

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2016: two directors, inclusive of Mr. Chan) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2016: three) non-directors highest paid employees for the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**13,506**	2,614
Equity-settled share options expenses	**986**	–
Pension scheme contributions	**316**	21
	14,808	2,635

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31 December 2017

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**1**	–
Over HK$5,000,000	**1**	–
	4	3

10. INCOME TAX EXPENSES

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2017.

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 2016 and 2017 and small-scale enterprises with low profitability meeting certain conditions, the EIT rate shall be reduced to 20%. A newly established subsidiary of the Group has been designated as a small-scale enterprise, which pursuant to the notice of the Ministry of Finance and the State Administrative of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, such subsidiary is subject to the concessionary EIT rate of 10% of assessable profits (i.e. 50% of the 20% applicable EIT rate on the assessable profits) for the year ended 31 December 2017.

Notes to Consolidated Financial Statements

31 December 2017

10. INCOME TAX EXPENSES *(Continued)*

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 2016 and 2017.

	2017 *HK$'000*	2016 *HK$'000*
Current tax:		
Hong Kong	**272**	1,085
PRC	**42**	299
Cambodia	**–**	–
	314	1,384
Deferred tax	**–**	–
Total tax charge for the year	**314**	1,384

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:

	2017		2016	
	HK$'000	**%**	*HK$'000*	*%*
Loss before tax	**(115,546)**	**–**	(329,076)	–
Tax at the statutory tax rates	**(21,910)**	**19.0**	(63,870)	19.4
Effect of concessionary rate	**(70)**	**–**	–	–
Income not subject to tax	**(504)**	**0.4**	(331)	0.1
Expenses not deductible for tax	**20,948**	**(18.1)**	63,422	(19.3)
Tax loss not recognised	**1,850**	**(1.6)**	2,163	(0.7)
Tax charge at effective tax rate	**314**	**(0.3)**	1,384	(0.5)

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31 December 2017

10. INCOME TAX EXPENSES *(Continued)*

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 for a period of five years as follows:

	2017	2016
	HK$'000	*HK$'000*
Tax losses		
– Hong Kong#	**64,367**	–
– Cambodia*	**31,188**	34,932
	95,555	34,932

\# The above tax losses in Hong Kong were arising from the Nine Rivers Group (as defined in note 34 to the consolidated financial statements), which was newly acquired during the year.

* The expiry date of the above tax losses in Cambodia were as follows:

	2017	2016
	HK$'000	*HK$'000*
2017	**–**	8,291
2018	**5,783**	5,783
2019	**5,097**	5,097
2020	**4,946**	4,946
2021	**10,815**	10,815
2022	**4,547**	–
	31,188	34,932

11. DIVIDENDS

The Directors do not recommend final dividend for the year ended 31 December 2017 (2016: Nil).

Notes to Consolidated Financial Statements

31 December 2017

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

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

The calculation of basic loss per share is based on:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(103,347)**	(317,743)

	Number of shares (in '000)	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**811,144**	429,992

The weighted average number of ordinary shares for the year ended 31 December 2016 has been adjusted for the share consolidation which became effective on 13 January 2017 (note 39(a)).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2017 in respect of a dilution as the impact of the convertible bond and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

Notes to Consolidated Financial Statements

31 December 2017

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 2017						
At 1 January 2017:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	2,394	9,163	1,464	9,692	23	22,736
At 1 January 2017, net of accumulated depreciation and impairment	2,394	9,163	1,464	9,692	23	22,736
Additions	–	–	–	192	201	393
Acquisition of subsidiaries *(note 34)*	–	–	–	2,177	922	3,099
Disposal	–	–	–	(38)	–	(38)
Impairment *(note (a))*	(2,308)	(8,451)	(1,145)	(4,885)	–	(16,789)
Depreciation provided during the year	(86)	(712)	(319)	(1,909)	(298)	(3,324)
At 31 December 2017, net of accumulated depreciation and impairment	–	–	–	5,229	848	6,077
At 31 December 2017:						
Cost	4,854	24,043	2,657	22,267	1,523	55,344
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(17,038)	(675)	(49,267)
Net carrying amount	–	–	–	5,229	848	6,077

Note (a):

The impairment of the property, plant and equipment of HK$16,789,000 was mainly made on the buildings, constructed roads, motor vehicles and plant and equipment (collectively, the "Forest PPE") related to the Forestry and Agricultural Business in Cambodia.

Given that (i) the recoverable amount of the Group's intangible assets relating to the Forestry and Agricultural Business were of no commercial value as at 31 December 2017 as detailed in note 15(a) to the consolidated financial statements; (ii) the Forestry PPE are used only for the Forestry and Agricultural Business and would not generate any other income streams; and (iii) the Forestry PPE are not economically viable to be demolished for resale given the substantial disposal cost involved (such as demolition and transportation costs), and therefore will not have any residual value, the Directors are of the opinion that the recoverable amount of the Forestry PPE, which had a carrying amount before impairment of approximately HK$16,789,000 as at 31 December 2017, was determined to be of no commercial value and was fully impaired during the year.

Notes to Consolidated Financial Statements

31 December 2017

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 2016						
At 1 January 2016:						
Cost	4,854	24,043	1,175	10,555	48	40,675
Accumulated depreciation and impairment	(2,374)	(14,168)	(1,156)	(8,346)	(31)	(26,075)
Net carrying amount	2,480	9,875	19	2,209	17	14,600
At 1 January 2016, net of accumulated depreciation and impairment	2,480	9,875	19	2,209	17	14,600
Additions	–	–	1,482	8,383	7	9,872
Depreciation provided during the year	(86)	(712)	(37)	(900)	(1)	(1,736)
At 31 December 2016, net of accumulated depreciation and impairment	2,394	9,163	1,464	9,692	23	22,736
At 31 December 2016:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	2,394	9,163	1,464	9,692	23	22,736

14. BIOLOGICAL ASSETS

	2017 HK$'000	2016 HK$'000
At 1 January	**–**	–
Additions	**–**	–
Impairment	**–**	–
Change in fair value	**–**	–
At 31 December	**–**	–

Analysis of biological assets

	2017 Hectares	2016 Hectares
Planted area – Immature plants with no commercial value	**2,140**	2,140

During the years ended 31 December 2016 and 2017, there was no addition in the biological assets.

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15. INTANGIBLE ASSETS

	Timber logging rights *HK$'000* *(note (a))*	Trading right *HK$'000* *(note (b))*	Total *HK$'000*
Cost			
At 1 January 2016	896,932	–	896,932
Additions	–	–	–
At 31 December 2016 and 1 January 2017	896,932	–	896,932
Acquisition of subsidiaries *(note 34)*	–	500	500
At 31 December 2017	**896,932**	**500**	**897,432**
Accumulated amortisation and impairment			
At 1 January 2016	589,768	–	589,768
Amortisation charge for the year ended 31 December 2016	–	–	–
Impairment made on 14 October 2016 *(note 6)*	265,590	–	265,590
At 31 December 2016 and 1 January 2017	855,358	–	855,358
Amortisation charge for the year ended 31 December 2017	–	–	–
Impairment during the year ended 31 December 2017 *(note 6)*	41,574	–	41,574
At 31 December 2017	**896,932**	**–**	**896,932**
Carrying amount			
At 31 December 2017	**–**	**500**	**500**
At 31 December 2016	41,574	–	41,574

(a) Timber Logging rights

As at 31 December 2017, the net carrying amount of the intangible assets before impairment amounted to HK$767,350,000 (2016: HK$767,350,000).

The Group acquired the exclusive right (the "Timber Logging Rights") to log trees in three forests (the "Forests") with an aggregate area of 21,650 hectares and located in Kratie Province and Kbal Damrei Commanes, Cambodia for a period of 70 years between 2007 and 2010. In July 2015, the Royal Government of Cambodia (the "Cambodia Government") issued a notification that the period of the Timber Logging Rights will be reduced from 70 years to 50 years. As of the date of these consolidated financial statements, the Group has not yet signed any new investment contract with the Royal Government of Cambodia, and therefore, the period of the Timber Logging Rights remains unchanged.

The Group uses the "unit of production method" as the amortisation method. No amortisation was provided in 2016 and 2017 given the level timber logging activities.

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31 December 2017

15. INTANGIBLE ASSETS *(Continued)*

(a) Timber Logging rights *(Continued)*

Impairment testing of intangible assets

31 December 2017

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

As at 31 December 2017, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 15 February 2018 (the "2017 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2017 had been further decreased (mainly attributable to the decrease in the future estimated selling prices of the agricultural produces) to the extent that it was determined to be of no commercial value and therefore, the Group made an impairment loss of intangible assets of approximately HK$41,574,000 as at 31 December 2017 (representing the carrying amount of the intangible assets before the impairment). Such impairment is based on the valuation performed by the Valuer and for each of the years ended 31 December 2015, 2016 and 2017, the Valuer has consistently used the excess earning method under the income approach to compute the valuation of the Timber Logging Rights. As described in the 2017 IA Valuation Report, there are three generally accepted valuation approaches, namely, the market approach, the cost approach and the income approach. Since there were not sufficient comparable transactions of similar assets for the valuer to adopt the market approach to conclude a reliable valuation of the Timber Logging Rights and the cost approach would ignore the future economic benefits that could be derived from the Timber Logging Rights, the Valuer has considered the excess earning method under the income approach, which values the Timber Logging Rights based on the discounted cash flow derived therefrom, is an appropriate method to value the Timber Logging Rights.

31 December 2016

The Directors engaged (i) the Tree Expert to determine the volume and condition of the timber (the "2016 Timber Volume") in the Forests underlying the Timber Logging Rights and (ii) the Valuer to determine the recoverable amount of the Timber Logging Rights as at 31 December 2016. The physical inspections and physical count of the 2016 Timber Volume were attended by the Tree Expert, the Valuer and the Auditors in January 2017.

As at 31 December 2016, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 31 March 2017 (the "2016 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2016 was HK$41,574,000 and therefore, except for the impairment on 14 October 2016 as mentioned below, no impairment was further provided in the consolidated financial statements for the year ended 31 December 2016.

Notes to Consolidated Financial Statements

31 December 2017

15. INTANGIBLE ASSETS *(Continued)*

(a) Timber Logging rights *(Continued)*

Impairment testing of intangible assets *(Continued)*

14 October 2016 (date of the Restructuring)

As detailed in note 1 to the consolidated financial statements, as part of the Restructuring in accordance with the Subscription Agreement, the Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries on 14 October 2016. With reference to the 2016 IA Valuation Report, the Directors re-assessed the recoverable amount of the intangible assets as at 14 October 2016. Based on such re-assessment and after taking into account the market conditions and the activities of the Forests, the Directors are of the opinion that the recoverable amounts of the intangible assets as at 14 October 2016 should approximate those as at 31 December 2016 at approximately HK$41,574,000 and therefore, the Group made an impairment loss of intangible assets of approximately HK$265,590,000 on 14 October 2016, which was mainly due to the decrease in the future estimated selling price of the latex.

Extracted from the 2016 IA Valuation Report and the 2017 IA Valuation Report, the following were the key assumptions used in the valuation of the Timber Logging Rights as at 31 December 2016 and 2017 which the management has based its cash flow projections to assess the impairment on the intangible assets:

	31 December 2017	31 December 2016
Estimated selling price of timber:		
Grade 1	**US$820 per m^3**	US$1,090 per m^3
Grade 2	**US$680 per m^3**	US$770 per m^3
Grade 3	**US$350 per m^3**	US$340 per m^3
Estimated selling price of latex	**US$1.62 per kg**	US$2.00 per kg
Growth rate:		
Revenue	**3.26%**	3.26%
Cost	**3.20%**	2.42%
Trees volume	**0.73%**	0.73%
Discount rate	**17.46%**	18.65%
Inflation rate	**1.03%**	1.03%
Concession period	**70 years**	70 years

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

Notes to Consolidated Financial Statements

31 December 2017

15. INTANGIBLE ASSETS *(Continued)*

(a) Timber Logging rights *(Continued)*

Impairment testing of intangible assets *(Continued)*

Pursuant to the 2016 IA Valuation Report and the 2017 IA Valuation Report, the valuation based on the excess earnings method under the income approach (which the valuer has considered it is an appropriate method as it values the Timber Logging Rights based on the discounted cash flow derived from it) and based on observable inputs (e.g. (i) market prices of the agricultural produce; and (ii) interest rate by reference to the Economic and Monetary Statistics published by the National Bank of Cambodia, etc.) and taking into account the timber output amount determined by the business plan based on (i) the land to be cleared, (ii) the standing timber per hectare in the concession area and (iii) the expected processing recovery rate for sawn timber, which used unobservable inputs, to be completed in order to meet the master plan which was agreed by the relevant Cambodia government authority.

At each financial year, the Directors:

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

(b) Trading right

The trading right represented a trading right on the Hong Kong Exchanges and Clearing Limited was acquired through the business combination during the year (note 34). The trading right is considered to have an indefinite useful life and is tested for impairment at the end of the reporting period. As at 31 December 2017, no impairment was provided as the Directors are of the opinion that the recoverable amount is excess its carrying amount.

16. GOODWILL

	HK$'000
Acquisition of subsidiaries during the year ended 31 December 2017 *(note 34)*	3,522
Impairment during the year ended 31 December 2017	–
Carrying value at 31 December 2017	3,522
At 31 December 2017	
Cost	3,522
Accumulated impairment	–
Carrying value	3,522

Notes to Consolidated Financial Statements

31 December 2017

16. GOODWILL *(Continued)*

Impairment testing of goodwill

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

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

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

17. INTERESTS IN AN ASSOCIATE

	2017 ***HK$'000***	2016 *HK$'000*
Unlisted shares, at cost*	**–**	–
Due from an associate**	**15,533**	8
Share of loss of an associate	**(3,910)**	(4)
	11,623	4

* The investment cost represented 49% equity interest in Violet Garden Limited (the "Associate"), a company incorporated in Samoa with limited liabilities and is principally engaged in investments, with the investment cost amounting to US$49 (equivalent to HK$382), which is presented as "nil" as a result of rounding.

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

Notes to Consolidated Financial Statements

31 December 2017

17. INTERESTS IN AN ASSOCIATE *(Continued)*

The following table summarised financial information of the Associate as extracted from their unaudited management accounts:

	2017 **HK$'000**	2016 *HK$'000*
Total assets*	**23,059**	1
Total liabilities	**(31,038)**	(8)
Revenue for the year	**–**	–
Loss for the year	**(7,979)**	(7)

* Included in the total assets of HK$23,059,000 as at 31 December 2017 was an equity investment at fair value through profit or loss and comprised 40,875,000 shares of China Wah Yan Healthcare Limited ("China Wah Yan"), a company listed on the Main Board of the Stock Exchange, at its fair value of HK$15,535,000. Based on the valuation report of a professional valuer engaged by the Associate, the Associate recorded a fair value loss on the equity investment at fair value through profit or loss of HK$7,483,000 as at 31 December 2017 in its financial statement.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 *HK$'000*
Solar Power Company *(note (a))*	**27,271**	20,500
Unlisted income fund *(note (b))*	**17,153**	10,000
	44,424	30,500

Notes to Consolidated Financial Statements

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

Notes:

(a) Solar Power Company

	2017	2016
	HK$'000	*HK$'000*
Unlisted equity interest	**20,500**	20,500
SPC Loan	**13,585**	–
	34,085	20,500
Impairment	**(6,814)**	–
Carrying amount	**27,271**	20,500

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

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

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

Impairment assessment of available-for-sale investments

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

The above unlisted equity investment in the Solar Power Company and the SPC Loan with a carrying amount of HK$27,271,000 (2016: HK$20,500,000) as at 31 December 2017 were stated at cost less impairment because the range of reasonable fair value estimate was so significant that the Directors were of the opinion that their fair value could not be measured reliably. The Group does not intend to dispose of them in the near future.

Notes to Consolidated Financial Statements

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

Notes: (Continued)

(b) Unlisted income fund

	2017 HK$'000	2016 HK$'000
At 1 January, at cost	**10,000**	–
Acquisition of subsidiaries *(note 34)*	**14,851**	–
Additions	**–**	10,000
Disposals	**(7,989)**	–
Fair value gain	**291**	–
At 31 December, at fair value/cost	**17,153**	10,000

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

In previous year, the unlisted income fund was stated at cost less impairment because the range of reasonable fair value estimate was so significant that the Directors were of the opinion that their fair value could not be measured reliably. The Group did not intend to dispose of them in the near future.

During the year ended 31 December 2017, the Directors were of the opinion that the fair value had become measurable reliably, which would better reflect the fair value of the unlisted income fund of the Group as at the end of the reporting period. Accordingly, during the year ended 31 December 2017, the Group has changed its accounting policy to state the unlisted income fund at its fair value. During the year ended 31 December 2017, the Group recorded a fair value gain on the available-for-sale investment of HK$291,000 and recognised into the available-for-sale investment reserve.

No prior year adjustment was retrospectively put through to restate the consolidated financial statements of the Group for the year ended 31 December 2016 as the Directors consider that the fair value of the unlisted income fund was not materially different with its cost as at 31 December 2016.

19. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**–**	433
Work in progress	**287**	525
Finished goods	**322**	716
	609	1,674

At 31 December 2017, the Group's inventories with carrying amount of approximately HK$4,753,000 (2016: HK$4,753,000) were written-down to net realisable value of HK$Nil (2016: Nil).

As disclosed in note 6 to the consolidated financial statements, the inventories include HK$133,000 (2016: HK$58,000) and HK$97,000 (2016: HK$126,000) relating to staff costs and depreciation, respectively.

Notes to Consolidated Financial Statements

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20. TRADE RECEIVABLES

	2017 **HK$'000**	2016 *HK$'000*
Trade receivables *(note a)*	**9,101**	7,605
Less: Impairment	**(6,718)**	(6,718)
	2,383	887
Account receivables arising from its Financial Services Business *(note b)*		
– Cash clients' account	**–**	–
– Margin clients' account	**8,463**	–
– Other clients	**231**	–
Less: Impairment	**(88)**	–
	8,606	–
	10,989	887

Notes:

(a) Trade receivables

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

	2017 **HK$'000**	2016 *HK$'000*
Current to 30 days	**2,309**	887
31 to 60 days	**74**	–
Over 60 days	**–**	–
	2,383	887

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

	2017 **HK$'000**	2016 *HK$'000*
At 1 January	**6,718**	2,001
Impairment losses recognised *(note 6)*	**–**	4,717
At 31 December	**6,718**	6,718

Notes to Consolidated Financial Statements

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20. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(a) Trade receivables *(Continued)*

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 **HK$'000**	2016 *HK$'000*
Neither past due nor impaired	**2,383**	887
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	–
	2,383	887

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

(b) Accounts receivables arising from its financial services business

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

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

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

The movements in the provision for the impairment of accounts receivables arising from its financial services business are as follows:

	2017 **HK$'000**	2016 *HK$'000*
At 1 January	**–**	–
Impairment lossess recognised *(note 6)*	**88**	–
At 31 December	**88**	–

Notes to Consolidated Financial Statements

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21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Listed equity investments, at market value	**1,980**	–

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**1,384**	714
Deposits and other receivables	**5,870**	3,542
Tax receivables	**111**	496
Convertible bond receivable *(note (a))*	**4,001**	–
Due from a related party *(note (b))*	**–**	490
	11,366	5,242
Less: Impairment	**(600)**	(600)
	10,766	4,642

At 31 December 2017, an impairment loss of HK$600,000 (2016: HK$600,000) has been provided against the other receivables. Except for such impairment, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

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

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

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

(b) Representing the amount due from a shareholder of the Forestry and Agricultural Business, which was unsecured, interest-free and had no fixed terms of repayment.

Notes to Consolidated Financial Statements

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23. CASH HELD ON BEHALF OF CUSTOMERS

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

24. CASH AND BANK BALANCES

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**56,852**	86,406

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$4,607,000 (2016: HK$10,342,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

25. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**–**	742
Trade payables arising from its Financial Services Business *(note (b))*		
– Margin clients' account	**–**	–
– Cash clients' account	**–**	–
– Clearing house	**238**	–
	238	742

Notes to Consolidated Financial Statements

31 December 2017

25. TRADE PAYABLES *(Continued)*

Notes:

(a) Trade payables

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

	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	–	742
31 – 60 days	–	–
	–	742

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

(b) Trade payables arising from its financial services business

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

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

26. OTHER LOAN, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Other payables and accruals	**34,743**	28,782
Due to an ex-director*	–	6,783
Other loan – current portion *(note (a))*	–	13,826
Financial liabilities measured at amortised cost	**34,743**	49,391

* The amount due to an ex-director, was unsecured, interest-free and had no fixed terms of repayment.

Notes to Consolidated Financial Statements

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26. OTHER LOAN, OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

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

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**13,826**	–
Fair value of loans obtained, fair value	**1,834**	13,826
Interest expenses *(note 7)*	**565**	–
At 31 December	**16,225**	13,826
Reclassification as a non-current portion	**(16,225)**	–
Current portion	**–**	13,826

The relevant shareholders of the Forestry and Agricultural Business will provide a working capital loan of up to HK$51,750,000 for the carrying out of the timber logging activities. Such working capital loans are unsecured, interest-free and have a term of 10 years, of which, as to HK$22,763,000 (2016: HK$20,644,000) has been provided as at 31 December 2017 and further recognised an interest saving for the other loan of approximately HK$1,113,000 (note 5) to profit and loss during the year.

The loans from the relevant shareholders of the Forestry and Agricultural Business are repayable from the profits of the Forestry and Agricultural Business. In view of the business conditions of the Forestry and Agricultural Business, the Directors consider it appropriate to reclassify such loans to non-current liabilities as at 31 December 2017.

27. OTHER BORROWING

	Effective interest rate	**Maturity**	**2017**	2016
	(%)		***HK$'000***	*HK$'000*
Other borrowing – unsecured	8.5	2019	**8,000**	–
Analysed into:				
Other borrowing repayable:				
Within one year on demand			**–**	–
Carrying amount of borrowing that is not repayable within one year from the end of the reporting but contains a repayment on demand clause (shown under current liabilities)			**8,000**	–
In the second year			**–**	–
			8,000	–

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28. CONVERTIBLE BOND

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

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

The Convertible Bond has been split into the liability and equity components as follows:

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

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

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29. SHARE CAPITAL

	Notes	2017 Number of shares	2017 Nominal value HK$'000	2016 Number of shares	2016 Nominal value HK$'000
Authorised:					
At beginning of year, ordinary shares of HK$0.01 (2016: HK$0.05) each		**20,000,000,000**	**200,000**	4,000,000,000	200,000
Capital reorganisation	*(a)*	**–**	**–**	196,000,000,000	–
Share consolidation	*(c)&(e)*	**(16,000,000,000)**	**–**	(180,000,000,000)	–
At end of year, ordinary shares of HK$0.05 (2016: HK$0.01)		**4,000,000,000**	**200,000**	20,000,000,000	200,000
Issued and fully paid:					
At beginning of year, ordinary shares of HK$0.01 (2016: HK$0.05) each		**3,463,606,061**	**34,637**	2,623,950,965	131,198
Capital reorganisation	*(a)*	**–**	**–**	–	(128,574)
Rights issue of shares	*(b)*	**–**	**–**	26,239,509,650	26,240
2016 Share Consolidation	*(c)*	**–**	**–**	(25,977,114,554)	–
2017 Share Consolidation	*(e)*	**(2,770,884,849)**	**–**	–	–
2016 Placing	*(d)*	**–**	**–**	577,260,000	5,773
2017 Placing	*(f)*	**138,540,000**	**6,926**	–	–
At end of year, ordinary shares of HK$0.05 (2016: HK$0.01)		**831,261,212**	**41,563**	3,463,606,061	34,637

Notes:

(a) On 21 April 2016, the Company completed a capital reorganisation (the "Capital Reorganisation") involving the capital reduction, the reduction of share premium and the elimination of accumulated losses. The Capital Reorganisation was approved by independent shareholders at the special general meeting on 20 April 2016. Details of which are as follows:

(i) Capital reduction

This involves the reduction of the nominal value of each then issued share from HK$0.05 each to HK$0.001 each and every then authorised but unissued share will be sub-divided into 50 new shares (the "New Share(s)") with a par value of HK$0.001 each;

(ii) Reduction of share premium

After the capital reduction having become effective on 21 April 2016, the entire amount standing to the credit of the share premium account of the Company was reduced to nil and the credit arising from such reduction was credited to the contributed surplus account of the Company; and

(iii) Elimination of accumulated losses

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

Notes to Consolidated Financial Statements

31 December 2017

29. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) On 27 May 2016, the Company completed a rights issue (the "Rights Issue") by issuing 26,239,509,650 rights shares (the "Rights Share(s)") to the qualifying shareholders at the subscription price of HK$0.01 per Rights Share on the basis of ten Rights Shares for every one New Share on the record date. The Rights Issue was approved by independent shareholders at the special meeting held on 20 April 2016, with the net proceeds of approximately HK$256,301,000 for strengthen the working capital of the Group.

(c) On 22 June 2016, the Company completed a share consolidation (the "2016 Share Consolidation") on the basis that every ten issued and unissued existing shares (the "Existing Shares") were consolidated into one consolidated share of HK$0.01 each. The 2016 Share Consolidation was approved by independent shareholders at the special meeting held on 21 June 2016.

(d) On 11 July 2016, the Company entered into a placing agreement (the "2016 Placing Agreement") with the placing agent, pursuant to which, the Company (the "2016 Placing") placed a total of 557,260,000 New Shares (the "2016 Placing Shares") of HK$0.01 each to not less than six placees who and whose respective ultimate beneficial owners are independent third parties at a placing price of HK$0.038 per 2016 Placing Share. The 2016 Placing was completed on 29 July 2016, with the net proceeds of approximately HK$21,212,000 for strengthen the working capital of the Group.

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

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

30. SHARE OPTION SCHEME

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

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

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

Notes to Consolidated Financial Statements

31 December 2017

30. SHARE OPTION SCHEME *(Continued)*

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

(a) Details of specific categories and the outstanding Share Options during the years ended 31 December 2016 and 2017 are as follows:

Name or category of participant	Exercise period	Outstanding as at 1 January 2017	Granted during the year	Cancelled during the year	Outstanding as at 31 December 2017	Fair value at the grant date HK$	Exercise price at the grant date HK$	Adjusted exercise price after share consolidation *(note (i))* HK$
Executive director								
Mr. Chan Ching Hang*	27 May 2016 to 26 May 2018	4,200,000 *(note)*	–	(4,200,000)	–	0.0096	0.016	0.80 *(note)*
	10 November 2017 to 9 November 2019	–	8,312,612	–	8,312,612	0.0593	0.099	N/A
Independent non-executive directors								
Mr. Hong Bingxian	10 November 2017 to 9 November 2019	–	831,261	–	831,261	0.0593	0.099	N/A
Mr. Hung Kenneth	10 November 2017 to 9 November 2019	–	831,261	–	831,261	0.0593	0.099	N/A
Ms. Pang King Sze, Rufina	10 November 2017 to 9 November 2019	–	831,261	–	831,261	0.0593	0.099	N/A
Employees	10 November 2017 to 9 November 2019	–	16,625,224	–	16,625,224	0.0593	0.099	N/A
	13 November 2017 to 12 November 2019	–	4,156,307	–	4,156,307	0.0596	0.099	N/A
Consultants and co-operators	10 November 2017 to 9 November 2019	–	49,875,672	–	49,875,672	0.0593	0.099	N/A
	13 November 2017 to 12 November 2019	–	1,662,523	–	1,662,523	0.0596	0.099	N/A
		4,200,000	83,126,121	(4,200,000)	83,126,121			

* Mr. Chan Ching Hang became a director of the Company on 2 December 2016.

Note: As a result of the share consolidation on the basis of every ten shares consolidated into one share on 22 June 2016, the numbers and the exercise prices of the Share Options outstanding were adjusted accordingly. The adjustments were made pursuant to the Scheme and in compliance with the GEM Listing Rules and supplementary guidance issued by the Stock Exchange on 5 September 2005. As detailed in note 29(e) to the consolidated financial statements, the Company further completed the 2017 Share Consolidation on the basis that every five issued and unissued existing shares were consolidated into one consolidated share. Therefore, the outstanding number of share options was adjusted to 4,200,000.

Notes to Consolidated Financial Statements

31 December 2017

30. SHARE OPTION SCHEME *(Continued)*

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

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

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

31. RESERVES

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

(i) share premium

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

Details of the reduction of share premium value as a result of the capital reorganisation are set out in note 29(a)(ii).

(ii) contributed surplus

Pursuant to a reorganisation in 2001, the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provisions of Section 54 of the Companies Act. As detailed in note 29(a) to the consolidated financial statements, the credit amount as at 21 April 2016, standing in the contributed surplus account of the Company after the completion of the capital reduction (note 29(a)(i)) and the reduction of share premium (note 29(a)(ii)) was used to set off the accumulated losses of the Company in full.

Notes to Consolidated Financial Statements

31 December 2017

31. RESERVES *(Continued)*

(iii) share options reserve

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

(iv) convertible bond equity reserve

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

(v) available-for-sales investments revaluation reserve

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

(vi) exchange reserve

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

32. LOSS ON RESTRUCTURING

31 December 2016

As detailed in note 1 to the consolidated financial statements, as part of the Restructuring, the Group completed a deemed disposal of part of the equity interests of the Restructured Subsidiaries (including (i) 84% effective interest in CTM, ACD, CLD, China Cambodia, Forest Glen, Richking and Mighty Pine; (ii) 69% effective interest in Vibrant Decade, Wright Global, Environment Capital and IR Cambodia; (iii) 48% effective interest in Unicorn Sail; (iv) 39% effective interest in China Platinum; and (v) 22% effective interest in Prosper Dynamic) to the Subscribers at cash consideration (the “Cash Consideration”) of approximately HK$14,000 in aggregate. The Restructuring was completed on 14 October 2016 (the “Restructuring Date”).

Apart from the Cash Consideration, (i) the Subscribers together with other parties will provide certain interest free loans, namely the Timber Business Loans and the Plantation Business Loans, for a period of 10 years up to HK$51,750,000 and HK$19,000,000, respectively, for the carrying out of the timber logging and plantation activities. The lenders of the Timber Business Loans and the Plantation Business Loans are referred as the “Timber Logging Subscribers” and “Plantation Subscribers”, respectively. As at 31 December 2016, the respective amounts of approximately HK$20,664,000 and HK$ Nil of the Timber Business Loans and the Plantation Business Loans have been withdrawn by the Group; and (ii) the Timber Logging Subscribers have guaranteed the Profit Guarantee (as defined below) to the Group.

Notes to Consolidated Financial Statements

31 December 2017

32. LOSS ON RESTRUCTURING *(Continued)*

31 December 2016 *(Continued)*

At the Restructuring Date, the assets and liabilities of the Restructured Subsidiaries and the related loss on Restructuring were as follows:

	HK$'000
14 October 2016	
Net assets disposed of:	
Property, plant and equipment	18,535
Biological assets	–
Intangible assets	41,574
Cash and cash equivalents	112
Inventories	102
Trade receivables	19,734
Prepayments, deposits and other receivables	6,360
Accruals and other payables	(58,085)
Due to the ultimate holding company	(1,108,888)
Due to fellow subsidiaries	(75,816)
Tax payable	(2,968)
Net liabilities value of the Restructured Subsidiaries	(1,159,340)
Less: Inter company balance with other members to the Group:	
Due to the ultimate holding company	(1,108,888)
Due to the fellow subsidiaries	(75,816)
	25,364
Portion attributable to the non-controlling interests of the Restructured Subsidiaries	16,721
Less: Consideration received	(6,832)
Loss on Restructuring	9,889
Satisfy by:	
– Cash Consideration	14
– Interest saving arising from the Timber Business Loans and the Plantation Business Loans *(note 26)*#	6,818
– Fair value of the Profit Guarantee*	–
Total consideration received	6,832

Notes to Consolidated Financial Statements

31 December 2017

32. LOSS ON RESTRUCTURING *(Continued)*

31 December 2016 *(Continued)*

As the requirements for the Subscribers to provide interest-free Timber Business Loans are integral parts of the Restructuring, the related interest savings from such interest-free loans are included in the calculation of the loss on Restructuring.

* The Timber Logging Subscribers have granted a guarantee of the audited profit after tax derived from the timber logging activities not to be less than HK$5,000,000, HK$5,000,000 and HK$10,000,000, respectively for the six-month period immediately after the completion of the Subscription Agreement, the six-month period commencing on the seventh month after completion of the Subscription Agreement and the twelve-month period commencing on the thirteenth month after completion of the Subscription Agreement (the "Profit Guarantee").

  The Profit Guarantee should be initially recognised as a derivative and should be stated at its fair value at the end of each reporting period. Pursuant to which, the Group may, after taking into account the relevant factors and the circumstance, execute a share charge at its discretion, if and only if, there is a shortfall in the Profit Guarantee. However, the Directors considered that the Group did not have any intention to execute the share charge and therefore, the Directors are of the opinion that the fair value of the Profit Guarantee is not material to the consolidated financial statements as at 14 October 2016 and 31 December 2016 and did not recognised in the consolidated financial statement.

As the above changes in equity interests in the Restructured Subsidiaries held by the Group did not result in a loss of control of the Restructured Subsidiaries and therefore, the loss on Restructuring of HK$9,889,000 was directly recognised as an equity transaction in the consolidated statement of changes in equity.

Notes to Consolidated Financial Statements

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

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
CTM	**84%**	84%
ACD	**84%**	84%
CLD	**84%**	84%
Unicorn Sail	**48%**	48%
Vibrant Decade	**69%**	69%
China Platinum	**39%**	39%
Wright Global	**69%**	69%
Prosper Dynamic	**22%**	22%
Environment Capital	**69%**	69%
China Cambodia	**84%**	84%
Forest Glen	**84%**	84%
IR Cambodia	**69%**	69%
Richking	**84%**	84%
Mighty Pine	**84%**	84%
Nine Rivers (as defined in note 34)	**40%**	–
Sky Luck (as defined in note 34)	**40%**	–
Fortune Tao (as defined in note 34)	**40%**	–

	2017 *HK$'000*	2016 *HK$'000*
Profit/(loss) for the year ended 31 December 2017/period from 1 October 2016 (date of Restructuring) to 31 December 2016 allocated to non-controlling interests:		
CTM	**(733)**	286
ACD	**(192)**	287
CLD	**(119)**	313
Unicorn Sail	**(6)**	(6)
Vibrant Decade	**950**	(3,255)
China Platinum	**(5)**	–
Wright Global	**(8)**	(6)
Prosper Dynamic	**(2)**	–
Environment Capital	**(6)**	–
China Cambodia	**(10)**	–
Forest Glen	**(18)**	(8,269)
IR Cambodia	**2,804**	(2,057)
Richking Development	**(9)**	(10)
Mighty Pine	**(9)**	–
Nine Rivers	**(1,291)**	–
Sky Luck	**(3)**	–
Fortune Tao	**(244)**	–

Notes to Consolidated Financial Statements

31 December 2017

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

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

	CTM	ACD	CLD	Unicorn Sai	Vibrant Decade	China Platinum	Wright Global	Prosper Dynamic	Environment Capital	China Cambodia	Forest Glen	IR Resources (Cambodia)	Richking Development	Mighty Pine	Nine Rivers*	Sky Luck*	Fortune Tao*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017																	
Revenue	-	-	-	-	21,063	-	-	-	-	-	-	3,256	-	-	1,398	-	884
Total expenses	(11,458)	(6,633)	(4,002)	(12)	(19,686)	(11)	(12)	(11)	(9)	(12)	(22)	(13,849)	(11)	(11)	(4,658)	(8)	(1,500)
Profit/(Loss) for the period	(11,458)	(6,633)	(4,002)	(12)	1,377	(11)	(12)	(11)	(9)	(12)	(22)	(10,593)	(11)	(11)	(3,260)	(8)	(616)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(11,458)	(6,633)	(4,002)	(12)	1,377	(11)	(12)	(11)	(9)	(12)	(22)	(10,593)	(11)	(11)	(3,260)	(8)	(616)
At 31 December 2017																	
Current assets	26,938	9,024	1,223	3	15,009	4	-	3	472,922	81,074	81,697	6,248	-	-	28,300	-	3,621
Non-current assets	-	-	-	5	39	4	8	5	503,081	54,600	250,000	-	-	-	21,598	10,000	252
Current liabilities	(140,642)	(28,245)	(16,159)	(29)	(4,353)	(26)	(27)	(20)	(365,277)	(1,406)	(123,851)	(25,153)	(80,028)	(7,838)	(4,178)	(5,940)	(319)
	(113,704)	(19,221)	(14,936)	(21)	10,695	(18)	(19)	(12)	610,726	134,268	207,846	(18,905)	(80,028)	(7,838)	(45,720)	(4,060)	(3,554)

* As detailed in note 34 to the consolidated financial statements, the Nine Rivers Group was acquired on 15 June 2017. Therefore, the above financial information of the Nine Rivers Group was presented during the period from 15 June 2017 to 31 December 2017 (the result of the post acquisition).

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31 December 2017

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

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

	CTM	ACD	CLD	Unicorn Sai	Vibrant Decade	China Platinum	Wright Global	Prosper Dynamic	Environment Capital	China Cambodia	Forest Glen	IR Resources (Cambodia)	Richking Development	Mighty Pine
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Period from 14 October 2016 (date of Restructuring) to 31 December 2016														
Revenue	605	569	585	–	9	–	–	–	–	–	–	–	–	–
Total expenses	(265)	(225)	(210)	(8)	(4,724)	–	(8)	–	–	–	(9,843)	(2,978)	(9)	–
Profit/(Loss) for the period	340	344	375	(8)	(4,715)	–	(8)	–	–	–	(9,843)	(2,978)	(9)	–
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	340	344	375	(8)	(4,715)	–	(8)	–	–	–	(9,843)	(2,978)	(9)	–
At 31 December 2016														
Current assets	26,888	9,025	1,225	–	12,247	4	8	3	472,921	81,086	81,698	3,864	–	–
Non-current assets	10,294	6,522	3,892	8	39	4	–	5	503,081	54,600	250,000	5,458	–	–
Current liabilities	(139,428)	(58,136)	(17,274)	(17)	(2,968)	(15)	(15)	(9)	(1,049,115)	(1,406)	(116,599)	(14,391)	(80,024)	(7,827)
	(102,246)	(42,589)	(12,157)	(9)	9,318	(7)	(7)	(1)	(73,113)	134,280	215,099	(5,069)	(80,024)	(7,827)

Notes to Consolidated Financial Statements

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34. ACQUISITION OF SUBSIDIARIES

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

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

	Fair value
	HK$'000
Property, plant and equipment *(note 13)*	3,099
Intangible asset *(note 15)*	500
Available-for-sale investments *(note 18)*	14,851
Trade receivables	3,912
Prepayments, deposits and other receivables	2,340
Cash and bank balances	17,361
Trade and other payables	(2,130)
Total identifiable net assets of the Nine Rivers Acquisition	39,933
Less: Non-controlling interests	(15,813)
Goodwill *(note 16)*	3,522
The Consideration	27,642

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

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

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

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

Notes to Consolidated Financial Statements

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

(b) Changes in liabilities arising from financing activities

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

36. OPERATING LEASE COMMITMENTS

As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Within 1 year	**1,108**	493
In the second to fifth years, inclusive	**781**	54
	1,889	547

Notes to Consolidated Financial Statements

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37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Acquisition of subsidiaries	–	33,220

The Group completed the acquisition of 60.4% equity interest in the Nine River Group at a consideration of approximately HK$27,642,000 (as a result of downward adjustment) on 15 June 2017.

38. RELATED PARTY BALANCES AND TRANSACTIONS

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

	2017 HK$'000	2016 HK$'000
Disposal of equity investments at fair value through profit or loss to its associate	6,745	–

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

	2017 HK$'000	2016 HK$'000
Short term employee benefits	5,012	25,952
Post-employment benefits	118	–
Equity-settled share option expenses	986	2,016
Total compensation paid to key management personnel	6,116	27,968

39. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any material events after the end of the reporting period.

Notes to Consolidated Financial Statements

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40. FINANCIAL INSTRUMENTS BY CATEGORY

2017

Financial assets

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

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon recognition *HK$'000*	Held for trading *HK$'000*	Financial liabilities amortised cost *HK$'000*	Total *HK$'000*
Derivative financial instrument	–	913	–	913
Trade payables	–	–	238	238
Other loans, other payables and accruals	–	–	34,743	34,743
Other borrowing	–	–	8,000	8,000
Convertible bond	–	–	13,525	13,525
Other loan	–	–	16,225	16,225
	–	913	72,731	73,644

Notes to Consolidated Financial Statements

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40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2016

Financial assets

	Financial assets at fair value through profit or loss					
	Designated as such upon recognition *HK$'000*	Held for trading *HK$'000*	Held-to-maturity investments *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Equity investments at fair value through profit or loss	–	–	–	–	–	–
Available-for-sales investment	–	–	–	–	30,500	30,500
Trade receivables	–	–	–	887	–	887
Deposits and other receivables	–	–	–	3,928	–	3,928
Cash held on behalf of customers	–	–	–	–	–	–
Cash and bank balance	–	–	–	86,406	–	86,406
	–	–	–	91,221	30,500	121,721

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon recognition *HK$'000*	Held for trading *HK$'000*	Financial liabilities amortised cost *HK$'000*	Total *HK$'000*
Trade payables	–	–	742	742
Other loans, other payables and accruals	–	–	49,391	49,391
	–	–	50,133	50,133

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, available-for-sales investments, trade receivables, equity investments at fair value through profit or loss, financial assets included in the prepayments, deposits and other receivables, cash held on behalf of customers, cash and bank balance, trade payables, financial liabilities included in other loans, other payables and accruals, derivative financial instruments, convertible bond and other loan, 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 2017

	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*
Available-for-sale investments	–	17,153	–	17,153
Equity investments at fair value through profit or loss	1,980	–	–	1,980
	1,980	17,153	–	19,133

Liabilities measured at fair value:

As at 31 December 2017

	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*
Derivative financial instrument	–	913	–	913
	–	913	–	913

The Group did not have financial assets and financial liabilities measured at fair value as at 31 December 2016.

Notes to Consolidated Financial Statements

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

Foreign currency risk

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

	2017	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in loss before tax**
	%	HK$'000
RMB	5.0	40
RMB	(5.0)	(40)

Price of agricultural produces (such as timber and latex)

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

Notes to Consolidated Financial Statements

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

Credit risk

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

Liquidity risk

The Group monitors its risk to a shortage of funds and will arrange financing if necessary. As at 31 December 2017, the Group had cash and bank balances of approximately HK$56,852,000 (2016: HK$86,406,000) and recorded net current assets of approximately HK$20,466,000 (2016: net current assets HK$40,212,000). Also, during the year ended 31 December 2016, the Company entered into the loan facilities for the carrying out of the timber logging activities. As at 31 December 2017, the Company had withdrawn approximately HK$22,763,000 (2016: HK$20,644,000). This other loan is unsecured, interest-free and has a term of ten years, and will only be repaid under the conditions that profit has been generated from the Group's plantation operation.

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

31 December 2017

	On demand or no fixed terms of repayment *HK$'000*	3 months to 12 months *HK$'000*	1 to 5 years *HK$'000*	5 to10 years *HK$'000*	Total *HK$'000*
Trade payables	**238**	**–**	**–**	**–**	**238**
Financial liabilities included in other loans, other payables and accruals	**34,743**	**–**	**–**	**–**	**34,743**
Other borrowing	**–**	**–**	**9,360**	**–**	**9,360**
Convertible bond	**–**	**–**	**18,363**	**–**	**18,363**
Other loan	**–**	**–**	**–**	**22,763**	**22,763**
	34,981	**–**	**27,723**	**22,763**	**85,467**

31 December 2016

	On demand or no fixed terms of repayment *HK$'000*	5 to10 years *HK$'000*	Total *HK$'000*
Trade payables	742	–	742
Financial liabilities included in other loan, other payables and accruals	35,565	13,826	49,391
	36,307	13,826	50,133

Notes to Consolidated Financial Statements

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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/(cash) includes trade payables, other loans, other payables and accruals, derivative financial instrument, other borrowing, convertible bond, tax payables and other loan, less cash held on behalf of customers and cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Trade payables	**238**	742
Other loans, other payables and accruals	**34,743**	49,391
Derivative financial instrument	**913**	–
Other borrowing	**8,000**	–
Convertible bond	**13,525**	–
Tax payables	**3,875**	3,264
Other loan	**16,225**	–
Less: Cash held on behalf of customers	**(564)**	–
Cash and bank balances	**(56,852)**	(86,406)
Net debt/(net cash)	**20,103**	(33,009)
Total capital:		
Equity attributable to equity holders	**63,083**	131,022
Capital and net debt/(net cash)	**83,186**	98,013
Gearing ratio	**24%**	N/A

Notes to Consolidated Financial Statements

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**142**	10
Investments in subsidiaries and structured entity		**74**	60
Interests in an associate	*17*	**20**	–
Total non-current assets		**236**	70
Current assets			
Equity investments at fair value through profit or loss	*21*	**1,980**	–
Prepayments, deposits and other receivables		**818**	401
Due from a ex-director		**1,337**	–
Due from subsidiaries and structured entity		**164,644**	153,933
Cash and bank balance		**7,195**	71,417
Total current assets		**175,974**	225,751
Current liabilities			
Other payables and accruals		**8,263**	12,670
Derivative financial instrument	*28*	**913**	–
Other borrowing	*27*	**8,000**	–
Convertible bond	*28*	**13,525**	–
Due to subsidiaries and structured entity		**83,737**	92,082
Total current liabilities		**114,438**	104,752
NET CURRENT ASSETS		**61,536**	120,999
Net assets		**61,772**	121,069
EQUITY			
Issued capital		**41,563**	34,637
Reserves		**20,209**	86,432
Total equity		**61,772**	121,069

Chan Ching Hang
Director

Pang King Sze Rufina
Director

Notes to Consolidated Financial Statements

31 December 2017

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

Note:

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

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share options reserve *HK$'000*	Equity component of convertible bond *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	972,987	5,265	–	–	(936,354)	41,898
Capital reorganisation *(note 29(a))*	(972,987)	(5,265)	–	–	1,106,826	128,574
Rights issue of shares *(note 29(b))*	230,061	–	–	–	–	230,061
Placing of shares *(note 26(d))*	15,439	–	–	–	–	15,439
Equity-settled share option arrangement *(note 30)*	–	–	2,016	–	–	2,016
Loss for the year and total comprehensive income for the year	–	–	–	–	(331,556)	(331,556)
At 31 December 2016	245,500	–	2,016	–	(161,084)	86,432
At 1 January 2017	245,500	–	2,016	–	(161,084)	86,432
Placing of shares *(note 29(d))*	19,713	–	–	–	–	19,713
Equity-settled share option arrangement *(note 30)*	–	–	4,930	–	–	4,930
Cancellation of share option	–	–	(2,016)	–	2,016	–
Issue of convertible bond, net of transaction costs	–	–	–	3,931	–	3,931
Loss for the year and total comprehensive income for the year	–	–	–	–	(94,797)	(94,797)
At 31 December 2017	265,213	–	4,930	3,931	(253,865)	20,209

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 February 2018.

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 years ended 31 December 2013 and 2014 had been disclaimed by the auditors of the Company and the consolidated financial statements for the year ended 31 December 2015 had been qualified by the auditors of the Company. Details of the disclaimer opinions and qualified opinion of the auditors were set out in the annual reports for the years ended 31 December 2013, 2014 and 2015 of the Company, respectively.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**37,183**	45,482	38,914	–	6,563
Cost of sales and services	**(29,916)**	(39,509)	(28,096)	–	(3,917)
Gross profit	**7,267**	5,973	10,818	–	2,646
Other income and gains	**1,825**	5,260	653	1,172	2,019
Selling and distribution costs	**(1,450)**	–	–	–	(758)
Administrative expenses	**(44,763)**	(55,812)	(15,310)	(15,464)	(24,925)
Finance costs	**(1,432)**	(14,186)	(29,162)	(25,728)	(5,697)
Fair value loss on equity investments through profit or loss	**(132)**	–	–	–	–
Loss on disposal of equity investment at fair value through profit or loss, net	**(7,690)**	–	–	–	–
Impairment loss on property, plant and equipment	**(16,789)**	–	–	–	–
Impairment loss on available-for-sale investment	**(6,814)**	–	–	–	–
Impairment loss on prepayments, deposits and other receivables	**–**	–	–	(1,163)	–
Write-off of prepaid expense	**–**	–	–	–	(1,924)
Write-down of inventories to net realisable value	**–**	–	–	–	(3,065)
Impairment loss on biological assets	**–**	–	–	(481)	(6,058)
Share of loss of an associate	**(3,906)**	(4)	–	–	–
Impairment loss on trade receivables	**(88)**	(4,717)	–	–	–
Impairment loss on intangible assets	**(41,574)**	(265,590)	–	–	–
LOSS BEFORE TAX	**(115,546)**	(329,076)	(33,001)	(41,664)	(37,762)
Income tax expenses	**(314)**	(1,384)	(1,693)	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(115,860)**	(330,460)	(34,694)	(41,664)	(37,762)

Five Years Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DISCONTINUED OPERATION					
Share of loss from associates	**–**	–	(3)	(1)	(54,718)
Impairment loss on goodwill arising from associates	**–**	–	–	–	(90,366)
Loss on disposal of associates	**–**	–	(386)	–	–
LOSS FOR THE YEAR	**(115,860)**	(330,460)	(35,083)	(41,665)	(182,846)
Attributable to:					
Ordinary equity holders of the Company	**(103,347)**	(317,743)	(35,083)	(41,665)	(182,846)
Non-controlling interests	**(12,513)**	(12,717)	–	–	–
	(115,860)	(330,460)	(35,083)	(41,665)	(182,846)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**147,906**	188,423	344,585	340,308	346,512
TOTAL LIABILITIES	**(77,519)**	(53,397)	(165,737)	(126,377)	(90,536)
NON-CONTROLLING INTERESTS	**(7,304)**	(4,004)	–	3	3
	63,083	131,022	178,848	213,934	255,979