



IR RESOURCES LIMITED

(Incorporated in Bermuda with Limited Liability)

2018

INTERIM
REPORT



(Stock Code: 8186)



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



The Board would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 30 June 2018, together with the comparative unaudited figures for the corresponding periods in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2	6,309	8,724	12,419	12,694
Cost of sales		(4,838)	(7,365)	(9,574)	(10,690)
Gross profit		1,471	1,359	2,845	2,004
Other income and gains	4	(27)	2	395	5
Selling and distribution expenses		(281)	(141)	(281)	(141)
Administrative expenses		(11,224)	(10,577)	(21,878)	(17,703)
Net loss on financial assets at fair value through profit or loss		(738)	(3,206)	(666)	(6,991)
Finance cost	5	(961)	(394)	(1,871)	(394)
Share of loss of an associate		(2,342)	(1)	(2,344)	(1)
Loss before tax	5	(14,102)	(12,958)	(23,800)	(23,221)
Income tax expenses	6	(137)	(144)	(274)	(213)
LOSS FOR THE PERIOD		(14,239)	(13,102)	(24,074)	(23,434)
Loss attributable to:					
Equity holders of the Company		(13,900)	(12,194)	(22,085)	(21,235)
Non-controlling interests		(339)	(908)	(1,989)	(2,199)
		(14,239)	(13,102)	(24,074)	(23,434)
Loss per share attributable to the equity holders of the Company (HK cents)	7				
Basic		(1.67)	(1.47)	(2.66)	(2.69)
Diluted		(1.67)	(1.47)	(2.66)	(2.69)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
LOSS FOR THE PERIOD	(14,239)	(13,102)	(24,074)	(23,434)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Revaluation of unlisted equity investment on fair value through other comprehensive income (non-recycling)	(1,492)	–	(1,492)	–
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)	291	–	291	–
Exchange differences on translation of foreign operations	80	(103)	94	(103)
Less: Income tax effect	–	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,121)	(103)	(1,107)	(103)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(15,360)	(13,205)	(25,181)	(23,537)
Attributable to:				
Equity holders of the Company	(15,021)	(12,297)	(23,192)	(21,338)
Non-controlling interests	(339)	(908)	(1,989)	(2,199)
	(15,360)	(13,205)	(25,181)	(23,537)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	5,827	6,077
Goodwill	17	3,522	3,522
Intangible assets	9	500	500
Interest in an associate		9,363	11,623
Available-for-sale investments		–	44,424
Equity investment at fair value through other comprehensive income	10	12,194	–
Loan receivable at amortised cost	11	13,585	–
Total non-current assets		44,991	66,146
Current assets			
Inventories		402	609
Trade receivables	12	20,233	10,989
Equity investment at fair value through profit or loss	13	1,314	1,980
Prepayments, deposits and other receivables		12,218	10,766
Cash on behalf of customers		116	564
Cash and bank balance		31,093	56,852
Total current assets		65,376	81,760



	Notes	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Current liabilities			
Trade payables	14	1,963	238
Other payables and accruals		33,167	34,743
Derivative financial instrument		913	913
Other borrowing		8,000	8,000
Convertible bond		14,611	13,525
Tax payables		3,519	3,875
Total current liabilities		62,173	61,294
Net current assets			
Total assets less current liabilities		48,194	86,612
Non-current liability			
Other loan	15	17,923	16,225
Total non-current liability		17,923	16,225
Net assets			
Net assets		30,271	70,387
EQUITY			
Share capital	16	41,563	41,563
Reserves		(16,607)	21,520
Total equity attributable to:			
Equity holders of the Company		24,956	63,083
Non-controlling interests		5,315	7,304
Total Equity		30,271	70,387

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share award scheme reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible bond HK\$'000	Available-for-sale investments revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 1 January 2017 (audited)	34,637	245,500	-	(9,889)	2,016	-	-	-	-	(285)	(140,957)	131,022	4,004	135,026
Loss for the period	-	-	-	-	-	-	-	-	-	-	(21,235)	(21,235)	(2,199)	(23,434)
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(103)	-	(103)	-	(103)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	(103)	(21,235)	(21,338)	(2,199)	(23,537)
Placing of shares	6,926	19,713	-	-	-	-	-	-	-	-	-	26,639	-	26,639
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	15,813	15,813
At 30 June 2017 (unaudited)	41,563	265,213	-	(9,889)	2,016	-	-	-	-	(388)	(162,192)	136,323	17,618	153,941
At 1 January 2018 (audited)	41,563	265,213	-	(9,889)	4,930	3,931	291	-	-	(668)	(242,288)	63,083	7,304	70,387
Loss for the period	-	-	-	-	-	-	-	-	-	-	(22,085)	(22,085)	(1,989)	(24,074)
Reclassification upon initial application of HKFRS 9	-	-	-	-	-	-	(291)	291	-	-	-	-	-	-
Revaluation upon initial application of HKFRS 9	-	-	-	-	-	-	-	-	8,345	-	-	8,345	-	8,345
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:														
Revaluation of unlisted equity investment at fair value through other comprehensive income (non-recycling)	-	-	-	-	-	-	-	-	(9,837)	-	-	(9,837)	-	(9,837)
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:														
Release of fair value reserve relating to debt instrument at fair value through other comprehensive income (recycling)	-	-	-	-	-	-	-	(291)	-	-	-	(291)	-	(291)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	94	-	94	-	94
Total comprehensive income for the period	-	-	-	-	-	-	(291)	-	(1,492)	94	(22,085)	(23,192)	(1,989)	(25,181)
Share award scheme	-	-	(14,935)	-	-	-	-	-	-	-	-	(14,935)	-	(14,935)
At 30 June 2018 (unaudited)	41,563	265,213	(14,935)	(9,889)	4,930	3,931	-	-	(1,492)	(574)	(264,373)	24,956	5,315	30,271



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	(28,605)	(25,299)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of debt investment at fair value through other comprehensive income	16,482	–
Share award scheme	(14,935)	–
Addition of available-for-sale investment	–	(13,585)
Net cash outflow on securities business acquisition	–	(10,281)
Net cash outflow on investment in financial assets at fair value through profit or loss	–	(9,451)
Investment in an associate	–	(7,360)
Loan to a third party	–	(10,000)
Addition of property, plant and equipment	(508)	(156)
Net cash flows from/(used in) investing activities	1,039	(50,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from placing	–	26,639
Loan from a financial institution	–	8,000
Working capital loan contributed	2,203	1,181
Loan interest	(337)	(394)
Net cash flows from financing activities	1,866	35,426
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,700)	(40,706)
Cash and cash equivalents at beginning of the period	56,852	86,406
Effect of foreign exchange rate changes	(59)	(87)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	31,093	45,613
Analysis of cash and cash equivalents		
Cash and bank balance	31,093	45,613



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim results have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2017.

In the current period, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations.

HKFRS 9 Financial Instruments

As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group’s accounting policies:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVTPL”). The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.





Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the Group's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in part (iii).



(ii) ***Impairment under Expected Credit Loss (“ECL”) model***

The Group recognises a loss allowance for ECL on financial assets, including trade receivable, loan receivable, deposits and other receivables, cash on behalf of customers and cash and bank balance, which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

As at 1 January 2018, the Directors reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The measurement categories for all financial liabilities remain the same.



(iii) **Summary of effects arising from initial application of HKFRS 9**

The table below illustrates major changes and impacts on the classification and measurement (including impairment) of financial assets and financial liabilities under HKFRS 9 at the date of initial application, 1 January 2018.

Statement of financial position (extract)	Notes	31 December 2017 As originally presented HK\$'000	Reclassification on adoption of HKFRS 9 HK\$'000	Fair value adjustment at initial adoption of HKFRS 9 HK\$'000	1 January 2018 restated HK\$'000
Non-current assets					
Available-for-sale investments	10	44,424	(44,424)	-	-
Equity investment at fair value through other comprehensive income	10	-	13,686	8,345	22,031
Loan receivable at amortised cost	11	-	13,585	-	13,585
Debt investment at fair value through other comprehensive income	10	-	17,153	-	17,153
Total non-current assets		44,424	-	8,345	52,769
Reserves					
Available-for-sale investments revaluation reserve		(291)	291	-	-
Fair value reserve (recycling)		-	(291)	-	(291)
Fair value reserve (non-recycling)		-	-	(8,345)	(8,345)
Total reserves		(291)	-	(8,345)	(8,636)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The majority of the Group's revenue are sales of wood and agriculture produce to the customers. The Directors reviewed and assessed the new recognition requirements of the revenue, the application of HKFRS 15 had no material impact on the unaudited condensed consolidated interim results.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has commenced assessment on the impact of these new HKFRSs but is not yet in a position to conclude whether these new HKFRSs will have a material impact on its results of operation and financial position.

2. REVENUE

Revenue recognised during the period is analysed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Sales of wood and agricultural produce	5,644	8,333	11,160	12,212
Brokerage commission income	18	107	37	107
Interest income from margin financing	264	60	477	60
Loan interest income	28	224	28	315
Related service fee income arising from provision of financial information service	355	–	717	–
	6,309	8,724	12,419	12,694



3. OPERATING SEGMENT INFORMATION

During the period, the Group's business is organised into business units based on their products and services for management purpose and the Group has the following reportable operating segments:

- (a) the sale of wood and agricultural produce business and the timber logging and plantation business (the "Forestry and Agricultural Business");
- (b) the securities brokerage and trading, asset management and loan financing business (the "Financial Services Business");
- (c) the provision of services in the development and upgrading of cultural related applications (the "Cultural Business"); and
- (d) the logistics business (the "Logistics Business").

The management of the Company 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 result, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit or loss before tax from continuing operations except interest income, finance costs, head office and corporate expenses which are excluded from such measurement.

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



Operating Segment Information

Segment revenue and results

For the six months ended 30 June 2018 (Unaudited)

	Forestry and Agricultural Business <i>HK\$'000</i>	Financial Services Business <i>HK\$'000</i>	Cultural Business <i>HK\$'000</i>	Logistics Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
External sales	11,160	1,259	–	–	12,419
Segment revenue	11,160	1,259	–	–	12,419
Segment results	(3,753)	(3,166)	(1,221)	–	(8,140)
Unallocated expenses					(11,445)
Share of results from an associate					(2,344)
Loss before tax and finance costs					(21,929)
Unallocated finance costs					(1,871)
Loss before tax					(23,800)
Income tax expense					(274)
Loss for the period					(24,074)



For the six months ended 30 June 2017 (Unaudited)

	Forestry and Agricultural Business <i>HK\$'000</i>	Financial Services Business <i>HK\$'000</i>	Cultural Business <i>HK\$'000</i>	Logistics Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
External sales	12,212	482	–	–	12,694
Segment revenue	12,212	482	–	–	12,694
Segment results	(2,747)	(7,156)	–	–	(9,903)
Unallocated expenses					(13,209)
Share of results from an associate					(1)
Loss before tax and finance costs					(23,113)
Unallocated finance costs					(108)
Loss before tax					(23,221)
Income tax expense					(213)
Loss for the period					(23,434)

Segment assets and liabilities

As at 30 June 2018 (Unaudited)

	Forestry and Agricultural Business HK\$'000	Financial Services Business HK\$'000	Cultural Business HK\$'000	Logistics Business HK\$'000	Total HK\$'000
Segment assets	15,326	25,910	3,179	-	44,415
Unallocated assets					<u>65,952</u>
Total assets					<u>110,367</u>
Segment liabilities	(45,571)	(834)	(3,259)	-	(49,664)
Unallocated liabilities					<u>(30,432)</u>
Total liabilities					<u>(80,096)</u>

As at 31 December 2017 (Audited)

	Forestry and Agricultural Business HK\$'000	Financial Services Business HK\$'000	Cultural Business HK\$'000	Logistics Business HK\$'000	Total HK\$'000
Segment assets	10,853	39,271	7,293	9,024	66,441
Unallocated assets					<u>81,465</u>
Total assets					<u>147,906</u>
Segment liabilities	(39,577)	(1,039)	(5,883)	(4,388)	(50,887)
Unallocated liabilities					<u>(26,632)</u>
Total liabilities					<u>(77,519)</u>



Geographical Information

Revenue from external customers

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Hong Kong	1,259	482
Southeast Asia and the PRC	11,160	12,212
	12,419	12,694

The classification of the revenue arising from (i) the Forestry and Agricultural Business; (ii) the Cultural Business; and (iii) the Logistics Business is based on the location of the customers' operation. The classification of the revenue arising from Financial Services Business is based on the location of stock exchanges of the underlying securities investments made by their clients, the location of the borrowed funds first available to their borrowers, or the location of the client's operation.

4. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Dividend income from available-for-sale investment	–	–	412	–
Bank interest income	1	–	4	–
Exchange (loss)/gain	(207)	1	(207)	2
Reversal of impairment provision of trade receivables	88	–	88	–
Others	91	1	98	3
	(27)	2	395	5

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Finance cost:				
Imputed interest on convertible bond	645	–	1,218	–
Interest on loan from a financial institution	170	108	337	108
Amortised interest on interest-free loan	146	286	316	286
	961	394	1,871	394
Staff cost (excluding Directors' emoluments):				
Wages and salaries	5,674	3,313	10,419	6,204
Pension scheme contributions	117	101	241	189
	5,791	3,414	10,660	6,393
Other items:				
Auditors' remuneration	382	250	656	500
Depreciation of property, plant and equipment	97	675	758	1,390
Minimum lease payments under operating lease: land and buildings	377	73	859	204



6. INCOME TAX EXPENSES

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated profits arising in Hong Kong.

(b) PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the Enterprise income tax is calculated at a rate of 25%.

(c) Cambodia Corporate Income Tax

Under the Law on Taxation of the Kingdom of Cambodia ("Cambodia"), the corporate income tax is calculated at a rate of 20%.

(d) Deferred Taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months and the six months ended 30 June 2018.

7. LOSS PER SHARE

The calculations of the basic and diluted loss per share for the three months and the six months ended 30 June 2018 are based on the loss attributable to equity holders of the Company of HK\$13.9 million (2017: HK\$12.2 million) and HK\$22.1 million (2017: HK\$21.2 million) divided by the weighted average of 831,261,212 ordinary shares (2017: 831,261,212) and 831,261,212 ordinary shares (2017: 790,694,251) for the three months and the six months ended 30 June 2018 respectively.

No adjustment has been made to the basic loss per share amounts presented for the three months and the six months ended 30 June 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The Group had no potentially dilutive ordinary shares in issue during the three months and the six months ended 30 June 2017.

8. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).



9. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The addition to the property, plant and equipment of the Group during the six months ended 30 June 2018 was HK\$508,000 (2017: HK\$3,099,000).

There was no addition to the intangible assets of the Group during the six months ended 30 June 2017 and 2018 respectively.

10. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Unlisted equity investment at fair value through other comprehensive income (non-recycling) (Note 1)	12,194	–
Debt investment at fair value through other comprehensive income (recycling) (Note 2)	–	–
	12,194	–

Notes:

- 1 It represented the Group's investment cost of its 17.5% equity interest in a solar power company (the "Solar Power Company", together with its subsidiaries, the "Solar Power Group") engaged in the solar power generation business 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 and stated at amortised cost as at 31 December 2017. As it was considered as an long-term strategic investment of the Group, following the adoption of HKFRS 9 with effective from 1 January 2018, it has been reclassified as unlisted equity investment at fair value through other comprehensive income and stated at fair value, of which any fair value changes are recognised through other comprehensive income (non-recycling). The said equity investment has been valued by an independent valuer at fair value and the net movement of HK\$1,492,000 was recognized in other comprehensive income (non-recycling) during the six months ended 30 June 2018.
- 2 It represented an investment in the unlisted income fund made in December 2016. Following the application of HKFRS 9, with effective from 1 January 2018, the Group's investments previously classified as available-for-sale investments are now classified as financial assets at fair value through other comprehensive income, of which any fair value changes are recognised through other comprehensive income (recycling).

11. LOAN RECEIVABLE AT AMORTISED COST

In 2017, the Group entered into a loan agreement with the Solar Power Company, to provide a loan of HK\$13,585,000 to the Solar Power Company. The 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 loan forms part of a long term investment in the Solar Power Group and, therefore, the 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. Following application of HKFRS 9, with effective from 1 January 2018, the loan is now reclassified as loan receivable at amortised cost.



12. TRADE RECEIVABLES

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Trade receivables	10,692	2,383
Accounts receivables arising from its Financial Services Business:		
– Margin clients' account	9,590	8,463
– Cash clients' account	–	–
– Other clients	(49)	231
Less: Impairment	–	(88)
	20,233	10,989

The impairment provision movements during the period under review are as follows:

	<i>HK\$'000</i>
As at 1 January 2018	6,806
Impairment reversed	88
Amounts written off	(6,718)
As at 30 June 2018	–

An ageing analysis of the trade receivables based on the invoice date and net of provisions is as follows:

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Current to 30 days	3,210	2,309
31 to 60 days	2,434	74
Over 60 days	5,048	–
	10,692	2,383

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

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

13. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Balances mainly comprised the Group's investment in securities listed on the Stock Exchange which are stated at market value. For the six months ended 30 June 2018, the Group did not record any realized loss from disposal of listed securities (2017: HK\$1,735,000) but recorded an unrealised loss arising from change of fair value of the listed securities of HK\$666,000 (2017: HK\$5,256,000) based on the market value of the listed securities as at 30 June 2018. The Group did not receive any dividend from its listed investment during the six months ended 30 June 2018 and 2017.

14. TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Trade payables	1,959	–
Trade payables arising from its Financial Services Business		
– Margin clients' account	–	–
– Cash clients' account	–	–
– Clearing house	4	238
	1,963	238
	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within 1 month	1,959	–
1 to 2 months	–	–
	1,959	–

The accounts payables are non-interest-bearing and are normally settled on 30-day term.



15. OTHER LOAN

There was a loan in the principal amount of HK\$24,966,000 as at 30 June 2018 (31 December 2017: HK\$22,763,000) with a carrying amount of HK\$17,923,000 (31 December 2017: HK\$16,225,000) from the subscribers of the Forestry and Agricultural Business which is unsecured, interest free and has a term of 10 years.

16. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary share of HK\$0.05 each at 1 January 2018, (audited) and 30 June 2018 (unaudited)	4,000,000	200,000	831,261,212	41,563

17. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements for terms of one to two years.

At 30 June 2018, the Group had the following future minimum lease payments under non-cancellable operating leases falling due:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within 1 year	781	1,108
In the second to fifth years, inclusive	253	781
	1,034	1,889

18. FAIR VALUE AND FAIR VALUE HIERARCHY

The management has assessed that the fair value of the cash and bank balances, trade receivables and financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturity of these instruments.

The fair value of the financial assets is stated at the amount at which the instrument could be exchanged in a current transactions between willing parties (other than in a forced or liquidation sale).

Fair value hierarchy

The following table provides an analysis of financial instruments which were measured at fair value at the end of each reporting period for recurring measurement and grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policies.

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)		
Equity investment at fair value through profit or loss	1,314	1,980	Level 1	Quoted bid prices in an active market
Equity investment at fair value through other comprehensive income	12,194	–	Level 3	Market approach: based on the target companies' financial performance and the multiples of comparable companies. The key inputs are: (1) Price-earnings ratio (2) Discount for lack of marketability.

There was no transfers among the different levels of the fair value hierarchy for the six months ended 30 June 2018 and the year ended 31 December 2017.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in this unaudited condensed consolidated interim results approximate their fair value.

19. EVENTS AFTER THE REPORTING PERIOD

As as the date of this report, the Group did not have any material events after the end of the reporting period.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS OVERVIEW

The Group is principally engaged in (i) the Forestry and Agricultural Business; (ii) the Financial Services Business; (iii) the Cultural Business; and (iv) the Logistics Business.

The revenue of the Group for the six months ended 30 June 2018 amounted to HK\$12.4 million (2017: HK\$12.7 million). The consolidated loss attributable to the equity holders of the Company slightly increased from HK\$21.2 million for the six months ended 30 June 2017 to HK\$22.1 million for the six months ended 30 June 2018 and was attributable to the net effect of the increase in administrative expenses and the decrease in the loss on financial assets at fair value through profit and loss. The basic and diluted loss per share for the six months ended 30 June 2018 was HK2.66 cents (2017: HK2.69 cents).

As the existing projects under the Cultural Business had been completed and new contracts were yet to be entered into, no revenue was recorded from this business segment during the reporting period.

Due to the delay in receiving the subsidies from the government of the PRC under its policies to encourage the country's development of renewable energy, the Group has made requests to the management of the solar power generating business (in which the Group has minority interest) for plans to raise fund.

The Group mainly operates in Hong Kong, Southeast Asia and the PRC and is exposed to foreign exchange risk. 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. The Group's business is also subject to a number of risks including the weather conditions, natural hazards, illegal loggings and the price movements of wood and agricultural produce.

FINANCIAL RESOURCES, BORROWINGS AND LIQUIDITY

During the six months ended 30 June 2018, the net cash outflow from operating activities amounted to HK\$28.6 million (2017: HK\$25.3 million) and the net cash inflow from investing activities amounted to HK\$1.0 million (2017: outflow of HK\$50.8 million) and net cash inflow from financing activities was HK\$1.9 million (2017: HK\$35.4 million). As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK\$25.7 million (2017: HK\$40.7 million) during the period.



As at 30 June 2018, the Group had total assets of HK\$110.4 million (31 December 2017: HK\$147.9 million) and total liabilities of HK\$80.1 million (31 December 2017: HK\$77.5 million). The Group's gearing ratio (calculated as percentage of the Group's total liabilities to total assets) at 30 June 2018 was 72.6% (31 December 2017: 52.4%). As at 30 June 2018, the Group did not have any outstanding bank borrowings (31 December 2017: Nil).

As at 30 June 2018, the Group's current assets amounted to HK\$65.4 million (31 December 2017: HK\$81.8 million), of which HK\$31.1 million (31 December 2017: HK\$56.9 million) was cash and bank balance, and current liabilities amounted to HK\$62.2 million (31 December 2017: HK\$61.3 million).

As at 30 June 2018, the net asset value of the Group amounted to HK\$30.3 million (31 December 2017: HK\$70.4 million) and the net asset value per share amounted to HK\$0.04 (31 December 2017: HK\$0.09).

CAPITAL COMMITMENT

During the six months ended 30 June 2018, the Group did not have any capital commitment.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, the Group did not make any significant investment and any material acquisition/disposal.

CHARGE ON ASSETS OF THE GROUP

As at 30 June 2018, no asset of the Group was pledged.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group and the Company did not have any material outstanding contingent liabilities.





EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are disclosed in note 19 to this interim results report.

PROSPECTS

The Forestry and Agricultural Business has remained difficult during the reporting period due to the continuous concerns on environmental protection and preservation of forest land, as well as the complex political environment of Cambodia and stringent control over the forestry business by the Cambodian government. Moreover, the volatile administrative policies of the Cambodian government, the fierce market competition and the fluctuating product prices will continue to adversely affect the development of this business segment. The Group will closely monitor the performance of this business segment and adjust its strategy as and when appropriate. In order to diversify its income sources, the Group will continue to develop its financial services business. Going forward, the Group will keep abreast and seize business opportunities to enhance its financial condition and business performance.

EMPLOYEES' INFORMATION AND BENEFIT SCHEMES FOR THE EMPLOYEES

As at 30 June 2018, the Group had 56 (31 December 2017: 70) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition. In April 2018, the Company established a share award scheme as part of its incentive arrangement to encourage employees for their continuing positive contributions to the Group. As at the date of this report, such share award scheme held convertible bonds in the principal amount of HK\$18 million.



OTHER INFORMATION

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

As at 30 June 2018, 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 GEM Listing Rules were as follows:

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

Notes:

1. represents the number of share options granted to the Directors under the Share Option Scheme.
2. based on 831,261,212 shares in issue as of 30 June 2018.



SHARE OPTION SCHEME

Pursuant to the share option scheme approved by the shareholders of the Company on 10 June 2011, the Company may grant options to eligible participants to subscribe for the Shares (the principal terms of such share option scheme 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 of the Company during the Reporting Period are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share	Number of share options					% of shareholding of the Company (Note 2)
				As 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2018	
Directors	10-11-2017	10-11-2017 to 9-11-2019	HK\$0.099	10,806,395 (Note 1)	-	-	-	10,806,395	1.3%
Employees	10-11-2017	10-11-2017 to 9-11-2019	HK\$0.099	16,625,224	-	-	-	16,625,224	2%
	13-11-2017	13-11-2017 to 12-11-2019	HK\$0.099	4,156,307	-	-	-	4,156,307	0.5%
Consultants	10-11-2017	10-11-2017 to 9-11-2019	HK\$0.099	49,875,672	-	-	-	49,875,672	6%
	13-11-2017	13-11-2017 to 12-11-2019	HK\$0.099	1,662,523	-	-	-	1,662,523	0.2%

Notes:

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

Name	Capacity of Interest	Number of Ordinary Shares held	Number of underlying Shares held	Percentage of shareholding in the Company <i>(Note 2)</i>
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	1.3%

2. based on 831,261,212 Shares in issue as of 30 June 2018.

In accordance with the terms of the share option scheme, the options granted in 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 30 June 2018, no other directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the period 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 30 June 2018, so far as is known to any of the directors or the chief executive of the Company, the following persons (other than a director and the chief executive of the Company as disclosed above) had interest 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 meetings of the Company.

Name of shareholders	Capacity of interests	Number of ordinary shares held	Number of underlying shares held	Approximately percentage of shareholding in the Company (Note)
China Wah Yan Healthcare Limited and its subsidiaries	Corporate owner	237,293,772	–	28.55%

Note: based on 831,261,212 shares of the Company in issue as of 30 June 2018.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2018 (2017: Nil).

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 30 June 2018 or during the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made enquiry to all Directors and each of them has confirmed that he/she has complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the six months ended 30 June 2018.

COMPETING INTERESTS

None of the directors, or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or have any other conflicts of interests with the Group for the six months ended 30 June 2018.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, except for the office of the chief executive officer of the Company is vacated. The Board will continue to review 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.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee"), as at the date of this interim results report, comprises three members, all being independent non-executive Directors. The chairperson of the Audit Committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Hung Kenneth. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports/results announcement, 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 systems; 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.

The Audit Committee has reviewed this unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 and was of the opinion that the preparation of the unaudited condensed consolidated interim results is complied with applicable accounting standards, the GEM Listing Rules and that adequate disclosures had been made.

By order of the Board
Chan Ching Hang
Chairman of the Board

Hong Kong, 14 August 2018