中國海景控股有限公司

Sino Haijing Holdings Limited

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 01106)

2017
Annual Report

This report, in both English and Chinese versions, is available on the Company's website at www.1106hk.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

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Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Share Registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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EXECUTIVE DIRECTORS

Ms. Li Zhenzhen *(Chairman)*
Mr. Cheng Chi Kin
Mr. Lam Wai Hung
Mr. Wang Xin
Mr. Wei Liyi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Li Yang
Mr. Pang Hong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2816, 28th Floor
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

AUTHORISED REPRESENTATIVES

Ms. Li Zhenzhen
Mr. Tsui Siu Hung Raymond

AUDIT COMMITTEE

Mr. Lee Tao Wai *(Chairman)*
Mr. Lam Hoi Lun
Mr. Pang Hong

REMUNERATION COMMITTEE

Mr. Wei Liyi *(Chairman)*
Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Pang Hong

NOMINATION COMMITTEE

Ms. Li Zhenzhen *(Chairman)*
Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Pang Hong

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank Of East Asia
HSBC
Bank of Communications
DBS Bank (Hong Kong) Limited
Shanghai Pudong Development Bank (Hefei)
China Construction Bank (Hefei)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited Level 22
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

STOCK CODE

01106

COMPANY'S WEBSITE

www.1106hk.com

Directors and Senior Management

Biographical details of each of director of the Company (the "Director") and the senior management of the Group are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Li Zhenzhen, aged 33, was appointed as executive Director on 30 December 2015 and the chairman of the Company on 5 April 2016. She graduated from the Guangxi University with a bachelor degree. Ms. Li has been working in senior role in listed company for many years and she has good knowledge of corporate financing and business operation. Ms. Li is a former independent non-executive director of Ding He Mining Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 705). She is also a former chairman of board of supervisors of Guanghe Landscape Culture Communication Co., Ltd, Shanxi, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600234.SH) from 23 September 2014 to 31 March 2016.

Mr. Cheng Chi Kin, aged 49, was appointed as executive Director on 15 February 2017. He obtained a Degree in Business Studies from University of Glamorgan in 1992 and a Master Degree in Business Administration from Cardiff Business School in 1993. Mr. Cheng has been a non-executive director of IRC Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1029), since 3 February 2017. Mr. Cheng is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of International Accountants. He is also a Chartered Marketer of Chartered Institute of Marketing and a member of Institute of Management Accountants. Mr. Cheng has over 25 years of experience in corporate finance, accountancy, and investment banking, with investment experience in real estates, infrastructure and natural resources industries.

Mr. Lam Wai Hung, aged 38, was appointed as executive Director on 19 March 2015. He holds a Bachelor of Accounting and Finance Degree from Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. He had been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance. Mr. Lam is a former executive director of Jinheng Automotive Safety Technology Holdings Limited (Stock Code: 872), a company listed on the main board of the Stock Exchange from 2 September 2014 to 15 July 2016. Mr. Lam was also a former company secretary and authorized representative of GET Holdings Limited (Former Name: M Dream Inworld Limited) (Stock Code: 8100), a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange from 31 May 2011 to 1 August 2013.

Directors and Senior Management

Mr. Wang Xin, aged 42, was appointed as executive Director on 5 April 2016. He graduated from Xi'an Jiaotong University and majored in tourism management in the People's Republic of China (the "PRC") in July 1997. Mr. Wang has over 20 years' experiences in hotel, real estate and tourism. He was a former executive director of Guanghe Landscape Culture Communication Co., Ltd, ShanXi (a company listed on The Shanghai Stock Exchange with stock code: 600234) ("Landscape Culture") and 廣西山水盛景投資有限公司 (Guangxi Landscape Shengjing Investment Limited), a subsidiary company of Landscape Culture. Mr. Wang was the chairman of the board, chairman of strategy and planning committee, a member of remuneration committee and nomination committee of Landscape Culture from September 2014 to July 2015. Moreover, Mr. Wang was the vice general manager of 廣西印象劉三姐旅遊文化產業投資有限責任公司 (Guangxi Yinxiang Liu Sanjie Tourism Culture Industrial Investment LLC) from December 2012 to September 2014 and 廣西恒升集團有限公司 (Guangxi Hengsheng Group Limited) from May 2008 to December 2012. He has also been the executive director of Ngai Shun Holdings Limited, a company listed on the Stock Exchange (stock code: 1246), from March 2016 to August 2016.

Mr. Wei Liyi, aged 40, was appointed as non-executive Director on 5 April 2016 and has been re-designated from a non-executive Director to an executive Director with effective from 4 August 2016. He graduated from General Institution of Higher Education of Dongbei University of Finance and Economics and majored in Finance Management in the PRC in July 2013. Mr. Wei has worked in various industries including corporate management, finance and financing. He was a deputy general manager of 廣西恒源融資性擔保有限公司 (Guangxi Hengyuan Financing Guarantee Company Limited) and has over 15 years' extensive experiences and solid knowledge in finance and financing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun, aged 41, was appointed as independent non-executive Director on 13 July 2016. He has over 15 years of experience in auditing, accounting and corporate field. He holds a Bachelor Degree in Business Administration in Accountancy from The Hong Kong Polytechnic University and was admitted as a fellow member of the Association of the Chartered Certified Accountants in March 2010 and a fellow member of the HKICPA in October 2013. Currently, Mr. Lam is one of the partners of a registered firm of certified public accountants (practising) in Hong Kong. Mr. Lam was a former company secretary of China E-Learning Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8055).

Mr. Lee Tao Wai, aged 39, was appointed as independent non-executive Director on 13 July 2016. He is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and has over 15 years of experience in auditing, accounting and corporate field. Mr. Lee holds a Bachelor Degree in Business Administration in Professional Accountancy from The Chinese University of Hong Kong, a Master Degree in Investment Management from The Hong Kong University of Science and Technology and a Master Degree in International Economic Law from The Chinese University of Hong Kong. Mr. Lee worked in an international accounting firm and a listed company in Hong Kong as senior executive. He was an independent non-executive director of Seamless Green China (Holdings) Limited, a company listed on Growth Enterprise Market ("GEM") of the Stock Exchange (stock code: 8150), from October 2009 to February 2012. Currently, he is the company secretary of King Stone Energy Group Limited, a company listed on the Stock Exchange (stock code: 663).

Directors and Senior Management

Mr. Li Yang, aged 46, was appointed as independent non-executive Director on 15 February 2017. He obtained a junior college degree of Electronic Engineering from Shenzhen University. He completed an EMBA programme and obtained his EMBA from Shenzhen College of Economics and Management. Mr. Li also completed a master degree programme of the Graduate School of Chinese Academy of Social Sciences, majoring in World Economics. Mr. Li has approximately 20 years of extensive experience in investment activities and business management. Currently, Mr. Li is a Deputy Chairman of China Best Group Holding Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 370). He is currently also assuming senior executive positions in several capital investment or management companies.

Mr. Pang Hong, aged 64, was appointed as independent non-executive Director on 14 April 2015. He had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. He is currently an independent non-executive director of SMI Holdings Group Limited (Stock Code: 198), a company listed on the main board of the Stock Exchange. Mr. Pang was also a former executive director of PacMOS Technologies Holdings Limited (Stock Code: 1010) and a former independent non-executive director of Dragonite International Limited (Stock Code: 329), the shares of which are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 41, is the company secretary of the Company. Mr. Tsui obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong in July 1999. His major subject was professional accountancy. He is a fellow member of the Association of the Chartered Certified Accountants and a fellow member of the HKICPA. Mr. Tsui has been one of the partners of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and the GEM of the Stock Exchange: China Healthcare Holdings Limited (Stock Code: 673) since March 2009, Vongroup Limited (Stock Code: 318) since February 2010, Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015 and Ocean One Holding Ltd. (Stock Code: 8476) since October 2017, respectively. He joined the Group in December 2015.

Directors' Business Review

The board of directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein presents the audited annual results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the past, the principal activities of the Group mainly focus on the production and sale of expanded polystyrene ("EPS") packaging products for household electrical appliances ("Packaging Business") in the PRC. Started from year 2016, in order to diversify the business of the Group, the Group has been exploring for appropriate opportunities for different investment projects, including, but not limited to the tourism and travel industry, entertainment and cultural industry and money lending business.

PACKAGING BUSINESS

For the year under review, the revenue from Packaging Business was approximately HK$686.0 million, representing an increase of 21.3% as compared to approximately HK$565.6 million for the corresponding year in 2016.

Gross profit of the Packaging Business was approximately HK$106.1 million for the year 2017, representing an increase of approximately 6.3% as compared to approximately HK$99.8 million for the corresponding year in 2016. The overall gross profit margin was decrease from 17.6% in 2016 to 15.5% in 2017. During the year, the Packaging Business recorded segment profit of approximately HK$53.9 million (2016: approximately HK$43.9 million).

TOURISM AND TRAVEL BUSINESS

The revenue for the year contributed from Tourism and Travel Business was approximately HK$169.9 million (2016: approximately HK$3.1 million) and the gross profit was approximately HK$16.2 million (2016: gross loss of approximately HK$0.5 million). Given that the Group acquired Arch Partners Holdings Limited and its subsidiaries (the "Arch Partners Group") and Incola Travel Limited and its subsidiary (the "Incola Travel Group") which are principally engaged in the business of air-ticket agency and outbound tourism business in the first half of 2017, the revenue from Tourism and Travel Business was significantly increased as compared to the corresponding year in 2016. During the year, the Tourism and Travel Business recorded segment loss of approximately HK$9.9 million (2016: approximately HK$18.9 million).

The Tourism and Travel Business of the Group is still in development stage and the management will strive its best to develop this new segment. The Group will also keep looking for the opportunities to explore different potential investments for tourism and travel industry from time to time.

Directors' Business Review

SECURITIES INVESTMENTS

The Group has invested in a portfolio of listed securities in Hong Kong, Singapore, Australia and Malaysia. The investments are designated and accounted for as financial assets at fair value through profit or loss, available-for-sale financial assets and investment in an associate in the consolidated financial statements.

During the year, the Group disposed most of the investments in Hong Kong, Singapore and Malaysia and recorded a profit of approximately HK$1.7 million (2016: a profit of approximately HK$60.0 million). The profit in 2016 was primarily due to the gain on bargain purchase from the investment in Yong Tai Berhad ("Yong Tai"), a company listed on the Main Market of Bursa Malaysia Securities Berhad. The profit in 2017 was primarily due to the disposals of investments in Malaysia, the investments in Malaysia were originally acquired as a long-term and strategic investment which the Board believed that it would provide a reasonable strategic investment opportunity for the Company and enable the Group to generate sustainable and attractive returns for the shareholders. However, the Group was approached by the Purchasers who have provided attractive offers. Therefore, the Board considers that such disposal provides the Group with a good opportunity to realise the investment and enhance the cash flow of the Group.

In view of the volatile stock market in recent years, the Group will closely monitor the performance of investment portfolio and adopt relatively conservative investment strategy to minimise the risk exposure and uncertainty of returns from securities investments.

MONEY LENDING BUSINESS

The Money Lending segment has recorded a steady growth since the commencement of business in June 2016. As at 31 December 2017, the loan portfolio was approximately HK$667.1 million (31 December 2016: approximately HK$354.4 million) with terms of one year at effective interest rates ranging from 10% to 16% (2016: 10% to 15%) per annum. For the year ended 31 December 2017, the Group recorded interest income from the loan portfolio of approximately HK$65.3 million (2016: approximately HK$11.4 million).

DISCONTINUED OPERATION – HEALTHCARE BUSINESS

The revenue earned from Healthcare business in 2017 is approximately HK$6.5 million (2016: approximately HK$1.8 million). In November 2017, an independent purchaser has provided offer at a total consideration of HK$100 million to acquire the Healthcare business. The management consider the disposals of Xian Tai International Limited and its subsidiaries (the "Xian Tai Group") offer a good opportunity for the Group to commit the financial resources to its existing and prospective businesses which would have higher potential growth in future. Hence, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in Xian Tai Group at a total consideration of HK$100 million in November 2017. The disposal was completed on 30 November 2017.

Directors' Business Review

DISCONTINUED OPERATION – TICKETING AGENCY BUSINESS

The revenue for the year contributed from ticketing agency business was approximately HK$28.5 million (2016: approximately HK$24.8 million). During the year, the ticketing agency business recorded segment loss of approximately HK$3.2 million (2016: approximately HK$2.7 million). The loss is mainly due to an impairment loss on intangible asset of approximately HK$16.1 million (2016: HK$nil) and an impairment loss on goodwill of approximately HK$14.7 million (2016: approximately HK$27.0 million) recognised during the year. In view of the failure in application of ticket price increment of the show "Impression – Liu Sanjie" from the PRC local government, the Board considers the disposal of this business offer a good opportunity for the Group to commit the financial resources to its existing and prospective businesses which would have higher potential growth in future. The total consideration for the disposal of ticketing agency business is HK$110 million. The disposal was completed on 16 November 2017.

REVENUE

Revenue for the year was approximately HK$921.2 million, representing a significant increase of approximately 58.8% as compared to approximately HK$580.1 million for the corresponding year in 2016. One of the reasons is due to the newly acquired subsidiaries which principally engaged in air-ticket agency and outbound tourism business have contributed revenue of approximately HK$160.7 million during the year. In addition, the revenue from Money Lending Business and Packaging Business were growth by approximately HK$53.9 million and HK$120.4 million, respectively, compared to corresponding year in 2016.

GROSS PROFIT

Gross profit for the year was approximately HK$181.6 million, representing an increase of approximately 64.2% as compared to approximately HK$110.6 million for the corresponding year in 2016. The increase was primarily due to the contribution from Money Lending Business, which recorded gross profit of approximately HK$65.3 million (2016: approximately HK$11.4 million) during the year. The overall profit margin for the year increased from 19.1% to 19.7%.

OTHER REVENUE AND OTHER INCOME

Other revenue and other income was approximately HK$9.9 million for the year, representing an increase of approximately 31.2% as compared to approximately HK$7.6 million for the corresponding year in 2016.

Directors' Business Review

GAIN ON BARGAIN PURCHASE ON ACQUISITION OF AN ASSOCIATE

In last year, the Group recorded a gain on bargain purchase on acquisition of an associate of approximately HK$84.7 million, which is arising from the acquisition of 39.44% shareholding in Yong Tai at a consideration of approximately HK$208.3 million. The acquisition price was determined with relevance to the market price of Yong Tai's shares on the Main Market of Bursa Malaysia Securities Berhad as at the proposed acquisition date. Afterwards, the carrying value and the fair value have both increased as at the completion date of the acquisition, resulting in a gain on bargain purchase. The gain on bargain purchase is mainly attributable to the Group's capability in negotiating the terms of the transaction in favour of the Group. The principal activities of Yong Tai are manufacturing and dyeing of all types of fabric and property development.

GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the year, the Group sold 182,500,000 irredeemable convertible preference shares ("ICPS") of Yong Tai Berhad ("Yong Tai"), which is listed on the Main Market of Bursa Malaysia Securities Berhad, through securities broker on the Main Market of Bursa Malaysia Securities Berhad at the price of RM0.9 for each ICPS. The aggregate consideration for the sale IPCS is RM164,250,000 (equivalent to approximately HK$296,662,000). Based on the original acquisition cost of RM0.80 for each ICPS, the Group realised a gain of approximately HK$26.9 million resulting from such disposal. The Group has used the proceeds as its general working capital and for financing any investment opportunities which may be identified by the Group from time to time. After the abovementioned disposal, the Group has remained holding 17,500,000 ICPS in Yong Tai at the end of the reporting period.

NET REALISED LOSS ON DISPOSAL OF AN ASSOCIATE

In last year, the Group subscribed 150,000,000 ordinary shares of Yong Tai at the issue price of RM0.80 (equivalent to approximately HK$1.48) per subscription share. During the first half of 2017, the Group sold an aggregate of 150,000,000 ordinary shares at the price of RM1.10 to independent third parties. The aggregate gross sale proceeds is approximately RM165,000,000 (equivalent to approximately HK$289,874,000). The sale shares were originally acquired as a long-term and strategic investment which the Board believed that it would provide a reasonable strategic investment opportunity for the Company and enable the Group to generate sustainable and attractive returns for the shareholders. However, the Group was approached by the purchasers who have provided offers at the price of RM1.10 for each ordinary share. Therefore, the Board considers that such disposal provides the Group with a good opportunity to realise the investment and enhance the cash flow of the Group. The net realised loss on disposal of an associate during the year is approximately HK$18.9 million. During the year ended 31 December 2016, a gain on bargain purchase on acquisition of an associate of approximately HK$84.7 million was recorded by the Group. At 31 December 2017, the Group has no longer hold any Yong Tai ordinary shares.

Directors' Business Review

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses increased by 11.8% to approximately HK$147.1 million in 2017 from approximately HK$131.6 million in 2016. This was primarily due to several newly acquired or established subsidiaries related to Tourism and Travel Business.

FAIR VALUE CHANGE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2017, the financial assets at fair value through profit or loss amounted to approximately HK$5.6 million. The investments represent a Hong Kong listed equity securities and listed securities in Shenzhen Stock Exchange.

The Group recorded an unrealised loss on financial assets at fair value through profit or loss of approximately HK$1.0 million during the year (2016: HK$nil). The Board will closely monitor the performance of the investment portfolio and will diversify the investment portfolio across various segments of the market.

NET REALISED LOSS ON DISPOSAL OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has invested in a portfolio of listed securities in Hong Kong. The investments are designated and accounted for as financial assets at fair value through profit or loss in the consolidated financial statements. During the year, the Group disposed most of the investments in Hong Kong and recorded a realised loss of approximately HK$8.3 million (2016: approximately HK$25.7 million). The Board considers that such disposal enhance the cash flow of the Group.

In addition, the Group sold 42,000,000 Lorenzo International Limited's shares (the "Lorenzo Shares") through its securities broker off the Singapore Stock Market at the price of S$0.036 per share in October 2017. The aggregate consideration for the Lorenzo Shares is S$1,512,000 (equivalent to approximately HK$8.7 million). Based on the original acquisition cost of S$0.03 for each Lorenzo Share, the selling price of S$0.036 for each Lorenzo Share and the total brokerage fee of approximately S$3,780, the Group realised a net gain of approximately S$248,220 (equivalent to approximately HK$1.7 million) resulting from the disposal. At 31 December 2017, the Group no longer holds any share in Lorenzo International Limited.

Directors' Business Review

ALLOWANCE FOR LOANS AND INTEREST RECEIVABLES

During the year ended 31 December 2017, there is a loan to Siam Air Transport Co., Ltd. ("Siam Air") with principal amount of approximately HK$40,807,000 (the "Loan"), which expired in 2017 and Siam Air failed to repay the loan and the interests accrued thereon of approximately HK$46,204,000 as at 31 December 2017.

Given that Siam Air was failure to renew the air operator's certificate and ceased its operation in December 2017, the directors of the Company considered that the likelihood of recovery of the amounts being very remote and full impairment loss of approximately HK$46,204,000 has been made during the year ended 31 December 2017.

LOSS ON CHANGE IN FAIR VALUE OF CONVERTIBLE BONDS

During the year, the Group recognised a loss on fair value change of approximately HK$18.7 million as a result of subsequent re-measurement of the fair value of the convertible bond with principal amount up to HK$112,000,000 issued on 21 April 2017. The fair value of the convertible bonds were based on a valuation report issued by an independent and professional qualified valuer.

SHARE OF RESULTS OF AN ASSOCIATE

The share of results of an associate of approximately HK$0.3 million (2016: HK$1.8 million) is contributed by an associate, Yong Tai, which was acquired in December 2016. The associate was fully disposed during the year.

FINANCE COSTS

Finance costs for the year were approximately HK$72.6 million, representing a significant increase of approximately 83.3% as compared to approximately HK$39.6 million for the corresponding year in 2016. The increase of finance costs was mainly due to additional borrowings were raised for developing new business and for general working capital of the Group during the year. In addition, the Company has issued notes in an aggregate principal amount of HK$200.0 million which carries 10% interest per annum in November 2016 and January 2017, resulting in an increase of finance costs.

Directors' Business Review

INCOME TAX EXPENSES

Income tax expenses decreased by 34.8% to approximately HK$4.3 million in 2017 from approximately HK$6.6 million in 2016.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

As a result of the factors described above, loss attributable to equity holders of the Company from continuing operations for the year was approximately HK$92.6 million, a significant increase of approximately HK$73.9 million as compared to approximately HK$18.7 million for the corresponding year last year.

DISCONTINUED OPERATION

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in Xian Tai International Limited, a wholly owned subsidiary, which is principally engaged in the provision of management services on the operation of physical therapy and healthcare massage shops in the PRC, at a total consideration of HK$100,000,000, which was settled by cash consideration of HK$20,000,000 and a promissory notes issued by the purchaser with a face value of amount of HK$80,000,000. The disposal was completed on 30 November 2017, since then, the Group has no more control of Xian Tai International Limited.

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of all equity interest in Master Race Limited, an indirect 85% owned subsidiary, which is principally engaged in ticketing agency business, at a total consideration of HK$110,000,000, which was settled by cash consideration of HK$22,000,000 and a promissory notes issued by the purchaser with a face value of amount of HK$88,000,000. The disposal was completed on 16 November 2017, since then, the Group has no more control of Master Race Limited.

The Group recorded an aggregated net loss from disposals of subsidiaries of HK$17.3 million during the year. In respect of the discontinued operation, net profit for the year amounted to approximately HK$84,000 (2016: net loss of approximately HK$9.6 million). Detail of the results of the discontinued operation is presented in Note 14 to the consolidated financial statements.

IMPAIRMENT LOSS ON GOODWILL AND INTANGIBLE ASSET

During the year, the Group made a provision for impairment loss on goodwill in respect of ticketing agency business in Master Race Group of approximately HK$14.7 million and for impairment loss on intangible asset in respect of ticketing agency right of performance show "Impression – Liu Sanjie" of approximately HK$16.1 million. The reason of recognising such impairment losses is primarily due to a failure of the application for ticket price increment which had been submitted to the PRC local government.

Directors' Business Review

In June 2017, the Group received a preliminary response from the PRC local government which indicated that it would like to maintain the competitiveness of tourism industry in Guangxi Province and the ticket price shall remain unchanged in near future. It was a preliminary response from the PRC local government and was not yet finalized. In early August 2017, the PRC local government further confirmed with the Group that the ticket price shall remain unchanged in near future. Hence, in early August 2017, the management became aware that there was an indication that the assets, including the goodwill and intangible asset, may be impaired during the year and certain key assumptions previously used in assessing the recoverable amounts of the goodwill and intangible asset for the preparation of the 2016 Annual Report, shall be adjusted in light of the new developments.

In August 2017, after knowing that the ticket price shall remain unchanged in near future, the management performed an impairment assessment on the goodwill and intangible asset during the year. The recoverable amount of the goodwill and intangible asset has been determined by the management with reference to the valuations previously conducted by an independent professional valuer after adjusting certain key assumptions, including the growth rate for ticket price in 2017, which had been adjusted from 5% to 0%. In addition, the average growth rate in income per ticket from 2018 to 2021 had been adjusted from 3% to 0%. This resulted in the recognition of an impairment loss on goodwill of approximately HK$14.7 million and impairment loss on intangible asset of approximately HK$16.1 million during the year.

LOSS ON DISPOSALS OF SUBSIDIARIES

The Board considers the disposals of these two business lines enable the Group to reduce operation costs and offer a good opportunity for the Group to commit the financial resources to its existing and prospective businesses which would have higher potential growth in future.

BUSINESS REVIEW AND OUTLOOK

During the year, the Group's Packaging Business, representing production and sale of expanded polystyrene packaging products for household electrical appliances in the PRC, continued to provide steady revenue and cash flow to the Group and recorded revenue of approximately HK$686.0 million, representing an increase of 21.3% compared to the last year.

Directors' Business Review

For securities investments, the Group disposed most of the investments in Hong Kong, Singapore and Malaysia and recorded a profit of approximately HK$1.7 million (2016: a profit of approximately HK$60.0 million) during the year. The Board considers that such disposal provides the Group with a good opportunity to realise the investment and enhance the cash flow of the Group. In view of the volatile stock market in recent years, the Group will closely monitor the performance of investment portfolio and adopt relatively conservative investment strategy to minimise the risk exposure and uncertainty of returns from securities investments.

The Group has commenced Money Lending Business with the money lender licence in Hong Kong under the Money Lenders Ordinance from the second half of 2016. During the year, interest income of approximately HK$65.3 million (2016: approximately HK$11.4 million) from loans and interest receivables was recognised in the income statement.

Started from 2016, the Group is investing in an operations of a show tentatively titled "Dream Memory – Halong Bay" in Halong City, Vietnam (the "show") in order to fully develop tourism resources in the city. The Group is responsible for development and operation of the show. The construction period of the show, including the production of script, construction of performance stage, training of performance actors/actresses and obtaining relevant approval and licenses from the Vietnam Central Government is expected from the end of 2016 to the end of 2018. The projected return of the show is expected to begin starting from year 2019. In recent years, the tourism industry in Vietnam has grown rapidly and the economic benefits are remarkable, of which Halong Bay is renowned for its natural landscape and scenic beauty. The show will be set in the middle of the sea in Halong Bay with mountains as its background, which reflects the harmonious atmosphere between human beings and the nature. As at the date of this annual report, the Group has obtained preliminary approval from the Vietnam Local Government in Halong Bay for the operation of the show. Since the Group is still awaiting for the final approval from the Vietnam Central government, the construction of performance stage and relevant facilities was yet to commence.

On 28 February 2017, the Group acquired 95% equity interests of Incola Travel Limited ("Incola Travel") at a consideration of approximately HK$4,404,000. Incola Travel is a company incorporated in Hong Kong with limited liability. It is a travel related investment holding company, which together with its wholly-owned subsidiary in Hong Kong, Incola Air Services Limited, are principally engaged in the business of air-ticket agency business. The Board believes that the potential for developing high yield travel services and products, such as special interest tours, are the next profitable step to take in light of greater interest among the population in Hong Kong for overseas exposure. During the year, Incola Travel and its subsidiary contributed revenue of approximately HK$2.2 million to the Group.

Directors' Business Review

On 21 April 2017, the Company completed the acquisition 100% equity interest of Arch Partners Holdings Limited ("Arch Partners") at a consideration of approximately HK$154.7 million. Arch Partners and its subsidiaries are principally engaged in provision of outbound travel, aircraft charter and business travel business. During the year, Arch Partners and its subsidiaries contributed revenue of approximately HK$158.5 million and profit of approximately HK$9.2 million to the Group.

On 6 March 2017, the Group entered into a letter of intent (the "Letter of Intent") with an independent third party. Pursuant to the Letter of Intent, the Group intends to acquire not more than 60% of the issued share capital in Chung Sun Financial Holding Limited ("Chung Sun"). Chung Sun and its subsidiaries are principally engaged in the business of trading securities. One of the wholly owned subsidiaries of Chung Sun has been granted Type 4 and 9 Licences by the Securities and Futures Commission of Hong Kong (the "SFC"). A refundable deposit of HK$5,000,000 was paid upon signing the Letter of Intent. The Board is of the view that the proposed acquisition provides opportunities to the Group to broaden its business portfolio so as to improve the Group's financial status in the long term. On 14 November 2017, the Group and another independent third party entered into the sale and purchase agreement pursuant to which the Group has conditionally agreed to purchase the sale shares (representing 40% of the issued share capital of Chung Sun) at the consideration of HK$9,334,360. A deposit of HK$5,000,000 was paid upon signing the sale and purchase agreement. The remaining balance of the consideration of HK$4,334,360 shall be paid upon approval by the SFC of the transfer of the Sale Shares or on the date falling 6 months immediately after the date of the sale and purchase agreement, whichever occurs the earlier.

On 4 May 2017, the Group entered into a letter of intent (the "Letter of Intent") with an independent third party. Pursuant to the Letter of Intent, the Company intends to acquire part of the issued share capital in Oriental Queen Co., Ltd. ("Oriental Queen"). Oriental Queen is principally engaged in the business of business of catering and cultural performance in Thailand. The Board is of the view that the proposed acquisition provides opportunities to the Company to broaden its business portfolio so as to improve the Group's financial status in the long term. The proposed acquisition will enable (i) the development of the Group's tourism business in Asia region; (ii) the creation of synergies with the travel agency business of the Group; and (iii) the enhancement of the competitiveness of the Group in the tourism industry in Asia, in particular the South East Asia region. A refundable deposit of HK$5,000,000 was paid upon signing the Letter of Intent. On 15 September 2017, the Group and the Vendors further entered into the Sale and Purchase Agreement at the consideration of approximately THB1,280,000,000 (equivalent to approximately HK$302,080,000). Details of the proposed acquisition were set out in the announcement of the Company dated 4 May 2017, 3 July 2017, 15 September 2017, 26 September 2017, 27 October 2017 and 14 March 2018.

On 6 June 2017, the Group entered into a Memorandum of Understanding with China Northern Investment & Construction Company Limited in relation to, among other things, (i) the proposed formation of a joint venture company (the "Proposed Joint Venture") (ii) the Proposed Joint Venture will form a Special Purposed Venture (the "SPV") with a domestic risk & strategic management company together provide insurance services to Chinese enterprises who have construction and other projects along the "Belt & Road" nations, including accident and labor insurance for employees. Since the Group is developing tourism business in Southeast Asian nations, the Board believes that the Proposed Joint Venture and SPV can expand and strengthen the Group's presence in Southeast Asia and enhance the Group's overall competitiveness to achieve better financial performance. Details of the proposed acquisition were set out in the announcement of the Company dated 6 June 2017.

On 12 July 2017, the Group entered into a Memorandum of Understanding (the "MOU") with an independent third party which the Group intends to acquire entire issued share capital in Amazing Sunrise Limited (the "Target Company") (the "Possible Acquisition"). After the reorganization, the Target Company will hold 100% equity interest in Kunming Yihui Times Building (昆明羲輝時代大廈) with a fair value of approximately RMB1,000,000,000, which is located in the core business district of Kunming Xishan District. Kunming Yihui Times Building is invested and constructed by Kunming Yihui Property Development Co., Ltd. (昆明羲輝房地產開發有限公司). The consideration for the Possible Acquisition shall be approximately RMB1,000,000,000. The exact amount, the manner and the method of payment of the consideration for the sale and purchase of the Target Company will be negotiated based on the results of the due diligence investigation to be conducted by the Group on the Target Company. The Group had paid a sum of refundable deposit HK$40,000,000.00 in cash. Details of the proposed acquisition were set out in the announcement of the Company dated 12 July 2017 and 18 January 2018.

The Group is committed to create a full chain of tourism industry. Given that there is tremendous growth potential of Cambodia tourism industry, the Group has established a subsidiary "Cambodian MJ Airlines Co., Ltd." in Cambodia this year. The Group is obtained preliminary approval from government of Cambodia and is currently seeking permission from the Cambodian Aviation Authority to provide air services.

Directors' Business Review

Facing the fierce competition of the EPS packaging industry in the PRC, the Group continues to take effort to maintain its competitiveness of packaging business including enhancing production technology and cost control, and on the other hand, explore other business opportunities with greater market potential in the PRC and Southeast Asia. As such, the Group has stepped into tourism, entertainment and cultural industries, which are considered as booming industries in recent years and are not significantly affected by economic cycle, through a series of acquisitions. To finance the operation of the Group, the Group had completed the placement exercise of 1,230,560,000 ordinary shares of HK$0.13 each on 14 June 2017 which not only provide sufficient funding to the projects but also broaden shareholders base of the Company.

With strong management team who has solid experience in tourism, entertainment and cultural industries, the Company is optimistic about the prospects of the new projects in the PRC and Southeast Asia. It is expected that these new projects will generate considerable returns to the Group in the future. The Group will continue to review the performance of business portfolios and seek for other potential acquisition opportunities from time to time.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts conservative treasury policies in cash and financial management. As at 31 December 2017, the Group's current assets amounted to approximately HK$1,225.2 million (31 December 2016: approximately HK$735.1 million) of which approximately HK$5.6 million (31 December 2016: approximately HK$0.4 million) were financial assets at fair value through profit or loss and approximately HK$115.9 million (31 December 2016: approximately HK$22.5 million) were cash and bank balances. Cash and bank balances is mostly denominated in Hong Kong dollars and Renminbi. The Group's current liabilities amounted to approximately HK$861.7 million (31 December 2016: approximately HK$958.7 million) of which mainly comprised its trade and other payables of approximately HK$184.7 million (31 December 2016: approximately HK$165.9 million), notes payable of HK$464.0 million (31 December 2016: HK$360.0 million) and interest-bearing bank and other borrowings of approximately HK$150.1 million (31 December 2016: approximately HK$374.4 million), while the Group's non-current liabilities amounted to approximately HK$12.5 million which comprised of the deferred tax liabilities and bonds payable (31 December 2016: approximately HK$37.7 million which represented the deferred tax liabilities).

As at 31 December 2017, the Group's interest-bearing bank and other borrowings of approximately HK$150.1 million (31 December 2016: approximately HK$374.4 million) were repayable within one year, which were secured by the Group's buildings, lease premium for land, trade receivables and pledged bank deposits. As at 31 December 2017, HK$nil (31 December 2016: HK$251.6 million) and HK$150.1 million (31 December 2016: HK$122.8 million) were denominated in HK$ and RMB, respectively. As at 31 December 2017, bank and other borrowings of approximately HK$52.6 million (31 December 2016: HK$292.9 million) and HK$97.5 million (31 December 2016: HK$81.5 million) were interest-bearing at fixed and variable interest rates of 5.60% to 7.00% and 4.35% to 7.00% (2016: 4.79% to 24.0% and 4.79% to 6.40%) respectively.

Directors' Business Review

As at 31 December 2017, the Group had two outstanding interest-bearing notes. One with principal amount of HK$280.0 million (31 December 2016: HK$280.0 million) which was interest-bearing at 8.6% (2016: 8%) per annum, originally maturing on 21 April 2017. On 21 April 2017 and 21 July 2017, the Group and the only holder of the notes entered into deeds for the amendment of the instrument of the notes (the "Deeds of Amendment"). Pursuant to the Deeds of Amendment, the maturity date of the notes is extended from 21 April 2017 to 21 April 2018 with interest rate increased to 8.6% per annum for the extended period. The notes were secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company. Another interest-bearing note was issued in two tranches on 23 November 2016 and 4 January 2017 respectively, with aggregate principal amount of HK$200.0 million with a maturity of 2 years. The interest rate is 10% per annum for the first 12 months and 13% for the next 12 months. The note was pledged by 1,397,000,000 ordinary shares of the Company provided by shareholders of the Company.

On 5 June 2017, the Company issued Bonds in an aggregate principal amount of HK$10.0 million which carries 6% interest per annum, with maturity date on 4 June 2024.

GEARING RATIO

As at 31 December 2017, the total tangible assets of the Group were approximately HK$1,994.4 million (31 December 2016: approximately HK$1,831.4 million) whereas the total liabilities were approximately HK$874.3 million (31 December 2016: approximately HK$996.4 million). The gearing ratio (total liabilities divided by total tangible assets) was approximately 43.8% (31 December 2016: approximately 54.4%).

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

ALLOTMENT AND ISSUE OF CONSIDERATION SHARES AND ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE ON 21 APRIL 2017

On 21 April 2017, the Company acquired 100% shareholding in Arch Partners Holdings Limited and its subsidiaries, which are principally engaged in provision of outbound travel and aircraft charter business. The consideration of approximately HK$154.7 million had been satisfied by (i) cash payment of HK$11,408,000; (ii) allotment and issue of 280,000,000 new shares of the Company under general mandate shares; and (iii) subject to the fulfillment of profit guarantee requirements, the issue of convertible bonds in the principal amount of up to HK$112,000,000 by the Company. The above newly issued shares rank pari passu in all respects with the existing shares.

The directors were of the opinion that the profit guarantee was met and that the convertible bonds would be converted into shares at maturity date on 31 March 2018 under the profit guarantee arrangement.

PLACING OF SHARES UNDER GENERAL MANDATE COMPLETED IN JUNE 2017 AND USE OF PROCEEDS FROM PLACING OF SHARES

On 14 June 2017, the Company has issued and allotted 1,230,560,000 ordinary shares, which represent approximately 10.37% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares, at the placing price of HK$0.13 each to not less than six allottees. The closing market price was HK$0.149 per share of the Company on the date on which the terms of the issue were fixed. The gross proceeds from the Placing is approximately HK$160.0 million, and the net proceeds (after deducting the placing commission and other costs and expenses) of approximately HK$155.8 million (approximately HK$0.127 per share) is used or intended to be used as follow: (i) approximately HK$50 million use for repayment of loans of the Company; (ii) approximately HK$50 million use for the development of a large performance project in Halong City, Vietnam; and (iii) the remaining balance of approximately HK$55.8 million use for general working capital of the Group and/or investment opportunities as may be identified from time to time. The newly issued shares by placing rank pari passu in all respects with the existing shares.

ISSUE OF NOTES IN JANUARY 2017

On 22 November 2016, the Company and Prosper Talent Limited (the "Investor"), an indirectly and wholly owned subsidiary of CCB International Holdings Limited entered into a Note Purchase Agreement, pursuant to which the Company issues secured notes in two tranches up to an aggregate principal amount of HK$200 million (the "Notes").

On 23 November 2016, the Company issued the first tranche Note in the principal amount of HK$80 million to the Investor which carries 10% interest per annum and due on 22 November 2017. The first tranche Note was secured by the charges of 697,000,000 ordinary shares of the Company provided by a shareholder. The Group has used the net proceeds of the issuance for developing potential new business and for the working capital of the Group.

On 4 January 2017, the Company issued the second tranche note in the principal amount of HK$120 million to the Investor which carries 10% interest per annum and due on 4 January 2018. The second tranche note was secured by the charges of 700,000,000 ordinary shares of the Company provided by two shareholders. Same as the first tranche Note, the Group has used the net proceeds of the issuance for developing potential new business and for the working capital of the Group.

The Notes can be extended to 24 months with the consent of the holders of the Notes. The interest rate would be 13% per annum from the date immediately after the Initial Maturity Date to and including the Extended Maturity Date. On 22 November 2017, the Company and the noteholder have mutually agreed to to extend the maturity date of first tranche Note to 24 months, i.e. 22 November 2018. On 5 December 2017, the Company partially repaid HK$16,000,000 principal amount for the first tranche Note. On 2 January 2018, the Company and the noteholder have mutually agreed to extend the maturity date of second tranche note to 24 months, i.e. 4 January 2019. On 4 January 2018, the Company partially repaid HK$24,000,000 principal amount for the second tranche Note.

ISSUE OF BONDS IN JUNE 2017

On 5 June 2017, the Company and the placing agent entered into a placing agreement pursuant to which the placing agent has agreed to procure Placees to subscribe for the Bonds in an aggregate principal amount of HK$10,000,000 which carries 6% interest per annum with maturity date on 4 June 2024. On 5 June 2017, an independent third party has subscribed the Bonds of HK$10,000,000 issued by the Company. The net proceeds from the issue of the Bonds (after deducting the placing commission) of approximately HK$9,900,000 has been used as general working capital and general corporate purposes.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, a share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employees or directors of the Company or any advisers, consultants, agents, contractors, customers and suppliers of any members of the Group or whom the board of directors in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

The total number of the shares of the Company available for issue under the share option scheme as at 31 December 2017 was 1,035,289,025 shares which represented 8.73% of the issued share capital of the Company as at 31 December 2017. Among the 277,192,100 share options granted but not yet lapsed, a total of 108,697,036 share options were granted to the directors. During the year ended 31 December 2017, no share options were further granted. No options were exercised by the directors during the year ended 31 December 2017 and up to the date of this report. Subsequent to the end of the year, no additional share options were granted to the employees and directors of the Group.

Directors' Business Review

No share options were exercised during the year ended 31 December 2017. In last year, 45,899,012 share options were exercised at the subscription price HK$0.145 per share, resulting in the issue of 45,899,012 ordinary shares of the Company for a total cash consideration of approximately HK$6,655,000. As a result of the exercise of these share options, their fair value of approximately HK$2,754,000 previously recognised in the share option reserve was transferred to the share premium account. The above issued shares rank pari passu in all respects with the existing shares.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of around 460 (2016: 440) staff. The Group remunerates its employees based on their performance, experience and industry practices.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. Pursuant to a share option scheme adopted on 5 June 2015 (the "Share Option Scheme"), the Board may offer to grant any employee or director of the Company for the Share Option Scheme on the basis of his or her contribution to the Group, to subscribe for shares of the Company. For the year ended 31 December 2016, 358,990,124 share options were granted and the Group recognised a share option expense of approximately HK$21,539,000. During the year ended 31 December 2017, no share options were further granted. As at 31 December 2017, 277,192,100 shares were granted but not yet lapsed or exercised. Subsequent to the end of the year, no additional share options have been granted to the employee or director of the Group.

CAPITAL STRUCTURE

The Group adopt stringent financial management policies to maintain its financial condition. As at 31 December 2017, the Group's net assets were financed by internal resources, bank and other borrowings, bonds payable and notes payable. The Company's authorised share capital was HK$375,000,000 divided into 30,000,000,000 shares of HK$0.0125 each, of which 11,863,360,252 ordinary shares were issued and fully paid.

Directors' Business Review

CAPITAL COMMITMENT

As at 31 December 2017, the group's outstanding capital commitment contracted but not provided for in the consolidated financial statements was approximately HK$351.2 million (2016: approximately HK$21.2 million).

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2017, the Group pledged assets with aggregate carrying value of approximately HK$85.2 million (2016: approximately HK$79.2 million) to secure banking and other facilities and other borrowings and the Group has also placed an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company, to secure the notes payable of HK$280 million (2016: HK$280 million).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

HEDGING

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

APPRECIATION

The Board would like to thank all customers, shareholders, business associates and professional advisers for their continuous support and extend its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the year.

For and on behalf of the Board

Li Zhenzhen
Executive Director

Hong Kong, 29 March 2018

Addressing All Concerns Raised by the Company's Auditor

ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 have been subject to the disclaimer of opinion of Mazars CPA Limited, the auditor of the Company for the year ended 31 December 2017, as set out in the section headed "Independent Auditor's Report" in this annual report.

The matters which gave rise to such disclaimer of opinion related to: (1) valuation on promissory notes receivable; (2) valuation on intangible assets; (3) impairment on deposits for potential acquisition of intangible assets and property, plant and equipment; and (4) impairment loss on other receivables.

The Directors have the following opinions on the matters which gave rise to the disclaimer of opinion for the year ended 31 December 2017.

(1) Valuation on promissory notes receivable

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire 85% equity interests in Master Race Limited which is principally engaged in ticketing agency business, at a total consideration of HK$110,000,000, which was settled by cash consideration of HK$22,000,000 and a promissory notes issued by the purchaser with a principal value of HK$88,000,000 (the "HK$88 million Promissory Note"). The disposal was completed on 16 November 2017 and the Group has ceased to have any control of Master Race Limited since then.

Master Race Limited is granted an exclusive ticketing agency right for a popular cultural show namely Impression Liu Sanjie (印象劉三姐) in Guangxi Province, the PRC, for a term of 20 years with pre-emotive right of renewal at the expiry date. Impression Liu Sanjie is an outdoor night show staged beside the Li River in Yangshuo, the Guangxi Province.

Since the grantor of the above-mentioned exclusive ticketing agency right is subject to restructuring in January 2018, the Board was concerned that it might affect the operation of ticketing agency business of Master Race Limited and hence liaised with the purchaser for the recoverability of the HK$88 million Promissory Note.

Although the HK$88 million Promissory Note was unsecured as at 31 December 2017, the Group in March 2018 obtained a charge over 100% equity interest in a company incorporated in the People's Republic of China (the "Charge"), which holds a piece of land in Beijing (the "Land") for securing the repayment obligation of the issuer under the HK$88 million Promissory Note. According to the valuation conducted by an independent professional valuer, the value of the Land as at 31 December 2017 was approximately RMB217,000,000. The Directors are of the view that since the value of the Land is well above the principal amount of the HK$88 million Promissory Note, so it should not be necessary for the Company to provide any impairment loss in this respect.

(2) Valuation of intangible assets (approximately HK$144.9 million)

On 21 April 2017, the Group acquired 100% of the issued share capital of Arch Partners Holdings Limited from four independent third parties at a consideration of approximately HK$154.7 million. Arch Partners Holdings Limited and its subsidiaries ("Arch Partners Group") are principally engaged in the business of outbound travel, aircraft charter and business travel. The aggregate consideration of the acquisition has been paid by the Company by (i) cash payment of HK$11,408,000; (ii) the issue of 280,000,000 shares of the Company on 21 April 2017; and (iii) subject to the fulfillment of profit guarantee requirements, the issue of convertible bonds in the principal amount of up to HK$112,000,000 by the Company.

Based on the results of the consolidated financial statements of Arch Partners Holdings Limited and its subsidiaries for the year ended 31 December 2017, the Board was of the opinion that the profit guarantee was met and the convertible bonds would be converted into shares at maturity date on 31 March 2018 under the profit guarantee arrangement.

The intangible assets (i.e. the operating agreements) were acquired as a result of acquisition of Arch Partners Group represented the long-term aircraft charter contract and the master contractor contract in respect of outbound tourism and hospitality, which were made between Yalu International Limited ("Yalu", who is a member of Arch Partners Group) and Beijing Mega Global International Travel Service Co., Ltd ("Mega International Travel") for a term of 15 years. Hence, the Group has determined that the intangible assets have a 15-year useful life.

The Group has appointed an independent professional valuer, APAC Asset Valuation and Consulting Limited ("APAC"), to perform an appraisal of the value of the operating agreements as at 21 April 2017. The fair value of intangible asset has been determined on the basis of value in use calculation. Its fair value is based on certain key assumptions. The management assumed that Beijing Mega will continue to cooperate with the Group according to the terms and conditions set out in the operating agreements. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 15-year period by applying growth rate from 3% to 10%, and a discount rate of 19.0%. Cash flow projections during the budget period are also based on the expected sales during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. The fair value of the operating agreements as at 21 April 2017 of HK$150,900,000 has been recognised as intangible assets.

The Group has also appointed APAC to perform an appraisal of the value of the operating agreements as at 31 December 2017. The fair value of intangible asset has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 15-year period by applying growth rate from 3% to 9%, and a discount rate of 21.0%. Cash flow projections during the budget period are also based on the expected sales during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectation for the market developments.

With the benefits of the operating agreements and the customers referred by Mega International Travel to Yalu pursuant thereto, Yalu recorded a revenue of approximately HK$158.5 million and a net profit after tax of approximately HK$9.2 million for the year ended 31 December 2017 after acquired by the Group. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Directors are not aware of any matter which suggests that any party to the operating agreements will cease to perform the operating agreements in the foreseeable future.

(3) Impairment on deposits for potential acquisition of intangible assets (approximately HK$53.6 million) and property, plant and equipment (approximately HK$25.9 million)

Since 2016, the Group has been investing in an operation of a show tentatively titled "Dream Memory – Halong Bay" in Halong City, Vietnam (the "show") in order to fully develop tourism resources in Halong City. The Group is responsible for development and operation of the show. The construction period of the show, including the production of script, construction of performance stage, training of actors and obtaining relevant approvals and licenses from the Vietnam Central Government has commenced from the end of 2016 and is expected to complete at the end of 2018. The Directors expect the show shall generate revenue for the Group from the beginning of year 2019. In recent years, the tourism industry in Vietnam has been growing rapidly, of which Halong Bay is renowned for its natural landscape and scenic beauty. The show will be set in the middle of the sea in Halong Bay with mountains as its background, which reflects the harmonious atmosphere between human beings and the nature. As at the date of this annual report, the Group has obtained preliminary approval from the Vietnam Local Government in Halong Bay for the operation of the show but still waiting for the final approvals from the Vietnam Central Government.

According to the opinion obtained from the Vietnam legal advisor of the Group, it is legal for the Group to organize the Halong Show and there is no legal impediment for the Group to obtain the necessary approvals and licenses for the Halong Show from the Vietnam Central Government.

(4) Impairment loss on other receivables – Recoverability of US$2 million earnest money

On 17 January 2017, the Group entered into a memorandum of understanding (the "MOU") with JAA Capital Limited ("JAA") in relation to the proposed acquisition of Jet Asia Airways Company Limited ("Jet Asia") and paid earnest money in the sum of US$2,000,000 (equivalent to HK$15,528,000) (the "Earnest Money") to Jet Asia. According to the terms of the MOU, Jet Asia shall refund the Earnest Money to the Group within 15 days after the termination of the cooperation under the MOU, and JAA is jointly liable for such repayment obligation. Upon the lapse of the MOU on 18 March 2017, JAA alleged that the Group had breached the confidentiality provision in the MOU as the Group had publicly announced the MOU on 17 January 2017 and therefore Jet Asia and/or JAA has refused to refund the Earnest Money. On 21 August 2017 and 24 August 2017, the Group commenced arbitration proceedings against Jet Asia and JAA respectively at Hong Kong International Arbitration Centre (the "Arbitration"). As at 31 December 2017, the Arbitration was still in initial stage. The management of the Group has sought legal advice. It has been advised by the Group's legal advisor that the Group has a reasonable chance of winning the Arbitration.

Report of the Directors

The directors present herewith their annual report and the audited consolidated financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 47(a) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	23%	
Five largest customers in aggregate	64%	
The largest supplier		17%
Five largest suppliers in aggregate		48%

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

INFORMATION OF BUSINESS REVIEW

Information of business review and future development of the Group's businesses is set out in the section of Directors' Business Review of this Annual Report.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on pages 55 to 56.

The state of affairs of the Group and the Company as at 31 December 2017 are set out in the consolidated statement of financial position on pages 57 to 58 and the statement of financial position on pages 155 to 159, respectively.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017.

Report of the Directors

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for each of the last five financial years is set out on page 173.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

NOTES PAYABLE, BANK AND OTHER BORROWINGS AND BONDS PAYABLE

Particulars of the notes payable, bank and other borrowings and bonds payable of the Group as at 31 December 2017 are set out in notes 35, 36 and 37 to the consolidated financial statements respectively.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 59 and note 40 and note 47(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium, share option reserve, contributed surplus and retained earnings, if any. Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share option reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

As at 31 December 2017, the Company's reserves available for distribution to the equity holders were HK$931,120,000 (2016: HK$811,971,000), representing share premium of HK$1,171,546,000 (2016: HK$970,990,000), share option reserve of HK$16,632,000 (2016: HK$18,786,000), convertible instrument reserve of HK$98,464,000 (2016: HK$nil) and contributed surplus of HK$117,000 (2016: HK$117,000) net of accumulated losses of HK$355,639,000 (2016: HK$177,922,000).

Report of the Directors

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Cheng Chi Kin (appointed on 15 February 2017)
Mr. Lam Wai Hung
Ms. Li Zhenzhen
Mr. Wang Xin
Mr. Wei Liyi

NON-EXECUTIVE DIRECTOR

Ms. Hu Jianping (resigned on 19 December 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Li Yang (appointed on 15 February 2017)
Mr. Pang Hong

In accordance with Article 87 of the Company's articles of association, Ms. Li Zhenzhen, Mr. Wang Xin and Mr. Wei Liyi will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Ms. Li Zhenzhen and Mr. Wang Xin have entered into an appointment letter with the Company for a term of 3 years commencing from 30 December 2015 and 5 April 2016 respectively.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2017 and the Company considers the independent non-executive directors to be independent.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the "Connected Transaction and Related Party Transactions" section on page 37, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY LINKED ARRANGEMENT

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, the Company adopted a share option scheme (the "Scheme").

The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue unless approval from Company's shareholders has been obtained.

The acceptance of an option, if accepted, must be made within 30 days from the date of the offer with a non-refundable payment of HK$1 from the grantee to the Company.

The option period shall not exceed 10 years from the date of acceptance of option. There is no specified minimum period under the Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Scheme.

The exercise price for options under the Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date of offer, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share on the date of offer.

The Scheme will remain valid for a period of 10 years commencing on 5 June 2015. During the year ended 31 December 2016, 358,990,124 share options were granted and the Group recognised a share option expense of approximately HK$21,539,000. Among the share options granted, a total of 145,096,048 share options were granted to the directors. During the year ended 31 December 2016, 45,899,012 share options were exercised, resulted in the issue of 45,899,012 ordinary shares of the Company with share capital of approximately HK$573,000 and share premium of approximately HK$8,836,000. During the year ended 31 December 2017, no share options were granted or exercised and 35,899,012 share options were forfeited. As at 31 December 2017, 277,192,100 share options were outstanding. These share options had an exercise price of HK$0.145 per share and a weighted average remaining contractual life of 1.61 at the end of the year. Subsequent to the end of the year, no share options were granted to the employee or director of the Group.

Movements of the share options of the Company during the year are as follows:

Name or category of participant	Number of share options: At 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	As at 31 December 2017	Exercise period of share options	Exercise price of share options HK$	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options HK$	Weighted average closing price of the Company's shares immediately before the exercise date HK$
Directors											
Ms. Li Zhenzhen *(Note 1)*	35,899,012	–	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lam Wai Hung *(Note 2)*	500,000	–	–	–	–	500,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Wang Xin *(Note 3)*	35,899,012	–	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Wei Liyi *(Note 4)*	35,899,012	–	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Ms. Hu Jianping *(Note 5)*	35,899,012	–	–	–	(35,899,012)	–	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Pang Hong *(Note 6)*	300,000	–	–	–	–	300,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lee Tao Wai *(Note 7)*	100,000	–	–	–	–	100,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lam Hoi Lun *(Note 8)*	100,000	–	–	–	–	100,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Subtotal	144,596,048	–	–	–	(35,899,012)	108,697,036					
Employees and financial advisory (other than Directors) in aggregate	168,495,064	–	–	–	–	168,495,064	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
	313,091,112	–	–	–	(35,899,012)	277,192,100					

Note 1: Appointed as executive Director on 30 December 2015.
Note 2: Appointed as executive Director on 19 March 2015.
Note 3: Appointed as executive Director on 5 April 2016.
Note 4: Appointed as non-executive Director on 5 April 2016 and re-designated from non-executive Director to executive Director with effective from 4 August 2016.
Note 5: Resigned as non-executive Director on 19 December 2017.
Note 6: Appointed as independent non-executive Director on 14 April 2015.
Note 7: Appointed as independent non-executive Director on 13 July 2016.
Note 8: Appointed as independent non-executive Director on 13 July 2016.

Details of the valuation of the share options granted during the year are set out in note 41 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme and in the paragraph headed "Interests of Directors and Chief Executives" of the Company, at no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 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 DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares held and underlying shares interested	Approximate percentage of the total issued share capital of the Company %
Ms. Li Zhenzhen	Executive Director	35,899,012 *(Note 1)*	0.30
Mr. Wang Xin	Executive Director	35,899,012 *(Note 1)*	0.30
Mr. Lam Wai Hung	Executive Director	500,000 *(Note 1)*	0.004
Mr. Wei Liyi	Executive Director	35,899,012 *(Note 1)*	0.30
Mr. Pang Hong	Independent non-executive Director	300,000 *(Note 1)*	0.003
Mr. Lee Tao Wai	Independent non-executive Director	100,000 *(Note 1)*	0.001
Mr. Lam Hoi Lun	Independent non-executive Director	100,000 *(Note 1)*	0.001

Note 1: It represents number of share options granted by the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

LONG POSITIONS IN THE SHARES

Name	Nature of interests	Number of shares	Approximate percentage of the issued share capital of the Company %
A Plus Capital Management Limited	Interest in controlled corporation	1,882,060,000 *(Note 1)*	15.86%
Tiger Capital Fund SPC – Tiger Global SP	Beneficial interest	1,858,060,000 *(Note 2)*	15.66%
Full House Asset Management Company Limited	Investment manager	1,914,060,000 *(Note 3)*	16.13%
Prosper Talent Limited	Security interest	1,397,000,000 *(Note 4)*	11.78%
Summer Glitter Limited	Beneficial interest	1,446,400,000 *(Note 5)*	12.19%
Lu Hongying	Interest in controlled corporation	1,680,740,000 *(Note 5)*	14.17%
Khmer Resources Investment Holding Group Company Limited	Beneficial interest	740,140,000 *(Note 6)*	6.24%
Cao Yunde	Interest in controlled corporation	740,140,000 *(Note 6)*	6.24%
Majestic Wealth International Limited	Beneficial interest	697,000,000 *(Note 7)*	5.88%
Ms. Dai Qingfeng	Interest in controlled corporation	927,000,000 *(Note 7)*	7.81%

(Note 1) A Plus Capital Management Limited indirectly held 1,858,060,000 shares through Tiger Capital Fund SPC – Tiger Global SP and 24,000,000 shares indirectly.

(Note 2) Tiger Capital Fund SPC – Tiger Global SP is an investment fund wholly owned by A Plus Capital Management Limited.

(Note 3) Full House Asset Management Company Limited is the investment manager of Tiger Capital Fund SPC – Tiger Global SP.

(Note 4) Prosper Talent Limited, a wholly-owned subsidiary of CCBI Investments Limited, has security interest in 1,397,000,000 shares. CCB International (Holdings) Limited owned the entire issued share capital of CCBI Investments Limited. CCB Financial Holdings Limited owned the entire issued share capital of CCB International (Holdings) Limited and CCB International Group Holdings Limited owned the entire issued share capital of CCB Financial Holdings Limited. China Construction Bank Corporation owned the entire issued share capital of CCB International Group Holdings Limited.

Central Huijin Investment Ltd. held 57.11% of the issued share capital of China Construction Bank Corporation.

Hence, CCBI Investments Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. were deemed to be interested in the said shares.

(Note 5) Ms. Lu Hongying held 100% of the issued share capital of Summer Glitter Limited and directly held 234,340,000 shares. Therefore, she was deemed to be interested in 1,680,740,000 shares.

(Note 6) Cao Yunde held 100% of the issued share capital of Khmer Resources Investment Holding Group Company Limited. Cao Yunde was therefore deemed to be interested in 740,140,000 shares.

(Note 7) Ms. Dai Qingfeng held 100% of the issued share capital of Majestic Wealth International Limited and directly held 230,000,000 shares. Therefore, she was deemed to be interested in 927,000,000 shares.

Report of the Directors

COMPETING INTERESTS

As at 31 December 2017, none of the Directors or management shareholders (as defined in Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 9 to the consolidated financial statements are de minimis transactions that are exempted from announcement and/or shareholders' approval under Chapter 14A of the Listing Rules. Save as disclosed above, none of the transactions entered into by the Group during the year constituted a connected transaction of the Group.

ENVIRONMENTAL POLICIES

The Group has adopted effective environmental measures to ensure that the operation of the Group meets the applicable local standards, rules and ethics in respect of environmental protection including waste and energy reduction and recycling of scrap materials. The Group is committed to develop a long-term and sustainable growth with the community and the environment.

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Group exposes to various risks and uncertainties in its daily operation and management. Save for the credit risk, liquidity risk, interest rate risk, currency risk and equity price risk as disclosed in note 54 to the consolidated financial statements, the Group also exposes to operation risk and market risk. The business and results of operations are susceptible to market volatility and economic cyclicality. In addition, as most of the Group's business is located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Group is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. The management will ensure that the conduct of business is in conformity with the applicable laws and regulations.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognize that employees are our valuable assets and our Group provides competitive remuneration package to applicable employees. The Group also understands that it is important to maintain good relationship with business partners to meet immediate and long-term goals. During the year, there was no material dispute between our Group and the business partners.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the annual general meeting of the Company on Friday, 22 June 2018, the register of members of the Company will be closed from Tuesday, 19 June 2018 to Friday, 22 June 2018, both days inclusive, during which period no transfer of the shares of the Company can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 15 June 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 57 to the consolidated financial statements.

AUDITOR

The financial statements for the year ended 31 December 2017 have been audited by Mazars CPA Limited, who retires and, being eligible, offers itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Li Zhenzhen
Executive Director

Hong Kong, 29 March 2018

Corporate Governance Report

CORPORATE GOVERNANCE

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Corporate Governance Code (the "Code"), set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with applicable code provisions of Code for the year ended 31 December 2017, except for certain deviations which are summarized below:

CODE PROVISION A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

For the annual general meetings held on 6 June 2017, only one executive director attended the meetings. The rest of the board of directors could not attend the meeting due to their busy business schedules or other engagements. The Company will endeavour to arrange the future general meetings with the presence of the non-executive director and independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

CODE PROVISION A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive Directors were not appointed for specific terms but they were subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. According to the Articles of Association of the Company, one-third of the Directors shall retire from the office by rotation at each annual general meeting. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the code.

The Board develops and constantly reviews the Company's policies and practices on corporate governance and the code of conduct which is applicable to employees and directors. It has developed corporate governance policies and code of conduct for the Group and its employees which cover areas such as compliance with laws and regulations, ethics, integrity, avoidance of conflict of interest, confidentiality, environmental protection, etc.

Corporate Governance Report

The Board from time to time reminds the directors and senior management the importance of attending training and continuous professional development in order to keep abreast of the latest development of the relevant ordinances, Listing Rules and the other rules and regulations related to directors' duties or the business of the Group. The costs of attending qualified training courses are borne by the Group.

It is the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various acquisitions and in its daily operations in order to ensure compliance with legal and regulatory requirements. And the Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board on a on-going basis reviews and monitors whether such policy and practice have been followed by the management and employees of the Group.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the Code stipulates that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the financial period ended 31 December 2017 to the Company.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Corporate Governance Report

All directors have fully and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following Directors:

EXECUTIVE DIRECTORS

Mr. Cheng Chi Kin (appointed on 15 February 2017)
Mr. Lam Wai Hung
Ms. Li Zhenzhen
Mr. Wang Xin
Mr. Wei Liyi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Li Yang (appointed on 15 February 2017)
Mr. Pang Hong

Corporate Governance Report

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

None of the members of the Board is related to one another.

In accordance with the Company's articles of association, one-third of the directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Ms. Li Zhenzhen is the chairman. The role of the chief executive officer has been performed collectively by all executive directors. The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings should be held at least four times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2017, 31 Board meetings 4 of which were regular Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meeting, 1 Nomination Committee meeting and 2 general meetings were held.

The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings, during the year ended 31 December 2017 is set out below:

Name of Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
	Attendance/number of meetings held during the tenure of directorship				
Executive Directors					
– Mr. Lam Wai Hung	23/31	N/A	N/A	N/A	0/2
– Ms. Li Zhenzhen	31/31	N/A	N/A	1/1	2/2
– Mr. Wei Liyi	26/31	N/A	1/1	N/A	0/2
– Mr. Wang Xin	27/31	N/A	N/A	N/A	0/2
– Mr. Cheng Chi Kin (appointed on 15 February 2017)	12/26	N/A	N/A	N/A	0/2
Non-executive Directors					
– Ms. Hu Jianping (resigned on 19 December 2017)	18/31	N/A	N/A	N/A	0/2
Independent Non-executive Directors					
– Mr. Pang Hong	26/31	2/2	1/1	1/1	0/2
– Mr. Lee Tao Wai	20/31	2/2	1/1	1/1	0/2
– Mr. Lam Hoi Lun	28/31	2/2	1/1	1/1	1/2
– Mr. Li Yang (appointed on 15 February 2017)	2/26	N/A	N/A	N/A	0/2

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

In general, at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and opened for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

AUDIT COMMITTEE

The Company had established an Audit Committee in compliance with the Listing Rules. In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2017 up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Group.

The Audit Committee comprises Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Pang Hong who are independent non-executive Directors of the Company. Mr. Lee Tao Wai is the chairman of the Audit Committee.

During the year, the Audit Committee held 2 meetings to review and comment on the Company's 2016 annual report, 2017 interim report as well as the Company's internal control procedures and risk management.

The Group's annual results for the year ended 31 December 2017 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance of the Listing Rules. The primary duties of the Remuneration Committee mainly include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them.

The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Pang Hong and one executive Director, namely, Mr. Wei Liyi. Mr. Wei Liyi is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are available on the Company's website.

Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held 1 meeting for the year ended 31 December 2017.

For the year ended 31 December 2017, the Remuneration Committee reviewed the existing remuneration policies of the Company.

The remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration band	Number of persons
HK$nil – HK$500,000	1

Further particulars regarding Directors', chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 9 and 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee in compliance of the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Pang Hong and one executive Director, namely, Ms. Li Zhenzhen. Ms. Li Zhenzhen is the chairman of the Nomination Committee.

The Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

The written terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held 1 meeting for the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Specific enquiry has been made by the Company and all Directors have confirmed that they have complied with the Model Code throughout the year.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports required under the Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 51 to 54.

COMPANY SECRETARY

The company secretary of the Company, Mr. Tsui Siu Hung, Raymond, who was appointed on 30 December 2015, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Mr. Tsui's biography is set out in the "Directors and Senior Management" section of this annual report. During the year ended 31 December 2017, Mr. Tsui undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the remuneration payable to the auditor of the Company in respect of audit and non-audit services were approximately HK$1,400,000 and approximately HK$680,000 respectively. Non-audit services were mainly related to professional services in connection with acquisition transactions and internal control review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and budget of the Group's accounting and financial reporting functions.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board is also responsible for overseeing its risk management and internal control systems on an ongoing basis and reviewing the effectiveness of the risk management and internal control systems has been conducted at least annually. The Board understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. The Group established a risk management framework that the Board and management discuss potential risks during board meetings and management meetings regularly. Management from different subsidiaries and departments voluntarily raise any issues that need attention and further discussions. The Board and key management are closely involved in daily operation and monitor the potential risks with their understanding of the industry. When risks arise during business operations, they are assessed at management meetings and risk management actions are taken for significant risks. The Group prioritizes risks identified during management meetings and significant risks are handled at once. Progress on the risks identified at previous meetings is followed up.

The Board has supervised the management in the design, implementation and monitoring of the risk management and internal control systems and evaluated the effectiveness of the Group's risk management and internal control systems during 2017. The Company does not have an internal audit function. The board has annually reviewed whether the Group needs to have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. During the year ended 31 December 2017, the Company has engaged an external risk management and internal control review consultant (the "Consultant") to conduct a review of the Group's risk management and internal control covering the period from 1 January 2017 to 31 December 2017. Such review is conducted annually. The scope of the Consultant's review was previously determined and approved by the Board and covered risk management process, expenditure requisition and revenue recognition processes as well as and resources, qualifications, and experience of staff of the accounting and financial reporting function. The Consultant has reported findings and areas for improvement to the Board. The Board is of the view that there are no material internal control defeats noted. All recommendations given by the Consultant will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

The Board considers the risk management and internal control systems of the Group of the reporting year are effective and adequate.

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures. Every management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries of shareholders can be sent to the Company either by post to the Company's Hong Kong registered office at Room 2816, 28/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. Shareholders can also make enquires with the Board directly at the general meetings.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. The Company has established a shareholders communication policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website. The Company regards the annual general meeting of the Company as an important event and all directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given. The Company has complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders of the Company dispatched by the Company where applicable.

Independent Auditor's Report

To the shareholders of
Sino Haijing Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on page 55 to page 172, which comprise the consolidated statement of financial position at 31 December 2017, and 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(i) Valuation on promissory notes receivable

As explained in notes 24 and 45(a) to the consolidated financial statements, during the current year, the Group disposed of its entire 85% equity interests in Master Race Limited and its subsidiaries (together "Master Race Group") for an aggregate consideration of HK$110,000,000 which was satisfied by cash consideration of HK$22,000,000 and unsecured promissory notes receivable with a principal value of HK$88,000,000 issued by the purchaser. The maturity date of the promissory notes is 2 years from the issue date. At initial recognition, the fair value of the promissory notes receivable was approximately HK$81,452,000 and the carrying amount was approximately HK$81,846,000 as at 31 December 2017.

We were not able to obtain sufficient appropriate audit evidence to determine whether the promissory notes were properly measured at fair value at initial recognition and whether the loss on disposal of Master Race Group of approximately HK$13,591,000 as included in the Group's loss for the year under "discontinued operations" was properly measured. In addition, we were not able to determine whether any impairment loss should be provided by the Group in the current year. Any adjustment in connection with the promissory notes receivable may have a significant effect on the financial position of the Group as at 31 December 2017, the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(ii) Valuation on intangible assets

As explained in note 17(a) to the consolidated financial statements, the recoverable amount of the intangible asset (i.e. the operating agreements which were acquired as a result of the acquisition of subsidiaries during the current year as mentioned in note 43 to the consolidated financial statements) was determined based on the value-in-use calculations using a discounted cash flow approach. We were not able to obtain sufficient appropriate audit evidence to satisfy ourselves that the key assumptions (e.g. the useful lives of the intangible asset and the forecasted revenue) adopted in the valuation were supportable and we were unable to determine whether any impairment loss should be recognised.

In addition, for similar reasons, we were unable to determine whether the intangible asset was properly measured at fair value at the date of acquisition of the subsidiaries.

Any adjustment in connection with the intangible asset may have a significant effect on the financial position of the Group as at 31 December 2017, the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(iii) Impairment on deposits for potential acquisition of intangible assets and construction in progress

As explained in notes 16 and 26 to the consolidated financial statements, as at 31 December 2017, the Group had construction-in-progress and deposits for potential acquisition of intangible asset with carrying amount of approximately HK$25,948,000 and HK$53,600,000 respectively (the "Assets"), which would be used for the operation of a show "Dream Memory – Halong Bay" (the "show") in Halong Bay, Vietnam.

We were unable to obtain sufficient and reliable information to assess the likelihood of the successful launch of the show as the operation of the show is subject to the final approval from the Vietnam Central Government. Accordingly, we were unable to determine the recoverable amounts of the Assets and determine whether any provision should be recognized for the related contractual commitment as at 31 December 2017. Any adjustment in connection with the Assets may have a significant effect on the financial position of the Group as at 31 December 2017, the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

(iv) Impairment loss on other receivables

As explained in note 29(e) to the consolidated financial statements, included in the Group's other receivables at 31 December 2017 were refundable earnest money paid to an independent third party (the "Vendor") of approximately HK$15,528,000 in relation to a proposed acquisition. Although the Group commenced arbitration proceedings against the Vendor for the refund of earnest money following the lapse of the memorandum of understanding of the proposed acquisition, we have not been provided with sufficient and reliable information to enable us to determine whether any impairment loss should be provided by the Group during the year. Any adjustment in connection with the receivable may have a significant effect on the financial position of the Group as at 31 December 2017, the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2018

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Ming Andy
Practising Certificate number: P05132

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Continuing operations			
REVENUE	5	921,156	580,057
Cost of sales and services		(739,574)	(469,425)
Gross profit		181,582	110,632
Other revenue and other income	7	9,914	7,555
Gain on bargain purchase on acquisition of an associate	18	–	84,673
Gain on disposal of available-for-sale financial assets	20	26,873	–
Loss on disposal of an associate	18	(18,879)	–
Impairment loss on goodwill	23	–	(16,049)
Administrative and other operating expenses		(147,126)	(131,550)
Fair value change of financial assets at fair value through profit or loss	27	(1,012)	–
Net realised loss on financial assets at fair value through profit or loss	27	(6,603)	(25,711)
Allowance for loans and interest receivables	30	(46,204)	(5,579)
Loss on change in fair value of convertible bonds	31	(18,741)	–
Share of results of an associate		319	1,760
(Loss) Profit from operations		(19,877)	25,731
Finance costs	8	(72,554)	(39,561)
Loss before tax	8	(92,431)	(13,830)
Income tax expense	11	(4,307)	(6,604)
Loss for the year from continuing operations		(96,738)	(20,434)
Discontinued operation			
Loss for the year from discontinued operations	14	(17,262)	(9,598)
Loss for the year		(114,000)	(30,032)
Other comprehensive income (loss):			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		34,638	(40,333)
Released of exchange reserve upon disposal of an associate		14,846	–
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year		(44,014)	–
Changes in fair value of available-for-sale financial assets	20	5,238	45,467

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Other comprehensive income for the year, net of tax		10,708	5,134
Total comprehensive loss for the year		(103,292)	(24,898)
Loss for the year attributable to the equity holders of the Company:			
– from continuing operations		(92,594)	(18,740)
– from discontinued operations		(17,513)	(12,336)
	40	(110,107)	(31,076)
(Loss) Profit for the year attributable to non-controlling interests:			
– from continuing operations		(4,144)	(1,694)
– from discontinued operations		251	2,738
		(3,893)	1,044
Total comprehensive loss attributable to the equity holders of the Company:			
– from continuing operations		(84,007)	(8,508)
– from discontinued operations	*14*	(18,220)	(15,805)
	40	(102,227)	(24,313)
Total comprehensive (loss) income attributable to non-controlling interests:			
– from continuing operations		(2,023)	(2,711)
– from discontinued operations	*14*	958	2,126
		(1,065)	(585)
Loss per share for the year	*13*		
– Basic			
– from continuing operations		(HK0.82 cents)	(HK0.38 cents)
– from discontinued operations		(HK0.16 cents)	(HK0.25 cents)
– Diluted			
– from continuing operations		(HK0.82 cents)	(HK0.38 cents)
– from discontinued operations		(HK0.16 cents)	(HK0.25 cents)

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)
Non-current assets			
Investment properties	15	11,096	10,925
Property, plant and equipment	16	389,208	348,289
Intangible assets	17	144,929	142,000
Interest in an associate	18	–	293,588
Lease premiums for land	19	29,837	28,443
Available-for-sale financial assets	20	36,828	346,702
Deposits for potential acquisition of subsidiaries	21	55,000	11,408
Deposits for acquisition of land and plant and machinery	22	21,434	3,339
Goodwill	23	3,059	96,094
Promissory notes receivable	24	153,537	–
Security deposits	25	10,983	–
Deferred tax assets	38	7,624	–
Deposits for potential acquisition of intangible asset	26	53,600	53,600
		917,135	1,334,388
Current assets			
Financial assets at fair value through profit or loss	27	5,557	360
Inventories	28	36,796	24,704
Lease premiums for land	19	757	704
Trade and other receivables	29	395,042	325,813
Loans and interest receivables	30	667,110	354,437
Pledged bank deposits	32	4,083	6,608
Cash and cash equivalents	33	115,867	22,496
		1,225,212	735,122
Current liabilities			
Trade and other payables	34	184,677	165,956
Notes payable	35	464,000	360,000
Bank and other borrowings	36	150,070	374,406
Income tax payable		62,986	58,344
		861,733	958,706

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)
Net current assets (liabilities)		363,479	(223,584)
Total assets less current liabilities		1,280,614	1,110,804
Non-current liabilities			
Bonds payable	37	10,216	–
Deferred tax liabilities	38	2,302	37,703
		12,518	37,703
NET ASSETS		1,268,096	1,073,101
Capital and reserves			
Share capital	39	148,292	129,410
Reserves	40	1,095,187	897,331
Equity attributable to equity holders of the Company		1,243,479	1,026,741
Non-controlling interests		24,617	46,360
TOTAL EQUITY		1,268,096	1,073,101

These consolidated financial statements on pages 55 to 172 were approved and authorised for issue by the Board of Directors on 29 March 2018 and signed on its behalf by

Li Zhenzhen
Director

Wang Xin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Notes	Share capital HK$'000	Share premium HK$000	Capital reserve HK$'000	Share option reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000	Convertible instrument reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company											
At 1 January 2016		44,874	370,907	117	-	-	26,356	-	24,331	(118,936)	347,649	-	347,649
Transfer to statutory surplus reserve		-	-	-	-	-	5,366	-	-	(5,366)	-	-	-
(Loss) Profit for the year		-	-	-	-	-	-	-	-	(31,076)	(31,076)	1,044	(30,032)
Other comprehensive income (loss) for the year													
Exchange differences arising from translation of foreign operations		-	-	-	-	-	-	-	(38,704)	-	(38,704)	(1,629)	(40,333)
Changes in fair value of available-for-sale financial assets, net		-	-	-	-	45,467	-	-	-	-	45,467	-	45,467
Total comprehensive income (loss) for the year		-	-	-	-	45,467	-	-	(38,704)	(31,076)	(24,313)	(585)	(24,898)
Transactions with equity holders of the Company													
Contributions and distributions:													
Issue of shares by placements		75,000	507,000	-	-	-	-	-	-	-	582,000	-	582,000
Issue of shares for acquisition of subsidiaries		8,713	81,897	-	-	-	-	-	-	-	90,610	-	90,610
Issue of remuneration shares		250	2,350	-	-	-	-	-	-	-	2,600	-	2,600
Equity-settled share option arrangements		-	-	-	21,539	-	-	-	-	-	21,539	-	21,539
Issue of shares upon exercise of options		573	8,836	-	(2,753)	-	-	-	-	-	6,656	-	6,656
Changes in ownership interests													
Non-controlling interests arising from business combination		-	-	-	-	-	-	-	-	-	-	46,945	46,945
Total transaction with equity holders		84,536	600,083	-	18,786	-	-	-	-	-	703,405	46,945	750,350
At 31 December 2016 and 1 January 2017		129,410	970,990	117	18,786	45,467	31,722	-	(14,373)	(155,378)	1,026,741	46,360	1,073,101
Transfer to statutory surplus reserve		-	-	-	-	-	6,501	-	-	(6,501)	-	-	-
Loss for the year		-	-	-	-	-	-	-	-	(110,107)	(110,107)	(3,893)	(114,000)
Other comprehensive loss for the year													
Exchange differences arising from translation of foreign operations		-	-	-	-	-	-	-	31,810	-	31,810	2,828	34,638
Released of reserve upon disposal of an associate		-	-	-	-	-	-	-	14,846	-	14,846	-	14,846
Reclassification adjustment relating to available-for-sale financial assets disposed during the year		-	-	-	-	(44,014)	-	-	-	-	(44,014)	-	(44,014)
Change in fair value of available-for-sale financial assets, net	20	-	-	-	-	5,238	-	-	-	-	5,238	-	5,238
Total comprehensive loss for the year		-	-	-	-	(38,776)	-	-	46,656	(110,107)	(102,227)	(1,065)	(103,292)
Transactions with equity holders of the Company													
Contributions and distributions:													
Issue of shares by placements	39(a)	15,382	140,442	-	-	-	-	-	-	-	155,824	-	155,824
Issue of shares for acquisition of subsidiaries	39(b)	3,500	60,114	-	-	-	-	-	-	-	63,614	-	63,614
Transfer of share option reserve upon forfeiture share options	41	-	-	-	(2,154)	-	-	-	-	2,154	-	-	-
Transfer from convertible bonds	31	-	-	-	-	-	-	98,464	-	-	98,464	-	98,464
Changes in ownership interests													
Non-controlling interests arising from business combination	44	-	-	-	-	-	-	-	-	-	-	70	70
Disposal of subsidiaries	45	-	-	-	-	-	-	-	1,063	-	1,063	(20,748)	(19,685)
Total transactions with equity holders		18,882	200,556	-	(2,154)	-	-	98,464	1,063	2,154	318,965	(20,678)	298,287
At 31 December 2017		148,292	1,171,546	117	16,632	6,691	38,223	98,464	33,346	(269,832)	1,243,479	24,617	1,268,096

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before tax including discontinued operations	(90,564)	(17,341)
Exchange difference	(3,515)	(4,063)
Interest expenses	72,554	39,561
Depreciation of property, plant and equipment	32,916	25,417
Depreciation of investment properties	627	574
Amortisation of lease premium for land	710	695
Amortisation of intangible assets	5,971	–
Amortisation of deferred day-one gain	(129)	–
Impairment loss on goodwill	14,743	43,049
Equity-settled share-based payments	–	24,139
Allowance for loans and interest receivables	46,204	5,579
Interest income	(1,547)	(1,434)
Impairment on intangible assets	16,100	–
Gain on disposal of available-for-sale financial assets	(26,873)	–
Write off of property, plant and equipment	1,152	–
Loss on disposal of an associate	18,879	–
Loss on change in fair value of convertible bonds	18,741	–
Loss on disposal of property, plant and equipment	(99)	1,038
Gain on bargain purchase on acquisition of an associate	–	(84,673)
Share of results of an associate	(319)	(1,760)
Fair value change of financial assets at fair value through profit or loss	1,012	–
Net realised loss on financial assets at fair value through profit or loss	6,603	25,711
Changes in working capital:		
Inventories	(10,296)	(2,565)
Trade and other receivables	(101,201)	5,829
Loans and interest receivables	(358,877)	(360,016)
Trade and other payables	9,985	35,496
Security deposit	(10,983)	–
Cash used in operations	(358,206)	(264,764)
Interest received	1,547	1,434
Income tax paid	(6,902)	(8,317)
Net cash used in operating activities	(363,561)	(271,647)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(48,685)	(31,505)
Purchase of available-for-sale financial assets		(752)	(301,235)
Proceeds from disposal of property, plant and equipment		3,729	2,234
Proceeds from disposal of available-for-sale financial assets	20	296,662	–
Proceeds from disposal of an associate	18	289,874	–
Payment of lease premiums for land		–	(9)
Deposits for acquisition of land and plant and machinery	22	(21,434)	(3,339)
Deposits paid for potential acquisition of subsidiaries	21	(55,000)	(11,408)
Deposits paid for potential acquisition of intangible assets		–	(53,600)
Refund of deposits paid for potential acquisition of subsidiaries		–	50,000
Net cash inflows from acquisition of subsidiaries – assets	43	40	–
Net cash outflows from acquisition of subsidiaries – business	44	(4,612)	(272,746)
Net cash inflows on disposal of subsidiaries	45	41,487	–
Purchase of financial assets at fair value through profit or loss		(153,578)	–
Purchase of an associate		–	(208,331)
Proceeds from sales of financial assets at fair value through profit or loss		140,793	136,523
Decrease (Increase) in pledged bank deposits		2,525	(3,950)
Net cash from (used in) investing activities		491,049	(697,366)
FINANCING ACTIVITIES			
New bank and other borrowings raised		197,834	603,681
Repayment of bank and other borrowings		(432,122)	(356,548)
Proceeds from exercise of share options		–	6,656
Interest paid		(70,784)	(13,729)
Proceeds from issue of bonds	37	10,000	–
Proceeds from issue of shares by placements	39	155,824	582,000
Proceeds from issue of notes payable	35	120,000	80,000
Repayment of notes payables	35	(16,000)	–
Net cash (used in) from financing activities		(35,248)	902,060

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000* (Restated)
Net increase (decrease) in cash and cash equivalents	92,240	(66,953)
Effect on exchange rate changes	1,131	(694)
Cash and cash equivalents at beginning of reporting period	22,496	90,143
Cash and cash equivalents at end of reporting period	115,867	22,496
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	113,955	20,741
Deposits with financial institutions with original maturity within three months	1,912	1,755
	115,867	22,496
Major non-cash transactions		
Issue of shares for acquisition of subsidiaries *(Note 43)*	63,613	90,610
Promissory note receivable for disposal of subsidiaries *(Note 24)*	152,783	–
Issue of convertible bonds for acquisition of subsidiaries *(Note 31)*	79,723	–
Acquisition of subsidiaries with deposit paid in prior year (Note 21(d))	11,408	–

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

1. GENERAL INFORMATION

Sino Haijing Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 8 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are detailed in note 47(a) to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the 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 Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below:

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs	2014-2016 Cycle: HKFRS 12

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

BASIS OF PREPARATION *(Continued)*

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities 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.

The adoption of the amendments results in the additional disclosures in note 42 to the consolidated financial statements. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements 2014-2016 Cycle: HKFRS 12 – Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

CORRECTION OF PRIOR YEAR ERROR

In preparing the consolidated financial statements of the Group for the year ended 31 December 2017, the Directors of the Company had revisited the facts and circumstances associated with the prepayment of HK$53,600,000 for a large performance project in Halong City, Vietnam. As detailed in note 26 to the consolidated financial statements, the Group paid HK$53,600,000 to Impression Culture International Holdings Limited ("Impression Culture"), an independent third party for the production of script, design of stage background, props, dance, sound and lighting effect of the show. Upon completion of the script, the Group will have the an exclusive right to use the script for operating the show in Halong Bay, Vietnam.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

CORRECTION OF PRIOR YEAR ERROR *(Continued)*

The Group considered that it would be appropriate to account for the prepayment of HK$53,600,000 as deposit paid for potential acquisition of intangible asset arising from the above-mentioned exclusive right under non-current assets instead of prepayment under current assets. In view of the significance of the nature and amount, the consolidated financial statements for the year ended 31 December 2016 have been restated to correct this error. As a result of the restatements, the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of cash flows for the year ended 31 December 2016 have been restated. The effects of the prior period adjustments are summarised below:

(i) Effect on the consolidated statement of financial position as at 31 December 2016

	As previously reported HK$'000	Effect HK$'000	As restated HK$'000
Non-current assets	1,280,788	53,600	1,334,388
Current assets	788,722	(53,600)	735,122

(ii) Effect on the consolidated statement of cash flows for the year ended 31 December 2016

	As previously reported HK$'000	Effect HK$'000	As restated HK$'000
Net cash used in operating activities	325,247	(53,600)	271,647
Net cash used in investing activities	643,766	53,600	697,366

The above prior year adjustments have no impact on the consolidated statements of comprehensive income for the year ended 31 December 2016.

BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value as explained in the accounting policies set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. 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.

Non-controlling interests are presented, separately from the equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by- acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investment in subsidiaries is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

ASSOCIATES

An associate is an entity over which the Group has 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 of those policies.

The Group's investment in an associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income from bargain purchase.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

GOODWILL

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and 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. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all costs directly attributable to the construction. Construction-in-progress is transferred to the appropriate class of assets when construction is completed and the asset is ready for intended use.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings and leasehold improvements	5 to 20 years
Plant and machinery	5 to 25 years
Furniture and equipment	5 to 10 years
Scenic spot establishment	40 years
Motor vehicles	5 to 10 years
Moulds	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

INVESTMENT PROPERTIES

Investment properties are land and/or buildings that are held by owner, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. As the Group's lease payments for its investment properties cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the investment properties as a finance lease. Depreciation is provided to write off the cost less accumulated impairment losses of investment properties over the unexpired term of lease using straight-line method, after taking into account their estimated residual values.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

INTANGIBLE ASSETS

Acquired intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in an acquisition of assets through acquisitions of subsidiaries represents their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

INTANGIBLE ASSETS *(Continued)*

Intangible assets with finite useful lives are 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 is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Operating agreements	15 years

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

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

LEASE PREMIUMS FOR LAND

Lease premiums for land are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Recognition and derecognition *(Continued)*

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

(ii) Loans and receivables

Loans and receivables including bank balances and cash, pledged bank deposits, security deposit, promissory notes receivable, loans and interest receivables and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

(iv) Financial liabilities

The Group's financial liabilities include trade and other payables, bank and other borrowings, notes payable and bonds payable. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

A day-one gain or loss arises when the transaction price for a liability differs from the fair value used to measure it on initial recognition. Such gain or loss is deferred on initial recognition when the fair value is not evidenced by a quoted price in an active market for an identical liability (ie a Level 1 input) or based on a valuation technique that use only date from observable markets. After initial recognition, the deferred gain or loss is recognised only to the extent that it arises from a change in a factor (including time) that market participants would take into account which pricing the liability.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

(v) Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

CONVERTIBLE BONDS

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of issue costs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

CONVERTIBLE BONDS *(Continued)*

At initial recognition, the convertible bonds are accounted for as financial liability and classified as at fair value through profit or loss when the financial liability is contingent consideration that may be paid by the Group as part of a business combination to which HKFRS 3 applies. In subsequent periods, such convertible bonds are measured at fair value with changes in fair value recognised in profit or loss (see Note 31).

Upon fulfillment of the requirements relating to the contingent consideration, the convertible bonds are transferred to convertible instrument reserve at fair value.

REVENUE RECOGNITION

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

(i) Sale of packaging materials is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed. Revenue excludes value added tax and is after deduction of any trade discounts and returns;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION *(Continued)*

(ii) Entrustment and management fees from the healthcare business are recognised at the date of entering the management contract and services are rendered respectively;

(iii) Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable;

(iv) Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease terms;

(v) Dividend income from investments is recognised when the Group's rights to receive payments have been established;

(vi) Service fees from ticketing agency business of tourism and travel segment is recognised when tickets are sold;

(vii) Sale of admission tickets in scenic spot business and air-tickets in outbound tourism business in tourism and travel segment are recognised on a gross basis when the tickets are sold; and

(viii) Revenue from the operation of travel tours as an agent in tourism and travel segment is recognised on a net basis when the services are rendered.

CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short- term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. For classification in the statement of consolidated financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCY TRANSLATION *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, investment in an associate, investment in subsidiaries, investment properties, deposits for potential acquisition of subsidiaries, deposits for acquisition of land and plant and machinery, deposits for potential acquisition of intangible asset and lease premiums for land may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are 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. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

EMPLOYEE BENEFITS

i. Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

ii. Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are recognised as expenses in profit or loss as incurred.

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and 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 above.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party entity and the other entity is an associate of the third party 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, namely, the executive directors, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

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

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	2014-2016 Cycle: HKFRS 1 and HKAS 28 [1]
Amendments to HKAS 40	Transfers of Investment Property [1]
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]
HKFRS 15	Revenue from Contracts with Customers [1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [1]
Annual Improvements to HKFRSs	2015-2017 Cycle[2]
HKFRS 16	Leases [2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures [2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[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] The effective date to be determined

Save for HKFRS 9, HKFRS 15 and HKFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

HKFRS 9: Financial Instruments

HKFRS 9 is finalised in September 2014. It was intended that HKFRS 9 would replace HKAS 39 in its entirety and the project was divided into three main phases:

Phase 1: classification and measurement of financial assets and financial liabilities

In November 2009, the chapters for classification and measurement of financial assets were issued and required financial assets to be classified as subsequently measured at: 1) amortised cost or 2) fair value through profit or loss, on the basis of the business model within which they are held and their contractual cash flow characteristics.

In November 2010 the requirements related to the classification and measurement of financial liabilities were added. Most of those requirements were carried forward unchanged from HKAS 39.

In December 2013, HKFRS 9 was amended to address the "own credit risk" issue related to financial liabilities designated as at fair value through profit or loss. An entity is required to present the effects of changes in the liability's credit risk in other comprehensive income, rather than in profit or loss. HKFRS 9 was amended to permit entities to early apply these requirements without applying the other requirements of HKFRS 9.

In September 2014, limited amendments were made to the classification and measurement requirements in HKFRS 9 for financial assets to introduce a 'fair value through other comprehensive income' measurement category for particular simple debt instruments, where the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset.

Phase 2: impairment methodology

In September 2014, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Under the impairment approach in HKFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

HKFRS 9 *(Continued)*

Phase 3: hedge accounting

In December 2013, the requirements related to hedge accounting were added. These requirements align hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in HKAS 39. In the discussion of the general hedge accounting requirements, specific accounting for open portfolios or macro hedging was not addressed and a discussion paper was issued in April 2014. Consequently, the exception in HKAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply. Entities are provided with an accounting policy choice between applying the hedge accounting requirements of HKFRS 9 or continuing to apply the existing hedge accounting requirements in HKAS 39 for all hedge accounting because it had not yet completed its project on the accounting for macro hedging.

Key requirement of HKFRS 9 which is relevant to the Group is the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's existing financial instruments and risk management policies, the management of the Group preliminarily anticipates that the application of HKFRS 9 in the future may have a significant impact on the Group's financial assets, in particular, the Group engages in money lending business with significant amount of loans receivable. The expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its financial assets measured at amortised cost upon the adoption of HKFRS 9.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

HKFRS 9 *(Continued)*

In addition, the expected impacts of HKFRS 9 on the Group's financial statements are as follows:

Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans to elect this designation option for the investments held on 1 January 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 aims at providing a more robust framework for addressing revenue issues; improving comparability; and providing more useful information.

The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following 5 steps:

(a) Identify the contract(s) with a customer;

(b) Identify the performance obligations in the contract(s);

(c) Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;

(d) Allocate the transaction price to the performance obligations in the contract(s); and

(e) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The management of the Group preliminarily considers that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

HKFRS 16: Leases

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The management of the Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statements of cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY

Allowance for doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables, loans and interest receivables and promissory notes receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required.

When there is objective evidence of allowance for bad and doubtful debts of the Group's other receivables, loans and interest receivables and promissory notes receivable, the Group takes into consideration the estimation of future cash flows. For trade receivable in relation to the business segments other than money lending segment, a considerable amount of judgements including assessing the current creditworthiness and the past collection history of each customer is also required. The amount of allowance for bad and doubtful debts 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material allowance for bad and doubtful debts may arise.

Impairment of property, plant and equipment

Included in the Group's property, plant and equipment as at 31 December 2017 is a carrying amount of HK$192,041,000 (2016: HK$186,166,000) which represents the scenic spot establishment located at the Dongxing City in Guangxi, the PRC. The Group estimates recoverable amounts of the scenic spot establishment with reference to valuations performed by an independent professional valuer. The valuation is performed using depreciated replacement cost (the "DRC") approach as no second hand prices are available. The DRC approach requires an estimation of the new replacement cost of the assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation.

Impairment and useful life of intangible asset

In performing the impairment test on intangible assets, the Group estimates the recoverable amount of the intangible assets which includes the estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected 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 Group determines the estimated useful life and related amortisation charge for intangible assets with reference to the contractual term as set out in the operating agreements. For details, please refer to note 17 to the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of property, plant and equipment, the Group considers various factors such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with a similar asset that is used in a similar way. Additional depreciation is required if the estimated useful lives and/or the residual values of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Impairment of deposits for potential acquisition of intangible assets

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of the respective cash generating units ("CGU") to which the intangible assets will belong, which is the value in use. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset will belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an additional impairment loss may arise.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of investments and receivables

The Group assesses annually if investment in subsidiaries and associate has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors have determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's intangible asset, available-for-sale financial assets, promissory notes, financial assets at fair value through profit or loss, convertible bonds, bonds payable and share options granted, the Group uses market-observable data to the extent it is available. The management of the Group will exercise its judgements based on its experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets/liabilities, the causes of the fluctuations will be reported to the board of directors of the Company. Notes 17, 20, 24, 27, 31, 37 and 41 to the consolidated financial statements provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's certain available-for-sale financial assets, promissory notes, financial assets at fair value through profit or loss, convertible bonds and share options granted.

CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

Acquisition of subsidiaries-Assets

On 21 April 2017, the Group completed the acquisition of 100% equity interest of Arch Partners Holdings Limited and its subsidiaries ("Arch Partners Group") and recognised, among others, the operating agreements as intangible assets of approximately HK$150,900,000, details of which are set out in notes 17 and 43 to the consolidated financial statements. The assessment of the fair value of the identifiable assets acquired and liabilities assumed and allocation of the purchase price required significant management judgements and estimation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES *(Continued)*

Acquisition of subsidiaries-Assets *(Continued)*

Where the intangible assets are acquired, via acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date. Accordingly, no goodwill or deferred taxation arises.

5. REVENUE

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Continuing operations		
Sale of packaging products	686,031	565,633
Loan interest income from money lending business *(Note 30)*	65,268	11,351
Sale of air-tickets in tourism and travel business	151,826	–
Sale of admission tickets in scenic spot business	9,147	3,073
Tour revenue from tourism and travel business	8,884	–
	921,156	580,057
Discontinued operations *(Note 14)*		
Service fee from ticketing agency business	28,468	24,794
Entrustment and management fees from healthcare business	6,546	1,818
	35,014	26,612
	956,170	606,669

6. SEGMENT INFORMATION

The chief operating decision maker has evaluated the performance of operating segments and allocated resources to those segments based on the Group's internal reporting in respect of these segments. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group's reportable segments are as follows:

Continuing operations

(a) Manufacturing and sale of packaging products ("Packaging Business");

(b) Securities trading and other investing activities ("Securities Investments");

(c) Tourism and travel business ("Tourism and Travel");

(d) Money lending business ("Money Lending");

Discontinued operations

(e) Healthcare business ("Healthcare Business"); and

(f) Tourism and travel business - ticketing agency business ("Ticketing Agency").

Segment results represent the result from each reportable segment. The following analysis is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

To better reflect current and future business development and organisation of the Group, the management reclassified scenic spot business, which was included in the Ticketing Agency segment reporting in the consolidated financial statements for the year ended 31 December 2016, to Tourism and Travel business during the current year and the comparative figures have been restated.

Following the disposal of the ticketing agency business and healthcare business, the segment information for the year ended 31 December 2016 has been re-presented in order to conform with the current presentation due to the disposal of ticketing agency business and healthcare business. These segments are classified as discontinued operation in current year.

6. SEGMENT INFORMATION *(Continued)*

BY BUSINESS SEGMENTS

An analysis of the Group's revenue and result by reportable segment and other segment information are set out below:

	Continuing operations								Discontinued operations					
	Packaging Business		Securities Investments		Tourism and Travel		Money Lending		Healthcare Business		Ticketing Agency		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Reportable segment revenue														
Revenue from external customers	686,031	565,633	–	–	169,857	3,073	65,268	11,351	6,546	1,818	28,468	24,794	956,170	606,669
Reportable segment profit (loss)	53,946	43,994	1,717	60,037	(9,867)	(18,922)	19,002	5,739	5,106	(845)	(3,239)	(2,666)	66,665	87,337
Other income													1,148	1,288
Loss on change in fair value of convertible bonds													(18,741)	–
Finance costs													(67,429)	(34,263)
Corporate expenses													(72,207)	(71,703)
Loss before tax													(90,564)	(17,341)

6. SEGMENT INFORMATION *(Continued)*

BY BUSINESS SEGMENTS *(Continued)*

	Continuing operations										Discontinued operations					
	Packaging Business		Securities Investments		Tourism and Travel		Money Lending		Corporate		Healthcare Business		Ticketing Agency		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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
Other segment information																
Interest income	101	99	1,049	213	3	–	–	–	394	1,122	–	–	–	–	1,547	1,434
Depreciation and amortisation	24,056	23,215	–	–	15,075	2,483	30	15	995	972	68	1	–	–	40,224	26,686
Gain on disposal of available-for-sale financial assets	–	–	26,873	–	–	–	–	–	–	–	–	–	–	–	26,873	–
Loss on disposal of an associate	–	–	18,879	–	–	–	–	–	–	–	–	–	–	–	18,879	–
Impairment loss on goodwill	–	–	–	–	–	16,049	–	–	–	–	–	–	14,743	27,000	14,743	43,049
Impairment loss on intangible assets	–	–	–	–	–	–	–	–	–	–	–	–	16,100	–	16,100	—
Impairment loss on loans and interest receivables	–	–	–	–	–	–	46,204	5,579	–	–	–	–	–	–	46,204	5,579
Gain on bargain purchase of associate	–	–	–	84,673	–	–	–	–	–	–	–	–	–	–	–	84,673
Net realised loss on financial assets at fair value through profit or loss	–	–	6,603	25,711	–	–	–	–	–	–	–	–	–	–	6,603	25,711
Share of results of an associate	–	–	319	1,760	–	–	–	–	–	–	–	–	–	–	319	1,760
Finance costs	4,937	5,108	188	190	–	–	–	–	67,429	34,263	–	–	–	–	72,554	39,561
Income tax expense (income)	6,556	4,712	–	–	(4,621)	24	2,372	1,868	–	–	–	–	1,783	6,087	6,090	12,691
Additions to property, plant, and equipment	24,364	32,256	–	–	27,704	196,000	–	149	–	3,276	–	–	–	–	52,068	231,681
Additions to intangible assets	–	–	–	–	150,900	–	–	–	–	–	–	–	–	146,346	150,900	146,346

6. SEGMENT INFORMATION *(Continued)*

BY BUSINESS SEGMENTS *(Continued)*

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Assets		
Continuing operations		
Packaging Business	613,214	524,962
Securities Investments	64,999	363,658
Tourism and Travel	428,563	188,555
Money Lending	696,552	342,857
Discontinued operations		
Tourism and Travel - ticketing agency business	–	180,083
Healthcare Business	–	91,459
Total assets of reportable segment	1,803,328	1,691,574
Unallocated headquarter amounts:		
Interest in an associate	–	293,588
Promissory notes receivables	153,537	–
Deposits for potential acquisition of subsidiaries	40,000	11,408
Deferred tax assets	7,624	–
Deposit for potential acquisition of intangible assets	53,600	53,600
Property, plant and equipment	150	2,303
Other receivables	34,144	4,745
Cash and cash equivalents	49,964	12,292
	2,142,347	2,069,510
Liabilities		
Continuing operations		
Packaging Business	284,810	242,943
Securities Investments	–	3,231
Tourism and Travel	62,722	49,642
Money Lending	4,239	1,868
Discontinued operations		
Tourism and Travel - ticketing agency business	–	41,445
Healthcare Business	–	1,845

6. SEGMENT INFORMATION *(Continued)*

BY BUSINESS SEGMENTS *(Continued)*

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Total liabilities of reportable segment	351,771	340,974
Unallocated headquarter amounts:		
Accrued interest on notes payable	43,251	41,481
Other payables	5,013	2,354
Bank and other borrowings	–	251,600
Notes payable	464,000	360,000
Bonds payable	10,216	–
	874,251	996,409

6. SEGMENT INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

The Group operates in three principal geographical areas: Hong Kong, Malaysia and the PRC.

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets excluding financial instruments. The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2017	2016	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)		(Restated)
Continuing operations				
Hong Kong	72,285	11,351	181	2,304
Malaysia	–	–	–	293,588
The PRC	848,871	568,706	582,809	388,661
Discontinued operations				
The PRC	35,014	26,612	–	238,125
	956,170	606,669	582,990	922,678

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	226,713	191,791
Customer B	66,449	67,092
Customer C	94,607	81,133
Customer D	158,468	Nil
	546,237	340,016

7. OTHER REVENUE AND OTHER INCOME

	2017 HK$'000	2016 HK$'000 (Re-presented)
Other revenue		
Interest income other than from money lending business	1,547	1,434
Rental income	733	475
	2,280	1,909
Other income		
Amortisation of deferred day-one gain	129	–
Government grants	4,728	2,400
Imputed interest income from promissory notes *(Note 24)*	754	–
Sale of raw materials and scrap products, net	656	1,168
Sale of steam, net	379	567
Compensation income	417	666
Gain on disposal of property, plant and equipment	99	36
Net exchange gain	242	87
Sundry income	230	722
	7,634	5,646
	9,914	7,555

8. LOSS BEFORE TAX

This is stated after charging:

		2017 HK$'000	2016 HK$'000 (Re-presented)
a)	**Finance costs:**		
	Interest on bank and other borrowings	29,862	16,306
	Interest on notes payable	42,347	23,255
	Interest on bonds payable	345	–
		72,554	39,561
b)	**Staff costs (Directors' emoluments included):**		
	Salaries, wages and other benefits	101,517	75,355
	Contribution to defined contribution retirement plans	4,867	4,203
	Share-based payment in respect of share options	–	20,939
		106,384	100,497
c)	**Other items:**		
	Amortisation of lease premiums for land	710	695
	Amortisation of intangible assets	5,971	–
	Auditor's remuneration	1,912	900
	Cost of services *(Note)*	159,606	3,555
	Cost of inventories *(Note)*	579,968	465,870
	Depreciation of investment properties	627	574
	Depreciation of property, plant and equipment	32,848	25,416
	Allowance for loans and interest receivables	46,204	5,579
	Write off of property, plant and equipment	1,152	–
	Loss on disposal of property, plant and equipment, net	–	1,038
	Operating lease charges on rented premises	7,563	7,244

Note: Cost of inventories and cost of services include approximately HK$74,217,000 and HK$17,511,000 (2016: approximately HK$65,339,000 and HK$3,250,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges. These amounts are also included in the respective total amounts disclosed separately above for these expenses.

The amortisation is included in "cost of sales and services" in the consolidated statement of comprehensive income.

9. BENEFITS AND INTERESTS OF DIRECTORS

(A) DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to each of the ten (2016: fourteen) directors were as follows:

Name of directors	Fees *HK$'000*	Other emoluments Salaries, allowances and other benefits *HK$'000*	Other emoluments Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors ("ED")				
Lam Wai Hung	180	–	9	189
Li Zhenzhen	960	63	–	1,023
Wang Xin	600	192	–	792
Wei Liyi	560	41	–	601
Cheng Chi Kin (appointed on 15 February 2017)	525	–	16	541
Non-executive Director ("NED")				
Hu Jianping (resigned on 19 December 2017)	116	–	–	116
Independent Non-executive Directors ("INED")				
Pang Hong	120	–	–	120
Lam Hoi Lun	120	–	–	120
Lee Tao Wai	120	–	–	120
Li Yang (appointed on 15 February 2017)	105	–	–	105
Total for 2017	3,406	296	25	3,727

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(A) DIRECTOR'S EMOLUMENTS *(Continued)*

		Other emoluments			
Name of directors	Fees *HK$'000*	Salaries, allowances and other benefits *HK$'000*	Retirement scheme contributions *HK$'000*	Equity settled share-based payment *HK$'000*	Total *HK$'000*
Executive Directors ("ED")					
Lam Wai Hung	180	–	9	30	219
Szeto Wai Ling, Virginia (resigned on 4 July 2016)	92	–	5	–	97
Lam Chi Keung (resigned on 30 November 2016)	660	–	17	30	707
Li Zhenzhen	633	137	–	2,154	2,924
Wang Xin (appointed on 5 April 2016)	443	104	–	2,154	2,701
Wei Liyi (appointed as NED on 5 April 2016 and re-designated to ED on 4 August 2016)	89	320	–	2,154	2,563
Li Fengrui (appointed on 4 August 2016 and resigned on 27 September 2016)	–	–	–	–	–
Non-executive Director ("NED")					
Fung Wah Bong, Peter (resigned on 5 April 2016)	32	–	–	–	32
Hu Jianping (re-designated from ED to NED with effective from 1 December 2016)	563	–	–	2,154	2,717
Independent Non-executive Directors ("INED")					
Pang Hong	98	–	–	18	116
Lam Hoi Lun (appointed on 13 July 2016)	56	–	–	6	62
Lee Tao Wai (appointed on 13 July 2016)	56	–	–	6	62
Lee Siu Woo (resigned on 19 July 2016)	53	–	–	–	53
Foo Tin Chung Victor (resigned on 19 July 2016)	53	–	–	–	53
Total for 2016	3,008	561	31	8,706	12,306

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(A) DIRECTOR'S EMOLUMENTS *(Continued)*

The directors of the Company are regarded as the key management personnel of the Group for disclosure purposes.

No emolument was paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2017 and 2016. In addition, during the years ended 31 December 2017 and 2016, no directors waived any of their emoluments.

(B) LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS

There were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2017 and 2016.

(C) DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2017 and 2016.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, three (2016: four) directors are included in the five highest paid individuals of the Group. The emoluments of the remaining two (2016: one) highest paid individual, who are employees of the Group, are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Basic salaries	1,625	–
Equity-settled share-based payment	–	2,154
Retirement benefits scheme contributions	18	–
	1,643	2,154

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the five (2016: five) highest paid individuals fell within the following bands:

	Number of individuals 2017	2016
HK$nil – HK$1,000,000	4	–
HK$1,000,001 – HK$1,500,000	1	–
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	–	4
	5	5

11. TAXATION

Hong Kong Profits Tax has been provided at 16.5% on the Group's estimated assessable profits arising from Hong Kong in 2017 and 2016. The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2017 and 2016 based on existing legislation, interpretations and practices in respect thereof except for those subsidiaries described below.

In 2016, 2 subsidiaries operating in Hefei, Anhui province, the PRC have been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Hefei, Anhui Province and relevant authorities for a term of three years, and have been registered with the local tax authorities for enjoying the reduced 15% Enterprise Income Tax ("EIT") rate. Accordingly, the profits derived by these subsidiaries for both 2017 and 2016 are subject to 15% EIT rate for both years. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Continuing operations		
Hong Kong Profit Tax		
– Current year	2,372	1,868
– Deferred tax *(Note 38)*	(7,624)	–
Income tax (income) expense	(5,252)	1,868
PRC enterprise income tax ("PRC EIT")		
– Current year	11,239	4,801
– Over provision in prior year	(1,616)	–
– Deferred tax *(Note 38)*	(64)	(65)
Income tax expense	9,559	4,736
Total income tax expense from continuing operations	4,307	6,604

11. TAXATION *(Continued)*

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Discontinued operations *(Note 14)*		
Current tax	5,808	6,087
Deferred tax *(Note 38)*	(4,025)	–
	1,783	6,087
Tax expense for the year	6,090	12,691

RECONCILIATION OF TAX EXPENSE

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Loss before tax from continuing operations	(92,431)	(13,830)
Tax at weighted average rate of 14% (2016: 22%) applicable to the jurisdictions concerned	(13,223)	(3,045)
Non-deductible expenses	25,361	16,801
Non-taxable income	(5,271)	(17,445)
Share of results of an associate	(53)	(290)
Effect of tax concessions granted to certain subsidiaries in the PRC	(1,931)	–
Unrecognised temporary differences	2,963	6,061
Unrecognised tax losses	5,814	7,447
Recognition of previously unrecognised deferred tax assets	(7,624)	–
Utilisation of previously unrecognised tax losses	(210)	(2,870)
Over-provision of PRC EIT in prior year	(1,616)	–
Others	97	(55)
Tax expense for the year	4,307	6,604

The decrease in the applicable tax rate was mainly due to the different tax rates adopted and certain subsidiaries incurred loss for the year.

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2017 and 2016.

13. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

For continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Loss for the year attributable to the equity holders of the Company	(110,107)	(31,076)
Less: Loss for the year from discontinued operations	17,513	12,336
Loss for the purpose of basic and diluted loss per share from continuing operations	(92,594)	(18,740)

The denominators used are the same as those detailed above for both basic and diluted Loss per share.

13. LOSS PER SHARE *(Continued)*

For continuing operations *(Continued)*

	2017 Number of shares '000	2016 Number of shares '000
Issued ordinary shares at 1 January	10,352,800	3,589,901
Effect of issue of shares by placements	677,651	1,065,574
Effect of issue of new shares for acquisition of subsidiaries	195,616	209,481
Effect of issue of remuneration shares	–	6,011
Issue of new shares upon exercise of options	–	11,093
Weighted average number of ordinary shares for basic and diluted loss per share	11,226,067	4,882,060
Loss per share:		
– Basic	(HK0.82 cents)	(HK0.38 cents)
– Diluted	(HK0.82 cents)	(HK0.38 cents)

Diluted loss per share is the same as the basic loss per share for the year ended 31 December 2017 because the potential ordinary shares from the outstanding share options under the Company's share option scheme and the conversion of convertible bonds outstanding had an anti-dilutive effect on the basic loss per share during the year.

For discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.16 cents per share (2016: loss of approximately HK0.25 cents per share), based on the loss for the year attributable to the equity holders of the Company from the discontinued operation of HK$17,513,000 (2016: loss of approximately HK$12,336,000) and the denominators detailed above for both basic and diluted loss per share.

Diluted Loss per share was the same as the basic Loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2017 and 2016.

14. DISCOUNTINUED OPERATIONS

Management considers that the Ticketing Agency business and Healthcare business that were disposed of constituted discontinued operations. Accordingly, certain comparative figures in the consolidated financial statements have been re-presented to separately reflect the results of the discontinued operations. The results and net cash flows of the discontinued operations for the years ended 31 December 2017 and 2016 are summarised as follows:

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	35,014	26,612
Cost of services		(425)	(135)
Gross profit		34,589	26,477
Impairment loss on goodwill	23	(14,743)	(27,000)
Impairment loss on intangible assets	17	(16,100)	–
Administrative and other operating expenses		(1,879)	(2,988)
Profit (loss) before tax		1,867	(3,511)
Income tax expenses	11	(1,783)	(6,087)
Profit (loss) for the year		84	(9,598)
Loss on disposal of subsidiaries	45	(17,346)	–
		(17,262)	(9,598)
Other comprehensive income			
Exchange differences arising on translation of foreign operation		–	(4,081)
Total comprehensive loss		(17,262)	(13,679)
Total comprehensive loss for the year attributable to:			
– equity holders of the Company		(18,220)	(15,805)
– non-controlling interests		958	2,126
		(17,262)	(13,679)

14. DISCOUNTINUED OPERATIONS *(Continued)*

	2017 HK$'000	2016 HK$'000
a) **Staff costs**		
Salaries, wages and other benefits	739	450
b) **Other items:**		
Cost of services	425	135
Depreciation of property, plant and equipment	68	1
Operating lease charges on rented premises	699	124
Operating activities	(2,230)	2,982
Investing activities	(751)	(1)
Financing activities	–	–
Net cash (outflows) inflows	(2,981)	2,981

The major assets of the discontinued operation are intangible assets. The major classes of assets and liabilities of the discontinued operation are measured at the lower of carrying amount and fair value less costs of disposal at the date of disposal. The assets and liabilities disposed of have been disclosed in note 45 to the consolidated financial statements.

15. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Reconciliation of carrying amount		
At beginning of the year	10,925	8,776
Exchange realignment	798	(602)
Depreciation for the year	(627)	(574)
Reclassified to property, plant and equipment *(Note 16)*	–	(8,316)
Reclassified from property, plant and equipment *(Note 16)*	–	11,641
At end of reporting period	11,096	10,925
Cost	12,173	11,375
Accumulated depreciation	(1,077)	(450)
At end of reporting period	11,096	10,925
Remaining lease terms	43 years	44 years

The Group's investment properties are located in the PRC. Fair value of these properties has been disclosed in note 55 (ii) to the consolidated financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Scenic spot establishment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost									
At 1 January 2017	56,695	2,918	107,525	12,874	188,538	9,974	66,034	6,914	451,472
Exchange realignment	4,530	22	10,498	1,141	15,133	955	5,414	255	37,948
Additions	919	442	2,198	1,487	–	1,101	11,646	34,231	52,024
Additions - acquisition of subsidiaries *(Note 44)*	–	–	–	44	–	–	–	–	44
Transfer from construction-in-progress	221	–	14,625	–	–	–	–	(14,846)	–
Write-off	–	(2,672)	–	(423)	–	–	–	–	(3,095)
Disposal of subsidiaries *(Note 45(b))*	–	–	–	(271)	–	–	–	–	(271)
Disposals	(263)	–	(3,636)	(43)	–	–	(9,971)	–	(13,913)
At 31 December 2017	62,102	710	131,210	14,809	203,671	12,030	73,123	26,554	524,209
Accumulated depreciation and impairment									
At 1 January 2017	16,715	1,137	31,800	7,763	2,372	5,316	38,080	–	103,183
Exchange realignment	1,604	5	4,574	818	349	601	3,241	–	11,192
Charge for the year	2,997	891	9,395	943	8,909	1,190	8,591	–	32,916
Write-off	–	(1,781)	–	(162)	–	–	–	–	(1,943)
Disposal of subsidiaries *(Note 45(b))*	–	–	–	(70)	–	–	–	–	(70)
Write back on disposals	(6)	–	(1,652)	(39)	–	–	(8,580)	–	(10,277)
At 31 December 2017	21,310	252	44,117	9,253	11,630	7,107	41,332	–	135,001
Net book value									
At 31 December 2017	40,792	458	87,093	5,556	192,041	4,923	31,791	26,554	389,208

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

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Scenic spot establishment	Motor vehicles	Moulds	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 January 2016	48,081	250	104,867	12,683	–	9,672	63,528	17,871	256,952
Exchange realignment	(3,318)	(4)	(7,520)	(863)	(7,462)	(686)	(4,025)	(503)	(24,381)
Additions	1,469	2,672	2,719	1,054	–	1,628	12,887	13,252	35,681
Additions – acquisition of subsidiaries	–	–	–	–	196,000	–	–	–	196,000
Transfer from construction-in-progress	11,375	–	12,331	–	–	–	–	(23,706)	–
Reclassified from investment properties	10,997	–	–	–	–	–	–	–	10,997
Reclassified to investment properties	(11,909)								(11,909)
Disposals	–	–	(4,872)	–	–	(640)	(6,356)	–	(11,868)
At 31 December 2016	56,695	2,918	107,525	12,874	188,538	9,974	66,034	6,914	451,472
Accumulated depreciation									
At 1 January 2016	12,575	250	29,165	7,589	–	5,097	37,139	–	91,815
Exchange realignment	(1,082)	(4)	(3,199)	(602)	(112)	(421)	(2,446)	–	(7,866)
Charge for the year	2,809	891	8,672	776	2,484	1,216	8,569	–	25,417
Reclassified from investment properties	2,681	–	–	–	–	–	–	–	2,681
Reclassified to investment properties	(268)								(268)
Write back on disposals	–	–	(2,838)	–	–	(576)	(5,182)	–	(8,596)
At 31 December 2016	16,715	1,137	31,800	7,763	2,372	5,316	38,080	–	103,183
Net book value									
At 31 December 2016	39,980	1,781	75,725	5,111	186,166	4,658	27,954	6,914	348,289

The buildings are located in the PRC and construction-in-progress of approximately HK$25,948,000 as at 31 December 2017 related to the show of "Dream Memory - Halong Bay" in note 26 to the consolidated financial statements.

17. INTANGIBLE ASSETS

	Operating agreements HK$'000 (note a)	Ticketing agency right HK$'000 (note b)	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2017			
At beginning of the year	–	142,000	142,000
Additions – acquisition of subsidiaries *(Note 43)*	150,900	–	150,900
Disposal of subsidiaries *(Note 45(a))*	–	(130,000)	(130,000)
Amortisation for the year	(5,971)	–	(5,971)
Impairment for the year	–	(16,100)	(16,100)
Exchange realignment	–	4,100	4,100
At end of reporting period	**144,929**	**–**	**144,929**
Cost	150,900	–	150,900
Accumulated amortisation	(5,971)	–	(5,971)
At end of reporting period	144,929	–	144,929
Remaining useful life	14 years	N/A	
Reconciliation of carrying amounts – year ended 31 December 2016			
Additions – acquisition of subsidiaries	–	146,346	146,346
Exchange realignment	–	(4,346)	(4,346)
At end of reporting period	–	142,000	142,000

(a) The operating agreements were acquired as a result of acquisition of subsidiaries as detailed in note 43 to the consolidated financial statements. The operating agreements include a long-term aircraft charter contract and a master contractor contract in respect of outbound tourism and hospitality with Beijing Mega Global International Travel Service Co., Ltd ("Beijing Mega") for a period of 15 years. Hence, the Group has determined that the intangible assets have a 15-year useful life.

17. INTANGIBLE ASSETS *(Continued)*

(a) *(Continued)*

The Group has appointed an independent professional valuer, APAC Asset Valuation and Consulting Limited ("APAC"), to perform an appraisal of the value of the operating agreements as at 21 April 2017. The fair value of intangible asset has been determined on the basis of discounted cash flows calculation. Its fair value is based on certain key assumptions. The management assumed that Beijing Mega will continue to cooperate with the Group according to the terms and conditions set out in the operating agreements. The calculation uses cash flow projections based on financial budgets approved by management covering a 15-year period by applying growth rate from 3% to 10%, and a discount rate of 19.0%. Cash flow projections during the budget period are also based on the expected sales during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. The fair value of the operating agreements as at 21 April 2017 was HK$150,900,000.

The Group has also appointed APAC to perform an appraisal of the value of the operating agreements as at 31 December 2017. The recoverable amount of intangible asset has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 15-year period by applying growth rate from 3% to 9%, and a discount rate of 21.0%. Cash flow projections during the budget period are also based on the expected sales during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectation for the market developments.

(b) The exclusive ticketing agency right for the cultural show namely, Impression – Liu Sanjie, has been granted for a period of 20 years, with priority renewal rights at the expiry date. Coupled with the fact that the cultural show, Impression – Liu Sanjie, has been operated since 2004 and there are over 500 shows every year, the Group has determined that the asset has an indefinite useful life. The exclusive ticketing agency right is therefore measured at cost less accumulated impairment losses.

In August 2017, after knowing that the ticket price shall remain unchanged in near future, the management performed an impairment assessment on the goodwill and intangible asset for the year. The recoverable amount of the goodwill and intangible asset has been determined on the basis of value in use calculation by the management with reference to the valuations previously conducted by an independent professional valuer after adjusting certain key assumptions, including the growth rate for ticket price in 2017, which had been adjusted from 5% to 0%. In addition, the average growth rate in income per ticket from 2018 to 2021 had been adjusted from 3% to 0%. This resulted in the recognition of an impairment loss on goodwill of approximately HK$14.7 million (Note 23) and impairment loss on intangible asset of approximately HK$16.1 million during the year.

Upon the disposal of Master Race Group on 16 November 2017 as detailed in note 45(a) to the consolidated financial statements, the exclusive ticketing agency right with the carrying amount of HK$130,000,000 was derecognised. The impairment loss of HK$16.1 million was included in the loss from discontinued operations (Note 14).

18. INTEREST IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Cost of investments in an associate		
– Listed in Malaysia	293,004	293,004
Share of post-acquisition profit, net of dividend received	2,079	1,760
Disposal during the year	(297,642)	–
Exchange realignment	2,559	(1,176)
Group's share of net assets of an associate at 31 December	–	293,588
Fair value of listed investments	–	326,613

At 31 December 2016, the Group hold 150,000,000 shares of Yong Tai Berhad ("Yong Tai"), represented 39.44% of equity interest in Yong Tai, which is listed on the Main Market of Bursa Malaysia Securities Berhad. A gain on bargain purchase on acquisition of an associate of approximately HK$84.7 million was recognised in the year ended 31 December 2016. The Group entered into a series of sale and purchase agreements with certain independent purchasers between 27 March 2017 and 9 May 2017 in relation to the disposal of entire shares of Yong Tai at aggregate consideration of approximately Malaysian Ringgit ("MYR") 165,000,000 (equivalent to approximately HK$289,874,000). Loss on disposal of the associate of approximately HK$18,879,000 has been recognised in the consolidated statement of comprehensive income during the year.

18. INTEREST IN AN ASSOCIATE *(Continued)*

The associate has share capital consisting solely of ordinary shares:

Name of associate	Principal place of business and place of incorporation	Nominal value of registered capital	Equity interest attributable to the Group 2017 %	2016 %	Principal activities
Yong Tai Berhad ("Yong Tai") *(note a)*	Malaysia	MYR190,172,000	–	39.44%	Manufacturing and dyeing of all types of fabric and property development

(a) The above associate was accounted for using the equity method.

19. LEASE PREMIUMS FOR LAND

	2017 HK$'000	2016 HK$'000
Carrying amount		
At beginning of reporting period	29,147	29,228
Additions	–	9
Additions – acquisition of subsidiaries	–	2,250
Exchange realignment	2,157	(1,645)
Amortisation	(710)	(695)
At the end of reporting period	30,594	29,147
In the PRC	30,594	29,147
Analysed for reporting purposes as:		
Current asset	757	704
Non-current asset	29,837	28,443
	30,594	29,147
Remaining lease terms	35-46 years	36-47 years

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 *HK$'000*	2016 *HK$'000*
Irredeemable convertible preference shares listed outside Hong Kong, at fair value *(notes (a) and (b))*	36,366	343,894
Equity shares listed outside Hong Kong, at fair value *(note (b))*	462	2,808
	36,828	346,702

(a) At 31 December 2016, the amount represents 200,000,000 irredeemable convertible preference shares ("ICPS") of Yong Tai, which are listed on the Main Market of Bursa Malaysia Securities Berhad. The ICPS are convertible into ordinary shares of Yong Tai at the option of the holder from time to time after the 3rd anniversary of the date of issue on 28 November 2016 and up to the maturity date, which is the 10th anniversary of the date of issue of the ICPS. All issued ICPS that remain outstanding after the maturity date will be automatically converted into ordinary shares of Yong Tai. Since conversion is prohibited within 3 years from the date of issue and the Group has no intention to convert the ICPS into Yong Tai's ordinary shares until the maturity date, the investment in ICPS in Yong Tai has been accounted for as available-for-sale financial asset and measured at fair value at the end of the reporting period.

During the year ended 31 December 2017, the Group disposed of 182,500,000 ICPS through its securities broker on the Main Market of Bursa Malaysia Securities Berhad at aggregate consideration of MYR164,250,000 (equivalent to approximately HK$296,662,000) and gain on disposal of approximately HK$26,873,000 was recognised in the consolidated statement of comprehensive income. After the disposal, the Group holds 17,500,000 ICPS as at 31 December 2017.

(b) The fair value of listed securities is based on quoted market prices in active markets at the end of the reporting period.

(c) For the year ended 31 December 2017, change in fair value of HK$5,238,000 (2016: HK$45,467,000) in respect of these shares held by the Group was recognised in the available-for-sale financial assets revaluation reserve.

21. DEPOSITS FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

		2017 HK$'000	2016 HK$'000
Potential acquisition of subsidiaries:	*note*		
Chung Sun Financial Holding Limited	*(a)*	10,000	–
Pattaya Oriental Cruise Limited	*(b)*	5,000	–
Amazing Sunrise Limited	*(c)*	40,000	–
Arch Partners Holdings Limited	*(d)*	–	11,408
		55,000	11,408

(a) On 6 March 2017, the Group entered into a letter of intent (the "Letter of Intent 1") with He Qinghua, an independent third party. Pursuant to the Letter of Intent 1, the Group intends to acquire not more than 60% of the issued share capital in Chung Sun Financial Holding Limited ("Chung Sun"). The consideration is to be determined upon signing a formal sales and purchase agreement. Chung Sun and its subsidiaries are principally engaged in the business of trading securities. One of the wholly owned subsidiaries of Chung Sun has been granted Type 4 and 9 Licenses by the Securities and Futures Commission of Hong Kong. A refundable deposit of HK$5,000,000 was paid upon signing the Letter of Intent 1.

On 14 November 2017, the Group and Dafeng Port Heshun Technology Company Limited ("Dafeng Port") entered into a sale and purchase agreement pursuant to which the Group has conditionally agreed to purchase and Dafeng Port has conditionally agreed to sell 40% of the issued share capital of Chung Sun at a consideration of HK$9,334,360. A deposit of HK$5,000,000 was paid upon signing the sale and purchase agreement.

(b) On 4 May 2017, the Group entered into a letter of intent (the "Letter of Intent 2") with an independent third party which the Group intends to acquire 100% issued share capital in Pattaya Oriental Cruise Limited ("Pattaya Oriental"). Pattaya Oriental is principally engaged in the business of catering and cultural performance in Thailand. A refundable deposit of HK$5,000,000 was paid upon signing the Letter of Intent 2.

On 15 September 2017, the Group and the vendor entered into a sale and purchase agreement pursuant to which the Group has conditionally agreed to purchase and the vendor has conditionally agreed to sell 100% of the issued share capital of Pattaya Oriental at a consideration of approximately THB1,280,000,000 (equivalent to approximately HK$302,080,000).

Details of the proposed acquisition were set out in the announcements of the Company dated 4 May 2017, 3 July 2017, 15 September 2017, 26 September 2017, 27 October 2017 and 14 March 2018.

21. DEPOSITS FOR POTENTIAL ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) On 12 July 2017, the Group entered into a memorandum of understanding with an independent third party. Pursuant to the memorandum, the Group intends to acquire entire issued share capital of Amazing Sunrise Limited which holds the Kunming Yihui Times Building with a fair value of approximately RMB1,000,000,000, which is located in the core business district of Kunming Xishan District. The consideration for the potential acquisition shall be approximately RMB1,000,000,000 (equivalent to HK$1,200,609,910). The exact amount, the manner and the method of payment of the consideration for the sale and purchase of Amazing Sunrise Limited will be negotiated between the parties to the memorandum based on the results of the due diligence investigation to be conducted by the Group on Amazing Sunrise Limited. A refundable deposit of HK$40,000,000 was paid upon signing the memorandum.

Details of the proposed acquisition were set out in the announcements of the Company dated 12 July 2017 and 18 January 2018.

(d) The balance represented refundable deposit for the potential acquisition of 100% equity interest of Arch Partners Holdings Limited. The acquisition was completed during the year (Note 43).

All of the proposed acquisitions in (a), (b) and (c) above were not completed as at the date of approval of the consolidated financial statements.

22. DEPOSITS FOR ACQUISITION OF LAND AND PLANT AND MACHINERY

The balance represents the refundable deposits of RMB13,196,000 (equivalent to approximately HK$15,835,000) paid during the year for the acquisition of a piece of land in Qingdao, Shandong province, the PRC and RMB4,666,000 (equivalent to approximately HK$5,599,000) (2016: HK$3,339,000) for the acquisition of plant and machinery.

23. GOODWILL

	2017 HK$'000	2016 HK$'000
Reconciliation of carrying amount		
At beginning of reporting period	96,094	–
Acquisition of subsidiaries *(Note 44)*	3,059	139,143
Disposal of subsidiaries *(Note 45(b))*	(81,351)	–
Impairment loss for the year	(14,743)	(43,049)
At the end of reporting period	3,059	96,094

Goodwill is allocated to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to the Group's CGU's identified as follows:

	Master Race Group HK$'000 *(note (a))*	Golden Truth Group HK$'000	Xian Tian Group HK$'000	Incola Travel Group HK$'000 *(note (b))*	Total HK$'000
Year ended 31 December 2017					
Cost					
At beginning of the period	41,743	16,049	81,351	–	139,143
Additions – acquisition of subsidiaries *(Note 44)*	–	–	–	3,059	3,059
Disposal of subsidiaries *(Note 45)*	(41,743)	–	(81,351)	–	(123,094)
At end of reporting period	–	16,049	–	3,059	19,108
Accumulated impairment					
At beginning of the period	27,000	16,049	–	–	43,049
Additions for the year	14,743	–	–	–	14,743
Disposal of subsidiaries *(Note 45)*	(41,743)	–	–	–	(41,743)
At end of reporting period	–	16,049	–	–	16,049
Carrying amount					
At end of reporting period	–	–	–	3,059	3,059

23. GOODWILL *(Continued)*

	Master Race Group HK$'000 (note (a))	Golden Truth Group HK$'000	Xian Tian Group HK$'000	Incola Travel Group HK$'000 (note (b))	Total HK$'000
Year ended 31 December 2016					
Cost					
At beginning of the period	–	–	–	–	–
Additions – acquisition of subsidiaries	41,743	16,049	81,351	–	139,143
At end of reporting period	41,743	16,049	81,351	–	139,143
Accumulated impairment					
At beginning of the period	–	–	–	–	–
Additions for the year	27,000	16,049	–	–	43,049
At end of reporting period	27,000	16,049	–	–	43,049
Carrying amount					
At end of reporting period	14,743	–	81,351	–	96,094

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

(a) The impairment loss of HK$14,743,000 recognised during the year (2016: HK$27,000,000) in relation to Master Race Group was included in the loss from discontinued operation (Note 14).

(b) The recoverable amount of Incola Travel Group has been determined on the basis of value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period by applying growth rate from 3% to 5%. The pre-tax discount rate applied to the cash flow projections is 22.0% and cash flows beyond the five-year are extrapolated using a growth rate of 3%. The growth rate used for subsequent years is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which Incola Travel Group operate.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill of Incola Travel to exceed its recoverable amount.

24. PROMISSORY NOTES RECEIVABLE

As at 31 December 2017, the Group had promissory notes receivables ("PN1" and "PN2") with principal amounts of HK$88,000,000 and HK$80,000,000 respectively, of which PN1 is unsecured and carries interests of 2% per annum while PN2 is secured by the 697,000,000 ordinary shares of the Company held by the buyer of Xian Tai Group and carries interest of 2% per annum. PN1 and PN2 which will mature on 16 November 2019 and 30 November 2019 respectively, formed part of the Group's consideration receivables in relation to the disposal of interest in Master Race Group and Xian Tai Group as set out in Notes 45(a) and 45(b) to the consolidated financial statements respectively.

		2017	
	PN1	**PN2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fair value of promissory notes receivable at initial recognition	81,452	71,331	152,783
Imputed interest income for the year *(Note 7)*	394	360	754
At 31 December 2017	81,846	71,691	153,537

At initial recognition, the fair value of PN1 and PN2 was HK$81,452,000 and HK$71,331,000 respectively which was measured based on the present value of their expected future cash flows. In obtaining the present value, a risk-adjusted discount rate of 6% per annum and 8% per annum was applied to PN1 and PN2 respectively. The risk-adjusted discount rates were estimated by APAC based on the interest rate of note issuers with similar credit rating of the buyers. Subsequently, PN1 and PN2 were measured at amortised cost by using the effective interest method.

Subsequent to the end of the reporting period, PN1 was secured by 100% equity interest of a company incorporated in the PRC held by an independent third party.

25. SECURITY DEPOSITS

The amount represented refundable security deposit of US$1,410,000 (equivalent to HK$10,983,000) paid to Sky Angkor Airlines Co., Ltd in respect of a passenger air charter agreement and will be refunded within 7 days from the expiration date of the passenger air charter agreement on 12 July 2019. According to the passenger air charter agreement, the Group had committed to pay charter flight fees for use of flight services provided by Sky Angkor Airlines Co., Ltd. at the end of the reporting period as follows:

25. SECURITY DEPOSITS *(Continued)*

	2017 HK$'000	2016 HK$'000
Within one year	202,380	–
In the second to fifth years inclusive	94,052	–
	296,432	–

Charges under passenger air charter agreement are usually calculated based on charterer flights volume.

26. DEPOSITS FOR POTENTIAL ACQUISITION OF INTANGIBLE ASSET

On 18 November 2016 and 21 November 2016, the Group entered into an agreement and a supplemental agreement (the "agreements") with an independent third party, Impression Culture respectively. Pursuant to the agreements, Impression Culture shall produce a script for a show "Dream Memory – Halong Bay" at a consideration of HK$70,000,000. After completion of the script, the Group will have the exclusive right to use the script for operating the show in Halong Bay, Vietnam for 50 years. As at 31 December 2016 and 2017, the Group has prepaid approximately HK$53,600,000 to Impression Culture. As at 31 December 2016 and 2017, the payment of the remaining balance of approximately HK$16,400,000 is subject to the final approval from the Vietnam Central Government of the application relation the option of the show.

In the 2016 consolidated financial statements, the Group classified the initial payment of HK$53,600,000 as prepayment under current assets instead of non-current assets. Thus, the Group has restated as non-current assets as at 31 December 2016 (Note 2).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *HK$'000*	2016 *HK$'000*
Equity securities, held for trading:		
Listed in Hong Kong	5,170	–
Listed outside Hong Kong	387	360
	5,557	360

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period. During the year ended 31 December 2017, decrease in fair value of approximately HK$1,012,000 (2016: HK$Nil) and net realised loss on financial assets at fair value through profit and loss of HK$6,603,000 were recognised in the consolidated statement of comprehensive income.

28. INVENTORIES

	2017 *HK$'000*	2016 *HK$'000*
Raw materials and consumables	22,085	13,296
Work-in-progress	1,420	333
Finished goods	13,291	11,075
	36,796	24,704

29. TRADE AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000* (Restated)
Trade receivables	221,759	205,419
Less: Allowance for trade receivables *(note (b))*	(86)	(80)
	221,673	205,339
Bills receivable *(note (d))*	124,247	90,808
Other receivables *(note (e))*	23,795	19,957
Prepayments and deposits *(note (f))*	25,327	9,709
	395,042	325,813

29. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The normal credit period granted to the customers of the Group is 90 to 120 days (2016: 90 to 120 days). The ageing analysis of the trade receivables by invoice date at the end of the reporting period is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Within 3 months	218,632	192,437
Over 3 months but within 6 months	2,356	11,943
Over 6 months but within 1 year	417	357
Over 1 year	354	682
	221,759	205,419
Less: Allowance for trade receivables	(86)	(80)
	221,673	205,339

(b) Allowance for trade receivables is recorded using an allowance account unless the Group determines that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in allowance for trade receivables during the year are as follows:

	2017 *HK$'000*	2016 *HK$'000*
At beginning of reporting period	80	482
Amount written off	–	(393)
Exchange realignment	6	(9)
At the end of reporting period	86	80

29. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) The ageing analysis of trade receivables by past due date that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	218,632	192,437
Less than 3 months past due	2,356	11,943
3 months to 1 year past due	417	357
Over 1 year past due	268	602
Past due but not impaired	3,041	12,902
	221,673	205,339

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) All bills receivable were not past due and there was no history of default. The normal terms granted by the banks are 90 to 120 days (2016: 90 to 120 days).

29. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) On 17 January 2017, the Group entered into a memorandum of understanding with JAA Capital Limited ("JAA") in relation to the proposed acquisition of Jet Asia Airways Company Limited ("Jet Asia") and paid earnest money in the sum of US$2,000,000 (equivalent to HK$15,528,000) to Jet Asia. Upon the lapse of the memorandum on 18 March 2017, JAA alleged that the Group had breached the confidentiality provision in the memorandum as the Group had publicly announced the memorandum on 17 January 2017 and therefore Jet Asia and/or JAA has refused to refund the earnest money. On 21 August 2017 and 24 August 2017, the Group commenced arbitration proceedings against Jet Asia and JAA respectively at Hong Kong International Arbitration Centre (the "Arbitration"). As at 31 December 2017, the Arbitration was still in initial stage. The management of the Group has sought legal advice. It has been advised by the Group's legal advisor that the Group has a reasonable chance of winning the Arbitration.

(f) Included in prepayments and deposits as at 31 December 2017 were refundable trade deposits of US$2,000,000 (equivalent to HK$15,600,000) paid to an independent third party supplier, Asia Star Newtime-Space Geomatics Engineering Co., Ltd for the purchase of steel in accordance with a purchase contract entered into on 10 November 2017. Subsequent to the end of the reporting period, the purchase contract with Asia Star Newtime-Space Geomatics Engineering Co., Ltd has been cancelled on 8 February 2018 and the trade deposits have been fully refunded.

30. LOANS AND INTEREST RECEIVABLES

The credit quality analysis of the loans and interest receivables is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired –		
Unsecured loans to third parties		
– Principal	319,562	309,885
– Interest	9,957	6,787
	329,519	316,672
Secured loans to third parties		
– Principal	301,679	–
– Interest	17,870	–
	319,549	–
Guaranteed loans to third parties		
– Principal	17,000	37,143
– Interest	1,042	622
	18,042	37,765
Total carrying amount	667,110	354,437

	2017 HK$'000	2016 HK$'000
Gross amount of loans and interest receivables	718,893	360,016
Less: Accumulated allowance	(51,783)	(5,579)
Carrying amount	667,110	354,437
Movement of accumulated allowance		
At beginning of reporting period	5,579	–
Increase in allowance	46,204	5,579
At the end of reporting period	51,783	5,579
Represented by:		
Current portion	667,110	354,437
Non-current portion	–	–
	667,110	354,437

The Group's loans and interest receivables mainly arise from the money lending business in Hong Kong, which are denominated in US dollars and Hong Kong dollars.

30. LOANS AND INTEREST RECEIVABLES *(Continued)*

The loan and interest receivables that were neither past due nor impaired as at 31 December 2017 relate to a number of borrowers for whom there was no recent history of default.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of the loans receivable. The Group seeks to maintain tight control over its loans receivable in order to minimize credit risk by reviewing the borrowers' or guarantors' financial positions.

All the loans have original contractual maturity within 1 year, except for a loan receivable from a third party of HK$5,579,000 (2016: HK$5,579,000) which will be repayable on 19 May 2019. During the year ended 31 December 2017, full allowance for doubtful debts on overdue loans and interest receivables from a third party of HK$46,204,000 has been made as the management considered that such loans and interests would not be recoverable (2016: HK$5,579,000). The impaired loans and interest receivables of HK$46,204,000 related to the earnest money paid to a vendor for the acquisition of 49% equity interest in Siam Air Transport Co. Limited ("Siam Air") which was subsequently cancelled and the money paid became an interest-bearing loan of 10% per annum in 2016 following the lapse of the memorandum of understanding announced on 23 November 2016. Given that Siam Air failed to renew the air operator's certificate and ceased its operation in December 2017 in Thailand, the directors of the Company considered that the likelihood of recovery of the amounts being very remote and full impairment loss has been made during the year ended 31 December 2017.

At the end of the reporting period, loans receivable carried fixed interest rates and had effective interest rates ranging from 10% to 16% per annum (2016: 10% to 15% per annum).

Interest income and allowance for loans and interest receivables of approximately HK$65,268,000 (2016: HK$11,351,000) and HK$46,204,000 (2016: HK$5,579,000) respectively have been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017.

31. CONVERTIBLE BONDS

On 21 April 2017 (the "Bond Issue Date"), the Group completed the acquisition of Arch Partners Group (Note 43) at a consideration of approximately HK$154.7 million and part of the aggregate consideration of the acquisition has been paid by the Company to the vendors by issuance of zero-coupon convertible bonds in the principal amount of up to HK$112,000,000 subject to the fulfillment of profit guarantee requirements (Note 43). The convertible bonds will mature on 31 March 2018 (i.e. the determination date of the profit guarantee).

Redemption at maturity

Save and except upon the occurrence of winding-up, bankruptcy or dissolution, etc. of the Company, the convertible bonds shall in no event be repayable. Given the nature of the bonds, they would be classified as equity if the uncertainty in relation to the profit guarantee requirements is resolved. Depending on the outcome of the determination on satisfaction of the profit guarantee, the convertible bonds will be automatically converted into shares on the maturity date.

31. CONVERTIBLE BONDS *(Continued)*

Early redemption at the options of the Company and the bondholder

The convertible bonds are not redeemable by the bondholders, but may be redeemed by the Company at any time prior to the maturity date in whole or in part (in integral multiples of HK$100,000) of the outstanding principal amount of the convertible bonds. Bondholders will not be entitled to attend or vote at any shareholders' meetings of the Company.

Based on the initial conversion price of HK$0.2 per share, 560,000,000 conversion shares will be allotted and issued upon exercise in full of the conversion rights attaching to the convertible bonds. The conversion shares represent approximately 4.5% of the issued share capital of the Company at date of acquisition as enlarged by the allotment and issue of the conversion shares assuming the conversion rights attaching to the convertible bonds are exercised in full.

Shares issued upon conversion will rank pari passu in all respects among themselves and with other existing shares outstanding at the date of issue of the conversion shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.

At initial recognition, the convertible bonds are recognised at fair value. In subsequent periods, such convertible bonds are measured at fair value with changes in fair value recognised in profit or loss up to the contingency related to the profit guarantee requirements fulfilled on 31 December 2017. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately.

The details and the movement of the convertible bonds during the reporting periods and outstanding as at the end of the reporting period were as follows:

	HK$'000
Fair value at issue date *(Note 43)*	**79,723**
Change in fair value charged to profit or loss	**18,741**
Transfer to reserve	**(98,464)**
Balance at 31 December 2017	–

31. CONVERTIBLE BONDS *(Continued)*

The fair value of the convertible bonds was determined by an independent qualified valuer based on the Binomial Pricing Model. The following inputs were applied.

	31 December 2017	21 April 2017
Discount rate	9.55%	9.13%
Fair value of each share of the Company	HK$0.178	HK$0.168
Conversion price (per share)	HK$0.20	HK$0.20
Risk free interest rate	1.02%	0.56%
Time to maturity	0.25 year	0.94 year
Expected volatility	22.00%	49.00%
Expected dividend yield	0%	0%

As at 31 December 2017, the directors were of the opinion that the profit guarantee was met and that the convertible bonds would be converted into shares at maturity date on 31 March 2018 under the profit guarantee arrangement. Accordingly, the fair value of approximately HK$98,464,000 has been transferred to convertible instrument reserve as at 31 December 2017.

32. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group had pledged bank deposits, which carried interest at prevailing market rate, amounting to HK$4,083,000 (2016: HK$6,608,000) to banks for securing bills payable and bank borrowings.

33. CASH AND CASH EQUIVALENTS

At end of reporting period, cash and cash equivalents included the bank balances denominated in RMB amounted to approximately HK$9,920,000 (2016: HK$12,088,000). RMB is not freely convertible into other currencies. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

34. TRADE AND OTHER PAYABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade payables	90,331	78,805
Bills payable	11,112	14,216
Other payables and accruals *(note(a))*	39,983	31,454
Accrued interest on notes payable	43,251	41,481
	184,677	165,956

34. TRADE AND OTHER PAYABLES *(Continued)*

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

	2017 *HK$'000*	2016 *HK$'000*
Within 3 months	73,344	67,078
Over 3 months but within 6 months	11,684	8,031
Over 6 months but within 1 year	2,084	1,746
Over 1 year	3,219	1,950
	90,331	78,805

a) Included in other payables as at 31 December 2017, were provision for social security insurance and penalty for the violation of the cap of dispatch workers in the PRC of HK$4,200,000 and HK$14,036,000 (2016: HK$3,906,000 and HK$6,744,000) respectively.

35. NOTES PAYABLE

	2017 *HK$'000*	2016 *HK$'000*
8.6% 1-year notes (2016: 8% 2-year) *(note (a))*	280,000	280,000
13% (2016: 10%) 1-year notes *(note (b))*	64,000	80,000
10% 1-year notes *(note (b))*	120,000	–
	464,000	360,000

(a) The notes are interest-bearing at 8% per annum, originally maturing on 21 April 2017 and secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company which is incorporated under the laws of the British Virgin Islands. The notes holder is an independent third party.

On 21 April 2017 and 21 July 2017, the Group and the only holder of the notes entered into deeds for the amendment of the instrument of the notes (the "Deeds of Amendment"). Pursuant to the Deeds of Amendment, the maturity date of the notes is extended from 21 April 2017 to 21 July 2017 and further extended from 21 July 2017 to 21 April 2018 with interest rate increased to 8.6% per annum for the extended period.

35. NOTES PAYABLE *(Continued)*

(b) Pursuant to a note purchase agreement entered into between the Company and an independent investor on 22 November 2016, the Company agreed to issue and the investor agreed to purchase from the Company, secured notes in two tranches up to an aggregate principal amount of HK$200,000,000. The notes are interest-bearing at 10% per annum, maturing on 12 months from the issue dates. The notes holder is an independent third party.

On 23 November 2016, the Company issued the first tranche note in the principal amount of HK$80,000,000 and pledged by 697,000,000 ordinary shares of the Company provided by a shareholder of the Company. With the consent of the notes holder, the maturity date of the notes can be extended to 24 months and the interest rate be increased to 13% per annum for the extended 12 months. On 22 November 2017, the Company and the notes holder have mutually agreed to extend the maturity date to 23 November 2018. On 5 December 2017, the Company partially repaid HK$16,000,000 principal amount for the first tranche note.

On 4 January 2017, the Company issued the second tranche note in the principal amount of HK$120,000,000 and pledged by 700,000,000 ordinary shares of the Company provided by shareholders of the Company. With the consent of the notes holder, the maturity date of the note can be extended to 24 months and the interest rate be increased to 13% per annum for the extended 12 months.

36. BANK AND OTHER BORROWINGS

	2017 *HK$'000*	2016 *HK$'000*
Current		
Bank borrowings – secured	115,920	104,924
Other borrowings – secured	34,150	17,882
Other borrowings – unsecured	–	251,600
	150,070	374,406

At 31 December 2017 and 2016, all of the bank and other borrowings were repayable within one year.

The secured and unsecured bank and other borrowings are interest-bearing at fixed or variable interest rates. The ranges of effective interest rates on the Group's borrowings are as follows:

	2017	2016
Effective interest rates per annum		
Bank borrowings – secured	4.35% to 5.22%	4.79% to 6.40%
Other borrowings – secured	5.60% to 7.00%	6.40%

36. BANK AND OTHER BORROWINGS *(Continued)*

Bank and other borrowings are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
RMB	150,070	122,806
Hong Kong dollars	–	251,600
	150,070	374,406

The bank and other borrowings totalling HK$150,070,000 (2016: HK$122,806,000) were secured by:

(a) buildings with a carrying value of approximately HK$27,553,000 (2016: HK$27,746,000);

(b) lease premiums for land with carrying value of approximately HK$28,356,000 (2016: HK$27,012,000);

(c) certain of the trade receivables with carrying value of approximately HK$25,199,000 (2016: HK$17,882,000);

(d) pledged bank deposits with carrying value of approximately HK$4,083,000 (2016: HK$6,608,000); and

(e) bills receivable discounted to banks with recourse of approximately HK$52,585,000 (2016: HK$41,318,000) (Note 49).

37. BONDS PAYABLE

	Debt component HK$'000	Deferred day-one gain HK$'000	Total HK$'000
Fair value of bonds issued at inception date	7,720	–	7,720
Day-one gain of newly issued bond at inception	–	2,280	2,280
Interest charged for the year	345	–	345
Amortisation of deferred day-one gain	–	(129)	(129)
At 31 December 2017	8,065	2,151	10,216

On 5 June 2017, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent has agreed to procure placees to subscribe for the bonds in an aggregate principal amount of HK$10,000,000. On the same date, an independent third party has subscribed for the bonds issued by the Company. The bonds carry a fixed coupon rate of 6% per annum with interest being, paid semi-annually and are due in 2024.

At the issue date, the fair value of the bonds was HK$7,720,000 on initial recognition and measured based on the present value of their expected future cash flows. In obtaining the present value, a risk-adjusted discount rate of 11% per annum was applied. The risk-adjusted discount rate was estimated by APAC based on the interest rate of note issuers with similar credit rating of the Company. Subsequently, the bonds were measured at amortised cost using the effective interest method.

During the year ended 31 December 2017, interest expenses on bonds of HK$345,000 (2016: HK$Nil) were recognised in profit or loss.

The day-one gain of newly issued bonds of HK$2,280,000 at the date of inception is not recognised in profit or loss but is deferred. This deferred day-one gain is recognised in profit or loss over the life of bonds on a straight line basis.

During the year ended 31 December 2017, amoritsation of deferred day-one gain on bonds of HK$129,000 was recognised in profit or loss.

38. DEFERRED TAXATION

The following is the analysis of the major deferred taxation assets (liabilities) recognised by the Group and movement thereon:

	2017 *HK$'000*	2016 *HK$'000*
Deferred tax assets	7,624	–
Deferred tax liabilities	(2,302)	(37,703)
	5,322	(37,703)

	Allowance for loans and interest receivable *HK$'000*	Impairment loss on intangible assets *HK$'000*	Fair value adjustments *HK$'000*	Total *HK$'000*
At 1 January 2016	–	–	(2,396)	(2,396)
Credited to profit or loss *(Note 11)*	–	–	65	65
Exchange realignment	–	–	1,215	1,215
Recognition upon acquisition of Master Race Group in 2016	–	–	(36,587)	(36,587)
At 31 December 2016 and 1 January 2017	–	–	(37,703)	(37,703)
Disposal of subsidiaries *(Note 45(a))*	–	(4,025)	35,500	31,475
Credited to profit or loss	7,624	4,025	64	11,713
Exchange realignment	–	–	(163)	(163)
At 31 December 2017	7,624	–	(2,302)	5,322

38. DEFERRED TAXATION *(Continued)*

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law, which became effective on 1 January 2008 (the "New PRC EIT Law"). Pursuant to the New PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated since 1 January 2008. Deferred tax liabilities are provided to the extent that such earnings are expected to be distributed in the foreseeable future. At the end of the reporting period, the estimated withholding tax effects on the distribution of retained earnings of the subsidiaries established in Mainland China were approximately HK$6,469,000 (2016: HK$4,461,000). The directors of the Company are of the opinion that no dividends would be distributed by its subsidiaries established in Mainland China in the foreseeable future and therefore no deferred tax liabilities are provided.

Unrecognised deferred tax assets arising from:

	2017 *HK$'000*	2016 *HK$'000*
Deductible temporary differences		
Depreciation and allowance	10,676	–
Tax losses	99,825	72,410
	110,501	72,410

38. DEFERRED TAXATION *(Continued)*

As at 31 December 2017, the Group had unrecognised deferred tax assets of approximately HK$2,669,000 (2016: HK$nil) and HK$17,663,000 (2016: approximately HK$12,121,000) in respect of the deductible temporary differences and the tax losses respectively. As it is not probable that taxable profits will be available against which the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry dates of unrecognised tax losses are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Tax losses without expiry date	75,669	70,375
Tax losses expiring on 31 December 2022	23,181	–
Tax losses expiring on 31 December 2021	799	–
Tax losses expiring on 31 December 2020	–	884
Tax losses expiring on 31 December 2019	176	–
Tax losses expiring on 31 December 2018	–	1,151
At the end of the reporting period	**99,825**	**72,410**

39. SHARE CAPITAL

	2017		2016	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.0125 each (2016: HK$0.0125 each)	30,000,000,000	375,000	30,000,000,000	375,000
Issued and fully paid:				
At beginning of reporting period	10,352,800,252	129,410	3,589,901,240	44,874
Issue of shares by placement *(note (a))*	1,230,560,000	15,382	6,000,000,000	75,000
Issue of new shares for acquisition of subsidiaries *(note (b))*	280,000,000	3,500	697,000,000	8,713
Issue of remuneration shares	–	–	20,000,000	250
Issue of new shares upon exercise of options	–	–	45,899,012	573
At the end of reporting period	11,863,360,252	148,292	10,352,800,252	129,410

39. SHARE CAPITAL *(Continued)*

(a) On 29 May 2017, the Company entered into a placing agreement in respect of the placement of 1,230,560,000 ordinary shares of HK$0.0125 each to not less than six independent investors at a price of HK$0.13 per share. The placement was completed on 14 June 2017. The premium on the issue of shares, amounting to approximately HK$140,442,000, net of share issuance expenses of approximately HK$4,149,000, was credited to the Company's share premium account. The net proceeds from the placing is approximately HK$155.8 million. The Company intends to use the proceeds for (i) repayment of loans of the Company; (ii) development of a large performance show in Halong Bay; Vietnam and (iii) general working capital of the Group.

The above newly issued shares rank pari passu in all respects with the existing shares.

(b) On 21 April 2017, the Company acquired 100% shareholding in Arch Partners Holdings Limited and its subsidiaries, which are principally engaged in provision of outbound travel, aircraft charter and business travel (Note 43). Part of the consideration had been satisfied by the issue of consideration shares of 280,000,000 shares.

The above newly issued shares rank pari passu in all respects with the existing shares.

40. RESERVES

	Attributable to equity holders of the Company								
	Share premium *HK$'000* *(Note a)*	Capital reserve *HK$'000* *(Note b)*	Share option reserve *HK$'000* *(Note c)*	Available-for-sale financial assets revaluation reserve *HK$'000* *(Note d)*	Statutory surplus reserve *HK$'000* *(Note e)*	Convertible instrument reserve *HK$'000* *(Note f)*	Translation reserve *HK$'000* *(Note g)*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 January 2016	370,907	117	–	–	26,356	–	24,331	(118,936)	302,775
Transfer to statutory surplus reserve	–	–	–	–	5,366	–	–	(5,366)	–
Loss for the year	–	–	–	–	–	–	–	(31,076)	(31,076)
Other comprehensive income (loss) for the year									
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	(38,704)	–	(38,704)
Changes in fair value of available-for-sale financial assets, net	–	–	–	45,467	–	–	–	–	45,467
Total comprehensive income (loss) for the year	–	–	–	45,467	–	–	(38,704)	(31,076)	(24,313)
Transactions with equity holders of the Company									
Contributions and distributions:									
Issue of shares by placements	507,000	–	–	–	–	–	–	–	507,000
Issue of shares for acquisition of subsidiaries	81,897	–	–	–	–	–	–	–	81,897
Issue of remuneration shares	2,350	–	–	–	–	–	–	–	2,350
Equity-settled share option arrangements	–	–	21,539	–	–	–	–	–	21,539
Issue of shares upon exercise of options	8,836	–	(2,753)	–	–	–	–	–	6,083
At 31 December 2016 and 1 January 2017	970,990	117	18,786	45,467	31,722	–	(14,373)	(155,378)	897,331
Transfer to statutory surplus reserve	–	–	–	–	6,501	–	–	(6,501)	–
Loss for the year	–	–	–	–	–	–	–	(110,107)	(110,107)
Other comprehensive loss for the year									
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	31,810	–	31,810
Released of reserve upon disposals of an associate	–	–	–	–	–	–	14,846	–	14,846
Reclassification adjustment relating to available-for-sale financial assets disposed during the year	–	–	–	(44,014)	–	–	–	–	(44,014)
Change in fair value of available-for-sale financial assets, net	–	–	–	5,238	–	–	–	–	5,238
Total comprehensive loss for the year	–	–	–	(38,776)	–	–	46,656	(110,107)	(102,227)
Transactions with equity holders of the Company									
Contributions and distributions:									
Issue of shares by placements	140,442	–	–	–	–	–	–	–	140,442
Issue of shares for acquisition of subsidiaries	60,114	–	–	–	–	–	–	–	60,114
Transfer of share option reserve upon forfeiture of share option	–	–	(2,154)	–	–	–	–	2,154	–
Transfer from convertible bonds (Note 31)	–	–	–	–	–	98,464	–	–	98,464
Changes in ownership interest									
Disposal of subsidiaries	–	–	–	–	–	–	1,063	–	1,063
At 31 December 2017	1,171,546	117	16,632	6,691	38,223	98,464	33,346	(269,832)	1,095,187

40. RESERVES *(Continued)*

(a) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the articles of association of the Company.

(b) CAPITAL RESERVE

Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Company's reorganisation in 2003.

(c) SHARE OPTION RESERVE

The share option reserve comprises the recognised amount of share options granted which are yet to be exercised, lapsed, cancelled or forfeited as further explained in the accounting policy for share-based payment transactions in Note 2 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

(d) AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION RESERVE

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policies adopted.

(e) STATUTORY SURPLUS RESERVE

According to the articles of association of the PRC subsidiaries, they are required to transfer at least 10% of their net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of their registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(f) CONVERTIBLE INSTRUMENT RESERVE

The convertible instrument reserve represents the transfer of fair value of convertible bonds as at 31 December 2017 upon the fulfillment of profit guarantee requirement (Note 31).

(g) TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

41. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted by the Company at the special general meeting held on 5 June 2015 (the "Share Option Scheme") whereby the directors are authorised, at their discretion, to invite full time or part time employees of the Company (including any directors, whether executive or non-executive and whether independent or not, of the Company); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Company, to take up option to subscribe the ordinary shares of the Company as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay a non-refundable nominal consideration of HK$1 to the Company. The Company by ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered.

The option period shall not exceed 10 years from the date of acceptance of option. There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme. During the year ended 31 December 2017, one of the directors resigned with written concert for the forfeiture of the options granted.

The total number of the shares of the Company available for issue under the Share Option Scheme as at 31 December 2017 was 1,035,289,025 shares which represented 8.73% of the issued share capital of the Company as at 31 December 2017. The total number of shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve-month period up to the date of grant shall not exceed 1% of the shares in issue unless approval from Company's shareholders has been obtained.

Any grant of options to a connected person (including but not limited to a director or substantial shareholder) or its associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders taken on a poll in a general meeting.

41. SHARE OPTION SCHEME *(Continued)*

The grant of option will be open for acceptance within 30 business days from the date of the letter of grant, upon payment of a sum of HK$1 as consideration for the grant of option. The exercise price of options is determined by the Board at its sole discretion, save that such price will not be less than the highest of (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date.

The following share options were outstanding under the Share Option Scheme during the year:

		2017		2016	
		Weighted average exercise price *HK$ per share*	Number of options *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At beginning of the reporting period		0.145	313,091	–	–
Forfeited during the year	*(note (a))*	0.145	(35,899)	0.145	358,990
Exercised during the year		–	–	0.145	(45,899)
At the end of the reporting period	*(note (b))*	0.145	277,192	0.145	313,091

Notes:

(a) Ms. Hu Jianping resigned as non-executive director on 19 December 2017.

(b) At the end of the reporting period, the Company had 277,192,100 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 277,192,100 additional ordinary shares of the Company and additional share capital of approximately HK$3,465,000 and share premium of approximately HK$53,360,000 (before issue expenses but including the amount transferred from share option reserve). These share options had an exercise price of HK$0.145 per share and a weighted average remaining contractual life of 1.61 years.

(c) No share options were granted or exercised during the year ended 31 December 2017. Subsequent to the end of the reporting period, no additional share options were granted to the employees of the Group.

42. OTHER CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

2017	Bank and other borrowings HK$'000	Convertible bonds HK$'000	Bonds payable HK$'000	Notes payable HK$'000	Total HK$'000
At beginning of the year	374,406	–	–	360,000	734,406
Fair value at issue date	–	79,723	–	–	79,723
Net cash flows	(234,288)	–	10,000	104,000	(120,288)
Changes in exchange rates	9,952	–	–	–	9,952
Changes in fair value	–	18,741	–	–	18,741
Interest expenses	–	–	216	–	216
Transfer to convertible instrument reserve	–	(98,464)	–	–	(98,464)
At the end of the year	150,070	–	10,216	464,000	624,286

43. ACQUISITION OF SUBSIDIARIES – ASSETS

On 21 April 2017, the Group acquired 100% of the issued share capital of Arch Partners Holdings Limited and its subsidiaries (together "Arch Partners Group") from four independent third parties at a consideration of approximately HK$154.7 million. The aggregate consideration of the acquisition was satisfied by (i) cash payment of HK$11,408,000 (which was paid in 2016 (Note 21(d)); (ii) the issue of 280,000,000 shares of the Company; and (iii) subject to the fulfillment of profit guarantee requirements, the issue of convertible bonds in the principal amount of up to HK$112,000,000 by the Company. The directors believe that the acquisition would benefit the Group through developing high yield travel services and products, such as special interest tours, which would be a profitable step to take in light of greater interest among the population in the PRC for overseas exposure.

The above transaction was accounted for as an acquisition of assets as the subsidiaries acquired do not meet the definition of a business.

	HK$'000
Consideration satisfied by:	
Cash paid *(Note 21(d))*	11,408
Allotment and issue of 280,000,000 new ordinary shares of the Company *(Note 39 (b))*	63,613
Convertible bonds, at fair value *(Note 31) (note (b))*	79,723
	154,744

43. ACQUISITION OF SUBSIDIARIES – ASSETS *(Continued)*

The recognised amounts of the identifiable assets and liabilities of Arch Partners Group at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Intangible asset *(Note 17)*	150,900
Trade and other receivables	5,799
Cash and cash equivalents	40
Trade and other payables	(545)
Tax payable	(1,450)
Total identifiable net assets	154,744
Total consideration	154,744
Net cash inflow arising on the acquisition:	
Cash consideration paid *(note (a))*	–
Cash and cash equivalents acquired	40
	40

(a) The cash consideration paid of HK$11,408,000 has been paid in 2016 and recorded as non-cash transaction during the year upon completion of the acquisition.

(b) As part of the acquisition, the Group and the vendors of Arch Partner Group entered into a profit guarantee agreement. Pursuant to which if the profit before tax of Arch Partners Group for the year ended 31 December 2017 are less than RMB15,000,000, the vendors shall compensate the Group the difference by surrendering the proportionate principal amount of the convertible bonds. The calculations of convertible bonds have been disclosed in the announcement of the Company dated 21 March 2017.

The profit before tax of Arch Partners Group for the year ended 31 December 2017 exceeded RMB15,000,000 (equivalent to approximately HK$17,299,000) and as a result, the profit guarantee requirements for the year were met.

44. ACQUISITION OF SUBSIDIARIES – BUSINESS

TRAVEL LIMITED AND ITS SUBSIDIARY (TOGETHER "INCOLA TRAVEL GROUP")

On 28 February 2017, the Group acquired 95% issued share capital of Incola Travel Group from an independent third party at a consideration of approximately HK$4,404,000. Incola Travel Limited is a company incorporated in Hong Kong with limited liability. It is a travel related investment holding company, which together with its wholly-owned subsidiary in Hong Kong, Incola Air Services Limited, are principally engaged in the business of travel agency. The Group has selected to measure the non-controlling interest at its proportionate interest in the identifiable assets and liabilities of the aquiree.

The fair value of trade and other receivables at the date of acquisition amounted to HK$3,374,000 which is the same as its gross contractual amount at the date of acquisition and no balance is expected to be uncollectible.

Acquisition – related costs have been excluded from the consideration transferred and have been recognised as "administrative and other operating expenses" in the consolidated statement of comprehensive income.

It is the Group's long-term mission to maintain a diversified investment portfolio and to explore suitable investment opportunities. The Board is of the view that the acquisition provides opportunities to the Company to broaden its business portfolio.

The goodwill arising on the acquisition of Incola Travel Group is attributable to the benefit of expected revenue growth and future market development. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for intangible assets. None of the goodwill recognised is expected to be deductible for income tax purpose.

Incola Travel Group contributed revenue of approximately HK$2,241,000 and loss of approximately HK$350,000 in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2017, the Group's revenue from continuing operations for the period would have been approximately HK$921,815,000, and loss before tax from continuing operations for the period would have been approximately HK$92,457,000.

44. ACQUISITION OF SUBSIDIARIES – BUSINESS *(Continued)*

INCOLA TRAVEL LIMITED AND ITS SUBSIDIARY (TOGETHER "INCOLA TRAVEL GROUP") *(Continued)*

	HK$'000
Consideration satisfied by:	
Cash paid	4,404

The recognised amount of the identifiable assets and liabiliities of Incola Travel Group at the date of acquisition is as follows:	HK$'000
Net assets acquired:	
Property, plant and equipment *(Note 16)*	44
Trade and other receivables	3,374
Cash and cash equivalents	42
Bank overdrafts	(250)
Trade and other payables	(1,795)
Total identifiable net assets	1,415
Non-controlling interests	(70)
Goodwill *(Note 23)*	3,059
Total consideration	4,404
Net cash outflow arising on acquisition:	
Cash consideration paid	(4,404)
Cash and cash equivalents acquired, net of bank overdrafts	(208)
	(4,612)

45. DISPOSAL OF SUBSIDIARIES

(a) Master Race Limited and its subsidiaries (together "Master Race Group")

On 16 November 2017, the Group completed the disposal of its entire 85% equity interests in Master Race Group to an independent third party, at a consideration of HK$110,000,000. Master Race Group is principally engaged in ticketing agency business and cultural and marketing activities planning business. The net assets of Master Race Group at the date of disposal are as follows:

	HK$'000
Net assets disposed of:	
Intangible assets *(Note 17)*	130,000
Deferred tax assets *(Note 38)*	4,025
Trade and other receivables	47,952
Cash and cash equivalents	425
Trade and other payables	(761)
Provision for taxation	(7,821)
Deferred tax liabilities *(Note 38)*	(35,500)
Total identifiable net assets	138,320
Non-controlling interests	(20,748)
	117,572

	HK$'000
Consideration received:	
Cash consideration	22,000
Promissory note *(Note 24)*	81,452
Total consideration for disposal of subsidiaries	103,452

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Master Race Limited and its subsidiaries (together "Master Race Group") *(Continued)*

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	HK$'000
Cash consideration received	22,000
Cash and cash equivalents disposed of	(425)
Net inflow of cash and cash equivalents	21,575

	HK$'000
Loss on disposal of subsidiaries *(Note 14)*	
Consideration	103,452
Net assets disposed of	(138,320)
Non-controlling interests	20,748
Exchange reserve released on disposal	529
	(13,591)

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Xian Tai International Limited and its subsidiaries (together "Xian Tai Group")

On 30 November 2017, the Group completed the disposal of its entire equity interests in Xian Tai Group to an independent third party, at a consideration of HK$100,000,000. Xian Tai Group is principally engaged in the provision of management services on the operation of physical therapy and healthcare massage shops in the PRC. The net assets of Xian Tai Group at the date of disposal are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment *(Note 16)*	201
Goodwill *(Note 23)*	81,351
Trade and other receivables	14,099
Cash and cash equivalents	88
Trade and other payables	(2,245)
	93,494

	HK$'000
Consideration:	
Cash consideration	20,000
Promissory note *(Note 24)*	71,331
Total consideration for disposal of subsidiaries	91,331

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Xian Tai International Limited and its subsidiaries (together "Xian Tai Group") *(Continued)*

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	HK$'000
Cash consideration received	20,000
Cash and cash equivalents disposed of	(88)
Net inflow of cash and cash equivalents	19,912

	HK$'000
Loss on disposal of subsidiaries *(Note 14)*	
Consideration	91,331
Net assets disposed of	(93,494)
Exchange reserve released on disposal	(1,592)
	(3,755)

46. MARGIN FACILITIES

As at 31 December 2017, margin facilities of HK$50,000,000 (2016: HK$Nil) from a regulated securities broker was granted to the Group under which financial assets at fair value through profit and loss of HK$5,170,000 (2016: HK$Nil) was treated as collateral for the facilities granted. The Group did not utilise the margin facilities as at 31 December 2017 (2016: HK$Nil).

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Non-current assets			
Interests in subsidiaries	47(a)	1,431,052	1,443,213
Deposits for potential acquisition of subsidiaries		10,000	11,408
Deposit for potential acquisition of intangible asset		53,600	53,600
Deferred tax assets		7,624	–
		1,502,276	1,508,221
Current assets			
Financial assets at fair value through profit and loss		5,170	–
Loans receivable		–	37,143
Other receivables		15,991	5,365
Cash and cash equivalents		17,830	7,685
		38,991	50,193
Current liabilities			
Other payables		9,981	5,460
Due to subsidiaries		257,658	279,973
Other borrowings		–	251,600
Notes payable		184,000	80,000
		451,639	617,033
Net current liabilities		(412,648)	(566,840)
Total assets less current liabilities		1,089,628	941,381
Non-current liabilities			
Bonds payable		10,216	–
NET ASSETS		1,079,412	941,381
CAPITAL AND RESERVES			
Share capital	39	148,292	129,410
Reserves	47(b)	931,120	811,971
TOTAL EQUITY		1,079,412	941,381

Approved and authorised for issue by the Board of Directors on 29 March 2018 and signed on its behalf by

Li Zhenzhen
Director

Wang Xin
Director

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

(a) PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued/paid up/registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Able Zone Investment Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Securities trading and other investments
Click Smart Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Cambodia MJ Airlines Co., Limited	Cambodia	Cambodia	40,000,000,000 ordinary shares	70%	–	70%	Travel business
Golden Comfort Investments Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Hui Jing International Trade Co., Limited	Cambodia	Cambodia	80,000 ordinary shares	100%	–	100%	Trading of steel
Great Prospect Enterprises Limited	BVI	Hong Kong	200 ordinary shares of US$1	100%	100%	–	Investment holding
Impression Culture Asia Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Investment holding
Incola Travel Limited	Hong Kong	Hong Kong	40,000 ordinary shares	95%	–	95%	Sales of air tickets
Incola Air Services Limited	Hong Kong	Hong Kong	100 ordinary shares	95%	–	95%	Sales of air tickets
Kentway Investments Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Investment holding
Noble Core Holdings Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Nowry Global Investments Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Ovalane Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Sino Haijing Group Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Sino Richtone Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Securities trading and other investments
Sunshine Margin Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding

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

(a) PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued/paid up/registered share capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Vietnam Impression Ha Ling Bay Tourism and Culture Investment Co., Ltd	Vietnam	Vietnam	US$2,000,000	100%	100%	–	Cultural performance
Ways Finance Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Money lending
World Spark Holdings Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Yalu International Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Air ticketing and travel agency business
合肥海景包裝制品有限公司	PRC	PRC	RMB55,000,000	100%	–	100%	Manufacturing of EPS packaging products
合肥榮豐包裝制品有限公司	PRC	PRC	RMB30,000,000	100%	–	100%	Manufacturing of EPS packaging products
合肥啟鵬紙制品有限公司	PRC	PRC	RMB14,000,000	100%	–	100%	Manufacturing of packaging materials
青島海景包裝制品有限公司	PRC	PRC	RMB20,000,000	100%	–	100%	Manufacturing of EPS packaging products
青島新海景包裝制品有限公司	PRC	PRC	RMB10,000,000	100%	–	100%	Manufacturing of EPS packaging products
青島海景模具制品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of moulds products
大連海景包裝製品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of EPS packaging products
東興屏峰雨林景區投資有限公司	PRC	PRC	RMB5,000,000	80%	–	80%	Scenic Spot operations

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

b) MOVEMENTS OF RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 (Note i)	Accumulated losses HK$'000	Convertible instrument reserve HK$'000	Total HK$'000
At 1 January 2016	370,907	–	117	(85,242)	–	285,782
Loss for the year	–	–	–	(92,680)	–	(92,680)
Transactions with equity holders of the Company						
Contributions and distributions						
Issue of remuneration shares	2,350	–	–	–	–	2,350
Issue of shares for acquisition of subsidiaries	81,897	–	–	–	–	81,897
Issue of shares by placements	507,000	–	–	–	–	507,000
Equity-settled share option arrangements	–	21,539	–	–	–	21,539
Issue of shares upon exercise of options	8,836	(2,753)	–	–	–	6,083
At 31 December 2016 and 1 January 2017	970,990	18,786	117	(177,922)	–	811,971
Loss for the year	–	–	–	(179,871)	–	(179,871)
Transactions with equity holders of the Company						
Contributions and distributions						
Issue of shares by placements	140,442	–	–	–	–	140,442
Issue of shares for acquisition of subsidiaries	60,114	–	–	–	–	60,114
Transfer of share option reserve upon the forfeiture of share options	–	(2,154)	–	2,154	–	–
Transfer from convertible bonds (Note 31)	–	–	–	–	98,464	98,464
At 31 December 2017	1,171,546	16,632	117	(355,639)	98,464	931,120

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

b) MOVEMENTS OF RESERVES *(Continued)*

(i) CONTRIBUTED SURPLUS

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2017 available for distribution to the equity holders are HK$931,120,000 (2016: HK$811,971,000).

48. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK$1,500 per month. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

49. TRANSFER OF FINANCIAL ASSETS

At the end of the reporting period, the transferred financial assets of the Group measured at amortised cost that were not qualified for derecognition in their entirety were as follows:

	2017 *HK$'000*	2016 *HK$'000*
Carrying amount of transferred assets		
– Bills receivable discounted to banks with recourse	52,585	41,318
Carrying amount of associated liabilities	52,585	41,318

The Group transferred the contractual rights to receive cash flows from bills receivable to certain banks by discounting them for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and continued to recognise the bills receivable in the consolidated statement of financial position. Associated liabilities have been recognised and included in bank and other borrowings.

50. MATERIAL NON-CONTROLLING INTERESTS

The following table shows the information relating to Cambodia MJ Airlines Co., Limited and Golden Truth Group with material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	2017		2016	
	Cambodia MJ Airlines Co., Limited	Golden Truth Group	Master Race Group	Golden Truth Group
Proportion of NCI's ownership interest	30%	20%	15%	20%
At 31 December	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	792	194,221	142,000	188,247
Current assets	11,067	5,179	23,329	300
Current liabilities	(22,274)	(54,420)	(5,950)	(49,658)
Non-current liabilities	–	–	(35,500)	–
Net (liabilities) assets	(10,415)	144,980	123,879	138,889
Non-controlling interests	(3,125)	28,996	18,582	27,778
Year/Period ended 31 December				
Revenue	–	9,147	24,794	3,073
Loss for the year	(10,415)	(4,530)	18,247	(8,468)

50. MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	2017		2016	
	Cambodia MJ Airlines Co., Limited	Golden Truth Group	Master Race Group	Golden Truth Group
Loss attributable to NCI	(3,125)	(905)	2,737	(1,693)
Other comprehensive loss attributable to NCI	–	2,122	(613)	(1,016)
Total comprehensive loss attributable to NCI	(3,125)	1,217	2,124	(2,709)
Net cash flows from (used in):				
Operating activities	(23,267)	104	394	(156)
Investing activities	(915)	–	–	–
Financing activities	34,772	–	–	–
Dividend paid to NCI	–	–	–	–

51. TRANSACTION WITH NON-CONTROLLING INTERESTS

During the year, the Group paid consultancy fee of HK$3,900,000 (2016: HK$Nil) to a non-controlling interest.

52. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. The leases run for an average term of one to two years (2016: one to three years). The terms of the leases require the Group to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 *HK$'000*	2016 *HK$'000*
Within one year	3,626	2,158
In the second to fifth years inclusive	1,294	3,767
	4,920	5,925

52. OPERATING LEASE COMMITMENTS *(Continued)*

THE GROUP AS LESSOR

The Group leases its investment properties under an operating lease with a lease term of one year (2016: 1 year). The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	1,553	765

53. CAPITAL COMMITMENTS

The Group's authorised capital commitments outstanding at the end of the reporting period and not provided for in the consolidated financial statements are as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Contracted but not provided for		
Purchase of property, plant and equipment	33,375	4,796
Acquisition of subsidiaries *(Note 21)*	301,414	–
Purchase of intangible assets *(Note 26)*	16,400	16,400
	351,189	21,196

Included in purchase of property, plant and equipment of approximately HK$24,331,000 related to the show of "Dream Memory - Halong Bay" in note 26 to the consolidated financial statements.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include promissory notes receivable, pledged deposits, bank balances, available-for-sale investments, borrowings, financial assets at fair value through profit or loss, trade and other receivables, loans receivable, trade and other payables, notes payable, bonds payable and convertible bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The policies on how management mitigates these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) CREDIT RISK

As at 31 December 2017, the credit risk of the Group is primarily attributable to trade and other receivables, loans receivable, bills receivable, pledged bank deposits and bank balances.

(i) In respect of promissory notes receivable, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter-parties arose from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial positions.

(ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets. Debts are usually due between 90 and 120 days from the date of billing.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each debtor. At the end of the reporting period, the Group had certain concentration of credit risk as 15% (2016: 18%) and 36% (2016: 35%) of the total trade and other receivables was due from the Group's largest debtor and the five largest debtors respectively.

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

(a) CREDIT RISK *(Continued)*

(iii) In respect of loans receivable, the Group has adopted procedures in extending credit terms to loan borrowers and in monitoring its credit risk. The credit policy on extending credit terms to loan borrowers includes assessing and evaluating loan borrowers' creditworthiness and financial standing. Management also closely monitors all outstanding debts and reviews the collectability of loans receivable periodically. At the end of the reporting period, 9% (2016: 14%) and 38% (2016: 58%) of the total loans receivable was due from the Group's largest borrower and the five largest borrowers respectively.

(iv) The credit risk on pledged bank deposits, bank balances and bills receivable is limited because the counterparties are mainly banks with high credit ratings assigned by international credit-rating agencies.

(b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the Company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank and other borrowings as a significant source of funding. At 31 December 2017, the Group had HK$62,403,000 (2016: HK$29,722,000) available but un-utilised banking facilities, excluding the margin facilities as detailed in note 46 to the consolidated financial statements.

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

(b) LIQUIDITY RISK *(Continued)*

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group is required to pay:

	2017				2016			
	Within 1 year or on demand	More than 1 year	Total contractual undiscounted cash flows	Carrying amount	Within 1 year or on demand	More than 1 year	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other borrowings	152,565	–	152,565	150,070	381,518	–	381,518	374,406
Trade and other payables	184,677	–	184,677	184,677	165,956	–	165,956	165,956
Notes payable	490,863	–	490,863	464,000	373,957	–	373,957	360,000
Bonds payable	10,216	–	10,216	10,000	–	–	–	–
	838,321	–	838,321	808,747	921,431	–	921,431	900,362

(c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. Details of interest rates of the Group's bank and other borrowings of HK$97,485,000 (2016: HK$81,488,000) at the end of the reporting period are set out in note 36 to the consolidated financial statements. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's result and financial position arising from volatility of interest rates.

The bank and other borrowings and notes payable of the Group of HK$52,585,000 (2016: HK$292,918,000) and HK$464,000,000 (2016: HK$360,000,000) respectively which are fixed rate instruments and are insensitive to any change in interest rates. A change in market interest rates at the end of the reporting period would not affect profit or loss.

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

(c) INTEREST RATE RISK *(Continued)*

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK$975,000 (2016: HK$815,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest-bearing non-derivative financial instruments in existence at that date. In respect of the exposure to cash flow interest rate risk, the analysis is prepared assuming the interest-bearing financial instruments outstanding at the end of the reporting period were outstanding for the whole year for which the impact of interest rate changes are annualised. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual date of the reporting period. The analysis is performed on the same basis for 2016.

(d) CURRENCY RISK

The Group has transactional currency exposure. Such exposure arises from trading transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The Group has no significant foreign currency risk in its PRC operations as the carrying amounts of financial assets and liabilities are denominated in RMB.

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

(e) EQUITY PRICE RISK

The Company's equity securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Company is exposed to equity price risks and management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity prices had occurred at the end of the reporting period and had been applied to the equity securities that would have affected the profit or loss and equity. A change of 3% (2016: 3%) in stock price for the available-for-sale financial assets and financial assets at fair value through profit or loss was applied at the end of the respective reporting period.

	2017 Effect on other comprehensive income *HK$'000*	2016 Effect on other comprehensive income *HK$'000*	2017 Effect on profit or loss *HK$'000*	2016 Effect on profit or loss *HK$'000*
Change in the relevant equity price risk variable:				
Increase 3% (2016: 3%)	1,105	10,401	167	11
Decrease 3% (2016: 3%)	(1,105)	(10,401)	(167)	(11)

55. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2017 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

55. FAIR VALUE MEASUREMENTS *(Continued)*

(i) ASSETS MEASURED AT FAIR VALUE

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets								
Available-for-sale financial assets	36,828	–	–	36,828	346,702	–	–	346,702
Financial assets at fair value through profit or loss								
Equity securities, listed in Hong Kong	5,170	–	–	5,170	–	–	–	–
Equity securities, listed outside Hong Kong	387	–	–	387	360	–	–	360
	42,385	–	–	42,385	347,062	–	–	347,062

Description of valuation techniques and inputs used in Level 2 fair value measurement

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(ii) ASSETS WITH FAIR VALUE DISCLOSURE, BUT NOT MEASURED AT FAIR VALUE

As set out in Notes 15 to the consolidated financial statements, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss and interest in an associate is accounted for using the equity method. The fair value information of the investment properties and the associate is shown in the table below.

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	–	7,172	–	7,172	–	6,669	–	6,669
Interest in an associate	–	–	–	–	326,613	–	–	326,613

55. FAIR VALUE MEASUREMENTS *(Continued)*

(ii) ASSETS WITH FAIR VALUE DISCLOSURE, BUT NOT MEASURED AT FAIR VALUE *(Continued)*

The fair value of the investment properties at the end of the reporting period were determined on an open market basis by Asset Appraisal Limited, which are independent qualified professional valuers not connected with the Group and with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to the price information of comparable properties.

As at 31 December 2016, the fair value of interest in associate is based on the quoted market price on the Bursa Malaysia Securities Berhad as at the end of the reporting period.

56. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

57. EVENTS AFTER THE REPORTING PERIOD

(i) ACQUISITION OF SHARES IN PATTAYA ORIENTAL CRUISE LIMITED

Pursuant to note 21(b), on 15 September 2017, the Group entered into a sale and purchase agreement with a vendor. Pursuant to the sale and purchases agreement, the vendor agreed conditionally to sell and the Group agreed conditionally to acquire 100% of the issued share capital in Pattaya Oriental at a consideration of THB1,280,000,000 (equivalent to approximately HK$302,080,000). Pattaya Oriental and its indirectly owned subsidiaries would be principally engaged in the business of catering and cultural performance in Thailand. The Board is of the view that the acquisition provides opportunities to the Group to broaden its business portfolio so as to improve the Group's financial status in the long term. The acquisition will enable (i) the development of the Group's tourism business in Asia region; (ii) the creation of synergies with the tourism and travel business of the Group; and (iii) the enhancement of the competitiveness of the Group in the tourism industry in Asia, in particular the South East Asia region. The acquisition was not completed as at the date of approval of the consolidated financial statements. Details of the proposed acquisition were set out in the announcements of the Company dated 4 May 2017 and 3 July 2017, 15 September 2017, 26 September 2017, 27 October 2017 and 14 March 2018.

On 14 March 2018, the completion of the acquisition has been extend to 14 June 2018.

57. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(ii) ACQUISITION OF SHARES IN AMAZING SUNRISE LIMITED

Pursuant to note 21(c), on 12 July 2017, the Group entered into a memorandum of understanding with an independent third party, pursuant to which the Group intends to acquire entire issued share capital in Amazing Sunrise Limited (the "Target Company") (the "Possible Acquisition"), which holds 100% equity interest in Kunming Yihui Times Building with a fair value of approximately RMB1,000,000,000, which is located in the core business district of Kunming Xishan District. The consideration for the Possible Acquisition shall be approximately RMB1,000,000,000. The exact amount, the manner and the method of payment of the consideration for the sale and purchase of the Target Company will be negotiated based on the results of the due diligence investigation to be conducted by the Group on the Target Company. Pursuant to the memorandum, the Group had paid a sum of refundable deposit HK$40,000,000 upon signing the memorandum. By the acquisition of the Target Company, the Group is expected to enter into one of the most important cities of the Yunnan Province in Southwest China, Kunming which is acting a significant strategic role in "One Belt and One Road". The Target Company is committed to building a media and tourism promotion center between China and Association of Southeast Asian Nations, which is in line with the Group's strategic objectives. Details of the Possible Acquisition were set out in the announcement of the Company dated 12 July 2017.

On 18 January 2018, the Memorandum has been extended to 30 June 2018.

(iii) EXTENSION OF MATURITY DATE OF NOTES

In respect of the 1-year 10% second tranche note in the principal amount of HK$120,000,000 as disclosed in the note 35(b) to the consolidated financial statements, the Group and the note holders matually agreed the maturity date of the second tranche note is extended from 4 January 2018 to 4 January 2019 with interest rate increased to 13% per annum for the extended period. On 4 January 2018, the Group partially repaid principal amount of HK$24,000,000 for the second tranche note.

Five Year Financial Summary

Year ended 31 December 2017

FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	956,170	606,669	499,936	563,565	575,579
Loss before tax	(90,564)	(17,341)	(62,115)	(7,880)	(15,926)
Income tax expense	(23,436)	(12,691)	(5,866)	(3,706)	(3,857)
Loss for the year	(114,000)	(30,032)	(67,981)	(11,586)	(19,783)
Attributable to:					
Equity holders of the Company	(110,107)	(31,076)	(67,981)	(11,586)	(20,059)
Non-controlling interests	(3,893)	1,044	–	–	276
	(114,000)	(30,032)	(67,981)	(11,586)	(19,783)

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	2,142,347	2,069,510	866,084	630,601	652,691
Total liabilities	(874,251)	(996,409)	(518,435)	(347,835)	(338,033)
	1,268,096	1,073,101	347,649	282,766	314,658
Attributable to:					
Equity holders of the Company	1,243,479	1,026,741	347,649	282,766	299,164
Non-controlling interests	24,617	46,360	–	–	15,494
	1,268,096	1,073,101	347,649	282,766	314,658

Major Properties Held by the Group

Year ended 31 December 2017

	Location	Existing use	Term of lease	Percentage of interest
1.	Factory Complex at the junction of Furong Road and Yuping Road, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
2.	Factory Complex at Ziyun Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
3.	Factory Complex at Wolong Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
4.	Factory Complex at the South of Horizontal Road 47 and the West of Vertical Road 1, Lu Village, Madian Town, Jiaozhou City, Qingdao City, Shangdong Province, the PRC	Industrial	Medium	100%
5.	Dongxing Pingfeng Rainforest Scenic Spot in Ping Feng Village of Ma Lu Town of Dongxin City, Guangxi Province, the PRC	Scenic Spot	Medium	80%