僑雄國際控股有限公司

Kiu Hung International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading the Way Towards a Bright Future

Annual Report 2018

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EXECUTIVE DIRECTORS

Mr. Hui Kee Fung *(Chairman)*
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*
Mr. Zhang Yun *(Deputy Chief Executive Officer)*
Mr. Zhang Qijun
Mr. Shu ZhongWen *(Managing director)*
Mr. Pun Yat Kan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning
Mr. Cheung Man Loon, Michael
Mr. Cheng Ho On

REGISTERED OFFICE

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P. O. Box 2681 Grand
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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151 Gloucester Road
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
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KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

KTC Partners CPA Limited
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PRINCIPAL BANKERS

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Hong Kong

OCBC Wing Hang Bank Limited
Head office
161 Queen's Road Central Hong Kong

COMPANY'S WEBSITE

www.kh381.com

FINANCIAL
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FINANCIAL PERFORMANCE

For the year ended 31 December	**2018 HK$'000**	2017 HK$'000	Change Increase/ (Decrease)
Revenue	**214,605**	219,628	(2.3)%
Gross profit	**65,271**	77,669	(16.0)%
Loss for the year	**(211,570)**	(95,094)	122.5%
Loss attributable to shareholders	**(208,066)**	(91,289)	127.9%
Basic loss per share (in HK cents)	**(2.70)**	(1.46)	84.9%
Total assets	**803,361**	823,891	(2.5)%
Total equity	**345,592**	479,487	(27.9)%

CHAIRMAN'S **STATEMENT**

On behalf of the board (the "**Board**") of the directors (the "**Director(s)**") of Kiu Hung International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the financial year ended 31 December 2018 (the "**Year**").

RESULTS AND DIVIDENDS

During the Year, the Group recorded turnover of approximately HK$214.6 million (2017: HK$219.6 million), representing a decrease of approximately 2.3% as compared with last year. The Group's loss attributable to equity holders of the Company for the Year was approximately HK$208.1 million (2017: HK$91.3 million), representing an increase of approximately HK$116.8 million comparing to last year.

The increase in loss attributable to equity holders of the Company for the Year was mainly attributable to (i) the provision for impairment of investment in associates of the Group, amounting to approximately HK$16.4 million; (ii) the provision of impairment of exploration and evaluation assets of approximately HK$88.8 million during the Year, whereas, impairment on the exploration and evaluation assets of approximately HK$34.8 million was recorded last year. Basic loss per share for the Year was 2.70 HK cents (2017: 1.46 HK cents). The Board has resolved not to pay any final dividend for the Year (2017: Nil).

BUSINESS REVIEW

The manufacturing and trading of toys and gifts items remained the revenue engine of the Group. The gross profit ratio of the toys and gifts business was approximately 30.4% for the Year which was comparable to the previous year (2017: approximately 35.4%).

For further details of the Group's business and operational review, please refer to the "Management Discussion and Analysis" section of this annual report.

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by the entering of (a) on 4 January 2019, the Company entered into a non-legally binding memorandum of understanding with Rising Fortune Group Limited (the "**Vendor**") in relation to a mutual intention on a possible acquisition of certain inventories/using rights of production plant and machineries/using rights of wine patents/using rights of wine production licenses in relation to the fermentation and production of Chinese rice wine located at Tieling Industrial Zone*, Minhou County, Fujian Province by the Company (or its designated affiliate) from the Vendor; (b) on 18 March 2019, the Company entered into a memorandum of understanding with Julian International Group Co., Ltd. (the "**Vendor**") in relation to a mutual intention on a possible acquisition of certain equity interests of Yuxing International Enterprise Co., Ltd. by the Company (or its wholly owned subsidiary) from the Vendor.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, business partners and parties from various fields, and also for the contribution and dedication of our management and dedicated staff in previous year.

Hui Kee Fung
Chairman

Hong Kong, 29 March 2019

MANAGEMENT
DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018 (the "**Year**"), the Group recorded turnover of approximately HK$214.6 million (2017: HK$219.6 million), representing a decrease of approximately 2.3% as compared with last year. The Group's loss attributable to equity holders of the Company for the Year was approximately HK$208.1 million (2017: HK$91.3 million), representing a increase of approximately HK$116.8 million comparing to last year. The increase in loss attributable to equity holders of the Company for the Year was mainly attributable to (i) the increase in the provision for impairment of investment in associates of the Group, amounting to approximately HK$16.4 million; and (ii) the provision of impairment of exploration and evaluation assets of approximately HK$88.8 million during the Year. Basic loss per share for the Year was 2.70 HK cents (2017: 1.46 HK cents). The Board has resolved not to pay any final dividend for the Year (2017: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group has five reportable segments, namely "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", "Fruit plantation", "Leisure" and "Culture".

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Year was approximately HK$214.6 million (2017: HK$219.6 million), representing a decrease of approximately 2.3% comparing to last year. The decrease in turnover was mainly attributable to the decrease in revenue generated from the North America and European Union regions, which recorded a decrease of approximately 5.1% and 31.6% respectively. The gross profit margin was decrease, which was 30.4% (2017: 35.4%) during the Year, showing the loss of a major customer and the intense market competition while the Group has been keeping its high quality standard in the production and sales of toys and gifts items during the past years. The segment recorded a loss of approximately HK$12.0 million during the Year (2017: segment loss of HK$3.2 million). The segment loss was mainly due to the provision for impairment of trade receivables arising from one customer, amounting to approximately HK$3.9 million during the Year, whereas, the high segment profit in last year was mainly due to a gain from disposal of certain subsidiaries of the segment.

Exploration of Natural Resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "**Inner Mongolia**"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

During the year, the Management was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of The PRC was very remote. On the consideration of best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the Management decided to dispose the equity interest of two whole owned subsidiaries, the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) which owed the Exploration Right of Guerbanada Coal Mine and the Inner Mongolia Run Heng Mining Company Limited (PRC) which owed the Exploration Right of Bayanhushuo Coal Field through the open market in PRC. On 15 December 2018, 80% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 80% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC) (together referred to as the Disposal Group) was bid in open market auction via the agent "福建省廣業拍賣有限公司". The disposal was completed on 15 January 2019.

As the sales proceed from the assets and liabilities of the Disposal Group was lower than their carrying amount, an impairment of approximately HK$88,758,000 was provided for the year ended 31 December 2018, and the Disposal Group as at 31 December 2018 is classified as assets of a disposal group classified as held for sale (see note 17).

Fruit Plantation

(a) Multijoy Group

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018, in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income. A new cooperation agreement has been signed in early 2018 for another term of three years from 1 April 2018 to 31 March 2021. Multijoy Group's revenue for the Year amounted to approximately HK$35.5 million (2017: HK$34.5 million). The Group has generated a stable dividend income from Multijoy Group annually since the date of its acquisition. Dividend income received by the Group during the Year amounted to approximately HK$11.0 million (2017: HK$10.1 million).

(b) USO Management & Holding Co. Ltd

Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Green Luxuriant Group Investment Limited (the "**Vendor**"), regarding the Group's acquisition of 19% equity interest of USO Management & Holding Co. Ltd. ("**USO**") on 5 October 2015. USO entered into a tenancy agreement with the Alii and Faipule of the Village of Sasina, Savaii ("**AFS**"), owners of a parcel of approximately 500 acres of prime agricultural property located at Sasina, Savaii in Samoa (the "**Leased Properties**") pursuant to which AFS granted to USO the legal right to use its Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of USO's noni fruit plantation business. And the formal lease agreement with the Ministry of Natural Resources and Environment in Samoa was completed on 19 July 2017.

On 19 June 2018, Trinity Force Investments Limited entered into the sale and purchase agreement with the Vendor in relation to further acquisition of an effective 28% equity interest in Noni-fruit plantation related business in the Independent State of Samoa ("**Samoa**"). This acquisition had not been completed at the end of the year. As at the date of this report, the acquisition had been completed and Trinity Force Investments Limited had acquired further 28% equity interest and in total owned 47% equity interest of the target company.

As at 31 December 2018, the carrying value of the investment in USO amounted to approximately HK$133.0 million (2017: HK$74.2 million).

Leisure

(a) Tea related business

Since the Group's acquisition of 33% equity interest in Fujian Yuguo Tea Chaye Limited* (福建鈺國茶業有限公司) ("**Fujian Yuguo**") (a limited company incorporated in Fujian Province, the PRC, engaging mainly in the distribution of tea related products in PRC) in January 2016 , Fujian Yuguo has been generating profits from its operations. Fujian Yuguo's total revenue amounted to approximately HK$14.7 million (2017: HK$51.6 million) during the Year. In the recent years, the competition in tea industries becomes more fierce because the traditional sales model is facing a keen competition from those online business platform. During the Year, Fujian Yuguo began to fine-tune its operation model to meet its customers' needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets. Fujian Yuguo's revenue is expected to increase steadily in the coming years. As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$16,360,000 (2017: HK$15,000,000) was recognised for the year ended 31 December 2018.

(b) ***Wine related business***

Wine culture forms an important part and has a long history in the Chinese culture. In view of the increase in the living standard of the Chinese people in the recent years, the Group is optimistic about the future growth in the wine industry and has intention to invest in the wine business, especially for the yellow wine products. Since the end of 2016, the Group has invested in the yellow base wine. In view of the Group's existing insufficient working capital, the Group has adopted a strategy to look for potential cooperators to manufacture and distribute the yellow wine products. On 15 January 2018, the Group entered into a sales and purchase agreement with the vendor of Anhui Fu Lao Wine Development Company Limited* (安徽省福老酒業發展有限公司) ("**Anhui Fu Lao**"), a company established in PRC with limited liability. Pursuant to the sales and purchase agreement, the Group had agreed to acquire and the vendor of Anhui Fu Lao had agreed to sell 20% equity interest of Anhui Fu Lao held by the vendor, at the consideration of approximately RMB84 million (equivalent to approximately HK$101 million), subject to the fulfillment of certain conditions. The consideration will be settled by the Company by way of issuing a total of 1,010,000,000 consideration shares of HK$0.10 each. On 31 May 2018, the acquisition has been completed (see note 19(d)). For more details of the acquisition, please refer to the Company's announcements dated 15 January 2018, 28 February 2018 and 31 May 2018.

(c) ***Outbound tourism***

Regarding the Group's 20% equity interest in the Eagle Praise Group, which is principally engaged in outbound tourism related business in PRC, the business development of the Eagle Praise Group was slower than expected. Based on the information available to the Board, the Eagle Praise Group has not yet arranged any outbound travel tours in accordance with the business plan as scheduled in the supplemental shareholders' agreement dated 16 December 2015, entered into between the Group and the vendor of the Eagle Praise Group. The Group gave notice to the vendor on 30 December 2016, to rescind the various agreements entered into with the vendor (the "**Rescission of Agreements**") on the ground of fraudulent misrepresentations made by the vendor and its representative. As a result, the Board considered that full provision for impairment in the investment of approximately HK$117.8 million was required to be made during the year ended 31 December 2016. The Group has discussed with and instructed its legal adviser to take further legal action against the vendor of Eagle Praise Group regarding the Rescission of Agreements. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

Culture

On 27 March 2015, the Group acquired certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a total consideration of HK$38.0 million. These ceramic items had carrying amounts of approximately HK$35.3 million as at 31 December 2018.

Geographical Information

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK$205.0 million as compared to approximately HK$216.0 million last year and represented approximately 95.5% (2017: approximately 98.3%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$0.4 million for the Year as compared to approximately HK$0.6 million last year and represented approximately 0.2% (2017: approximately 0.3%) of the Group's total revenue of the Year.

Selling and Distribution Costs

The amount of the selling and distribution costs for the Year was approximately HK$32.3 million (2017: approximately HK$37.9 million). The decrease was mainly attributable to the decrease of the staff costs of manufacturing and trading of toys and gifts items segment.

Administrative Expenses

Administrative expenses for the Year increased by approximately 23.1% to approximately HK$133.7 million as compared to approximately HK$108.6 million in the previous year. The increase in administrative expenses was mainly due to increase of provision for impairment of trade and other receivables during the Year.

Finance Costs

Finance costs for the Year increased by approximately HK$7.2 million to approximately HK$25.8 million as compared to approximately HK$18.6 million in the previous year. The increase in finance costs was mainly due to the increase of approximately HK$13.6 million for overdue interest on promissory notes during the Year.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in PRC. As at 31 December 2018, the Group had bank and cash balances of approximately HK$21.8 million (2017: HK$31.6 million). The Group's bank and cash balances were mostly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2018, the Group's borrowings amounted to approximately HK$101.9 million (2017: HK$78.4 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2018, the Group's promissory notes amounted to approximately HK$153.6 million (2017: HK$137.9 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors its capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2018 was 121.8% (2017: 59.3%).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant, and the Group had not used any financial instruments for hedging during the Year.

As at 31 December 2018, certain property, plant and equipment and investment properties held by the Group with aggregate carrying values of approximately HK$73.9 million (2017: HK$74.5 million), were pledged to secure general banking facilities granted to the Group.

As at 31 December 2018, the Group had no significant capital commitment.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT
DISCUSSION AND ANALYSIS

PROSPECTS

The Group has been reviewing its existing operations from time to time and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2018, the capital structure of the Company was constituted of 8,110,381,596 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

At 31 December 2018, 69,000,000 share options remained outstanding (2017: 237,800,000). The share option scheme of the Company with a scheme life of ten years approved by the shareholders of the Company on 31 May 2013 will expire on 30 May 2023.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2018, the Group had a total of 390 employees (2017: 443 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a yearly basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

PROFILE OF DIRECTORS AND **SENIOR MANAGEMENT**

DIRECTORS

Executive Directors

Mr. Shu ZhongWen, aged 45, has been appointed as an executive director of the Company since 25 October 2018. He is also the managing director of the Company. He had been graduated from Jiangxi University of Science and Technology in year 1997. Prior to joining the Company, Mr. Shu had worked in Huge Profit International (HK) Holdings Limited as president and Jingdezhen Jingdong Ceramics Company Limited (PRC) as vice president.

Mr. Pun Yat Kan, aged 34, has been appointed an independent non-executive Director on 25 October 2018 and being re-designated as an executive director of the Company since 8 November 2018. He holds a Bachelor degree in Computer Science from the University of Wollongong, Australia, and he hold the master degree of business administration from the University of Sunderland, England. Before joining the Company, Mr. Pun was a marketing and project manager at Culturecom Media and Entertainment Limited.

Mr. Hui Kee Fung, aged 58, has been appointed as an executive director and chairman of the Company since November 2000. He has over 20 years of experience in various industries. He is the director of China Overseas Friendship Association, a standing committee member of the Tenth Chinese People's Political Consultative Conference of Fujian Province, the PRC, a fellow of the Asian Knowledge Management College, an adjunct professor in Faculty of Business of City University of Hong Kong, a member of the Economic Cooperative and Promotion Committee between Hong Kong and the Fujian Province, the PRC, the honorary life chairman of the Hong Kong Federation of Fujian Association, the vice chairman and secretary of Hong Kong Fortunate Community Charitable Limited, the honorable chairman of the Hong Kong Fujian Charitable Education Fund, the permanent honorable chairman of the Fujian Putian University in the PRC, the chairman of Xu A Qiong Foundation of Putian and an Honorary Citizen of Putian, Fujian, the PRC. Mr. Hui was accredited the Young Industrialist of Hong Kong in 2001.

Mr. Yu Won Kong, Dennis, aged 70, has been appointed as executive director of the Company since October 2009. He is also the chief executive officer of the Company and has over 20 years of experience in financial investment field. From 2003 to 2006, Mr. Yu was a director of Fortuna International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the period from 1995 to 2003, he acted as an executive director respectively in several listed companies in Australia, Frankfurt and NASDAQ and was responsible for identifying acquisition targets, raising fund, and monitoring those companies' direct investment activities in the PRC. Mr. Yu was also the chairman and executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**"), from 11 August 2008 to 28 September 2012.

Mr. Zhang Yun, aged 40, was appointed as an executive director of the Company since April 2016. His is also the deputy chief executive officer of the Company. Mr. Zhang is currently the Deputy General Manager of Qiao Yi (Fujian) Real Estate Development Co., Ltd., a company principally engaged in the construction, sale and rental of complex buildings in the PRC. Mr. Zhang has accumulated approximately 13 years of experience in the real estate development and construction project supervision.

Mr. Zhang Qijun, aged 42, has been appointed as an executive director of the Company since March 2016. Mr. Zhang is currently the Legal Person of Fuzhou Taijiang He Xuan Trading Co. Ltd., a company principally engaged in trading in the PRC. Mr. Zhang has approximately 17 years of experience in arts and design, and trading.

Independent Non-executive Directors

Mr. Cheng Ho On, aged 35, has been appointed an independent non-executive Director since 23 March 2019. He holds a Bachelor degree in Marketing from Hong Kong Polytechnic University, and a Master degree in Art Administration from Hong Kong Baptist University. Mr. Cheng is currently a project manager in a Hong Kong Company which engaging in the promotion of culture, specializing in project management. Mr. Cheng has accumulated over 11 years working experience.

PROFILE OF DIRECTORS AND **SENIOR MANAGEMENT**

Mr. So Chun Pong, Ricky, aged 46, has been appointed as independent non-executive director of the Company since 31 May 2013. He graduated from the University of Toronto in 2002 with a bachelor degree in Landscape Architecture. He has over 11 years of experience in the field of landscape architecture and worked in various leading landscape architecture companies in Hong Kong and overseas. Mr. So is specialized in residential and recreational developments in his practice. He has extensive experience in various aspects in the landscape architects industry including master- planning and site construction.

Mr. Wang Xiao Ning, aged 59, has been appointed as an independent non-executive director of the Company since June 2015. Mr. Wang joined the field of import and export trading in 1990. He is currently the general manager of 福建省鄉鎮企業進出口公司 (Fujian Township Enterprises Import and Export Corporation*). Mr. Wang has over 25 years of experience in the import and export trading management.

Mr. Cheung Man Loon, Michael, aged 42, has been appointed as an independent non-executive director of the Company since December 2016. Mr. Cheung obtained a Bachelor of Arts in Accounting and Finance Degree and a Master Degree of Science in Corporate Governance from the London South Bank University. He is a practising member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Certified Chartered Accountants. Mr. Cheung is the sole proprietor of a certified public accountant firm. Prior to operating his own practise, he worked as a senior manager for different accounting firms including an international firm and he has more than 13 years of experience in the field of accounting and finance.

* *for English translation purpose only*

SENIOR MANAGEMENT

Mr. Yang Runzhi, aged 64, is the managing director of Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited, the indirect wholly-owned subsidiaries of the Company. He has 25 years of experience in military and government and over 10 years of experience in the coal industry in Inner Mongolia. He is a Senior Economist for coal industry and has worked as the general manager of Beijing Zhongmei Hengrun Co., Ltd., a subsidiary of the China Coal Group. He has in-depth knowledge in the sales and marketing of coals, processing of coal products and purchasing of coal mine machinery and equipment.

Mr. Hui Ki Yau, aged 57, is the president of the Group's toys and gifts business. He is responsible for the operations and the sales and marketing functions of the toy and gift business of the Group. Mr. Hui has over 25 years of experience in the sales and marketing field. He is currently a Standing Committee Member of the Chinese People's Political Consultative Conference of Putian City, Fujian Province, the PRC, an Executive Member of Fujian Putian Commerce Association, a member of the Hong Kong Trade Development Council Toys Advisory Committee, a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. Mr. Hui is the brother of Mr. Hui Kee Fung and Madam Hui Hung Tan, Teresa.

Madam Hui Hung Tan, Teresa, aged 50, is the Director of operations and sales of the Group's toys and gifts business. Madam Hui has over 20 years of experience in the toy and decorative gift industries. Madam Hui is a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. She is the sister of Mr. Hui Kee Fung and Mr. Hui Ki Yau.

REPORT OF **THE DIRECTORS**

The directors of the Company herein present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activities and geographical area of operations for the year ended 31 December 2018 is set out in note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 34 to 37 of this annual report. The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out in note 16 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2018 are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 31 and 32 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had no distributable reserves (2017: HK$Nil). Under the Company's memorandum and articles of association and the Companies Law (Revised) of the Cayman Islands, the contributed surplus and share premium of the Company of approximately HK$125.2 million (2017: HK$125.2 million) and approximately HK$1,451.9 million (2017: HK$1,523.6 million), respectively, at 31 December 2018 are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

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, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling approximately HK$211,000 (2017: HK$102,000).

RETIREMENT BENEFITS SCHEMES

The Group operates a Pension Scheme and a MPF Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. The employees of the subsidiaries in the PRC participate in the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss of approximately HK$3,797,000 (2017: approximately HK$1,995,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2017: Nil) was available at 31 December 2018 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2018 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 75.8% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 51.9%. Purchases from the Group's five largest suppliers accounted for approximately 32.2% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 5.89%.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Hui Kee Fung *(Chairman)*
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*
Mr. Zhang Yun *(Deputy Chief Executive Officer)*
Mr. Zhang Qijun
Mr. Shu ZhongWen *(appointed on 25 October 2018)*
Mr. Pun Yat Kan *(re-designated on 8 November 2018)*
Ms. Yi Meixuan *(appointed on 2 August 2018 and resigned on 25 January 2019)*
Ms. Cui Yu *(appointed on 26 January 2019 and suspensed on 22 March 2019)*

Independent non-executive directors:

Mr. Cheung Man Loon, Michael
Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning
Mr. Chan Man Kit *(appointed on 25 October 2018 and resigned on 5 January 2019)*
Mr. Pun Yat Kan *(appointed on 25 October 2018 and re-designated as executive director on 8 November 2018)*
Mr. Cheng Ho On *(appointed on 23 March 2019)*

The directors of the Company, including the non-executive directors and the independent non-executive directors are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

According to articles 87(1) and 87(2) of the Company's articles of association (the "**Articles**"), at each annual general meeting of the Company (the "**AGM**"), one-third of the directors of the Company for the time being (or, if such number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director of the Company shall be subject to retirement by rotation at least once every three years. A retiring director of the Company shall be eligible for re-election. In accordance with Articles 87(1) and 87(2), Mr. Hui Kee Fung, Mr. Cheung Man Loon, Michael, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning shall retire from office by rotation at the forthcoming AGM. Being eligible, each of Mr. Hui Kee Fung, Mr. Cheung Man Loon, Michael, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning will offer himself for re-election as an executive director.

In accordance with Article 86(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at that meeting.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 11 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Hui Kee Fung renewed his service contract with the Company and continued to serve as an executive director and the chairman of the Company for a term of two years from 1 July 2017 to 30 June 2019, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Yu Won Kong, Dennis renewed his service contract with the Company to serve as an executive director and the chief executive officer of the Company for a term of two years from 22 October 2017 to 21 October 2019, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Zhang Qijun renewed his service contract with the Company to serve as an executive director of the Company for a term of two years from 4 March 2018 to 3 March 2020, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Zhang Yun entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 25 April 2018 to 24 April 2020, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Shu ZhongWen entered into a service contract with the Company for a term of two years from 25 December 2018 to 26 December 2020.

Mr. Pun Yat Kan entered into a service contract with the Company for a term of two years from 7 November 2018 to 8 November 2020.

Ms. Cui Yu entered into a service contract with the Company for a term of one year from 26 January 2019 to 27 January 2020.

Apart from the foregoing, no director 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 other than statutory compensation.

TERMS OF NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a fixed term of two years as follows:

Name of directors	Term period
Mr. So Chun Pong, Ricky	31 May 2017 to 30 May 2019
Mr. Wang Xiao Ning	1 June 2017 to 31 May 2019
Mr. Cheung Man Loon, Michael	29 December 2018 to 28 December 2020
Mr. Cheng Ho On	23 March 2019 to 24 March 2021

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in note 37 to the consolidated financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

		Capacity			
Name of director	**Number or attributable number of shares held or short positions**	**Interest of controlled corporation**	**Interest of child under 18 or spouse**	**Beneficial owner**	**Approximate percentage or attributable percentage of shareholdings**
Hui Kee Fung (Note)	178,500,000	153,500,000	–	25,000,000	2.51%
Yu Won Kong, Dennis	112,107,364	–	2,900,000	109,207,364	1.57%
Zhang Qijun	670,000	–	–	670,000	0.01%
Mr. Shu ZhongWen	30,000,000	–	–	–	0.37%

Note: Legend Win Profits Limited is a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, and Hui's K. K. Foundation Limited as to 38.95% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung is the registered member and director of Hui's K. K. Foundation Limited.

Save as disclosed above and under the heading "Substantial Shareholders" below, none of the directors of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme which became effective on 31 May 2013.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share on the date of offer.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. For the avoidance of doubt, options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised) would not be counted for the purpose of calculating such 10% limit. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The following table discloses movements in the outstanding share options granted under the Share Option Schemes during the year:

		Number of share options				
Grantee	Date of grant	Outstanding at 1 January 2018	Cancelled during the year	Outstanding at 31 December 2018	Exercise price HK$	Exercise Period
(Executive directors)						
Yu Won Kong, Dennis	1 September 2014	2,200,000	–	2,200,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	20,000,000	(20,000,000)	–	0.2320	14 July 2015 to 13 July 2018
Hui Kee Fung	1 September 2014	5,000,000	–	5,000,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	20,000,000	(20,000,000)	–	0.2320	14 July 2015 to 13 July 2018
Employees	1 September 2014	61,800,000	–	61,800,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	120,000,000	(120,000,000)	–	0.2320	14 July 2015 to 13 July 2018
	20 July 2015	4,000,000	(4,000,000)	–	0.2250	20 July 2015 to 19 July 2018
Non-employees	1 September 2015	4,800,000	(4,800,000)	–	0.1308	1 September 2015 to 31 August 2018
Total		237,800,000	(87,000,000)	69,000,000		

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2018, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

		Capacity		
Name of shareholder	Number of shares or underlying approximate shareholding	Beneficial owner	Interest of child under 18 or spouse	Interest of controlled corporation
Lin Qunzhu	40,000,000 0.49%	40,000,000	–	–
Green Luxuriant Group Investment Limited (Note)	307,665,620 3.79%	707,885,620	–	–

Note: Green Luxuriant Group Investment Limited is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly-owned by Ms. Lin Meiling. The number of shares held by Green Luxuriant Group Investment Limited was agreed to that as shown in the list of shareholders of the Company as at 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 21 to 27 of this annual report.

INDEPENDENT CONFIRMATION

The Company has received, from each independent non- executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group respects the environment and is committed to minimising its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO_2) emission. Non- hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimise the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- duplex printing is set as the default mode for most network printers;
- employees are reminded to practice photocopying wisely;
- employees are encouraged to use both sides of paper;
- paper waste is recycled instead of being directly disposed of in landfills;
- paper is separated from other waste for easier recycling; and
- boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximise efficiency.

The Group will review its environmental practices periodically and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, there was no evidence of non-compliance with the relevant laws and regulations that have significant impacts on the Group as far as the Board is aware.

Relationship with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs effectively and efficiently. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and conduct regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

During the year ended 31 December 2018, there was no circumstances of any event between the Group and its employees, customers and suppliers which would have a significant impact on the Group's business and on which the Group's success depends.

PERMITTED INDEMNITY

The Company's Articles of Associations provides that every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, by reason of any act done in or about the execution of his duty, or supposed duty; and none of them shall be answerable for the acts, receipts, neglects or for any other loss, misfortune or damage which may happen in the execution of his duty, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITOR

KTC Partners CPA Limited was appointed as auditor of the Company at the EGM held on 27 December 2018. And a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming AGM.

Zhonghui Anda CPA Limited had resigned as auditor of the Company on 5 December 2018.

On behalf of the Board

Hui Kee Fung
Chairman

Hong Kong, 29 March 2019

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance. During the Year, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning, had other important engagements at the same time and did not attend the annual general meeting of the Company held on 20 June 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

As at 31 December 2018, the Board currently comprises four executive directors and three independent non-executive directors. For a director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. Under the Company's Articles of Association, every director is subject to retirement by rotation at least once every three years and their re-election are subject to a vote by the shareholders. All independent non-executive directors are appointed for a specific terms of two years.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive directors. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

As at the date of this report, the Company appointed three independent non-executive directors, namely, Mr. Cheung Man Loon, Michael, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning, who have appropriate and sufficient experiences and qualifications to carry out their duties so as to protect the interests of shareholders.

The Company arranged for appropriate insurance cover in respect of legal actions against directors.

Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Twenty-five Board meetings were held in 2018. Individual attendance of each director at the Board meetings, the Audit Committee meetings, the Nomination Committee meeting, the Remuneration Committee meetings and the general meetings of the Company during 2018 is set out below:

	Attendance/number of meetings				
Director	**Board**	**Audit committee**	**Nomination committee**	**Remuneration committee**	**General meeting**
Executive directors					
Mr. Hui Kee Fung *(Chairman)*	24/25	N/A	3/3	3/3	2/2
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*	25/25	N/A	N/A	N/A	2/2
Mr. Zhang Qijun	25/25	N/A	N/A	N/A	0/2
Mr. Zhang Yun *(Deputy Chief Executive Officer)*	25/25	N/A	N/A	N/A	0/2
Mr. Shu ZhongWen	6/6	N/A	N/A	N/A	1/2
Mr. Pun Yat Kan	6/6	N/A	N/A	N/A	1/2
Ms. Yi Meixuan	4/7	N/A	N/A	N/A	0/2
Independent non-executive directors					
Mr. So Chun Pong, Ricky	24/25	3/3	3/3	3/3	0/2
Mr. Wang Xiao Ning	23/25	3/3	3/3	3/3	0/2
Mr. Cheung Man Loon, Michael	22/25	3/3	N/A	3/3	1/2
Mr. Chan Man Kit	1/3	N/A	N/A	N/A	0/2

To implement the strategies and plans adopted by the Board effectively, directors and senior management meet regularly to review the performance of the businesses of the Group and make financial and operational decisions.

Biographical details of the directors, together with information about the relationship among them, can be found under the Profile of Directors and Senior Management section on pages 11 to 12 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has appointed Mr. Hui Kee Fung as the Chairman and Mr. Yu Won Kong, Dennis as the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

REMUNERATION COMMITTEE

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management, considering factors such as salaries paid by comparable companies, time commitment and responsibilities of individuals. The terms of reference of the Remuneration Committee can be obtained from the Company's website.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of directors and senior management. The remuneration of each director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive director has taken part in any discussion about his own remuneration. Three meetings were held by the Remuneration Committee in 2018. Three out of four of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2018 include:

Mr. Cheung Man Loon, Michael — *Chairman*
Mr. Wang Xiao Ning
Mr. Hui Kee Fung
Mr. So Chun Pong, Ricky

Directors' remunerations for the year are disclosed in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee can be obtained from the Company's website.

The Board adopted a Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of, amongst other factors, skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be made on a merit basis, and candidates will be considered against a range of selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. Three meetings were held by the Nomination Committee in 2018. Two out of Three of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2018 include:

Mr. Hui Kee Fung — *Chairman*
Mr. Wang Xiao Ning
Mr. So Chun Pong, Ricky

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the Company's website. Three meetings were held by the Audit Committee in 2018. All committee members are independent non-executive directors. Its members as at 31 December 2018 include:

Mr. Cheung Man Loon, Michael — *Chairman*
Mr. Wang Xiao Ning
Mr. So Chun Pong, Ricky

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. During the year, the committee considered the external auditors' re-appointment and their projected audit fees, reviewed the interim and annual financial statements and reviewed the Group's risk management and internal control systems.

AUDITOR'S REMUNERATION

During the year, the Group has incurred auditor's remuneration of HK$1,800,000 which was paid/payable to the Company's existing auditor, KTC Partners CPA Limited. In addition, professional fee of HK$750,000 was payable by the Group for the non-audit services relating to acquisition of an associate rendered by KTC Partners CPA Limited.

COMPANY SECRETARY

Mr. Tam Tsz Ming, aged 46, was appointed as the company secretary of the Company on 14 June 2018. Mr. Tam hold a Bachelor Degree of Business Administration in Accounting from the Open University of Hong Kong. He also holds the Diploma in Legal Studies from HKU SPACE. Mr. Tam is a member of Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. Mr. Tam has accumulated extensive working experience in the fields of auditing, accounting and financial management.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. 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, 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) because of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURE BY WHICH ENQUIRIES PUT TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong or via email to info@kh381.com.

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website www.kh381.com on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website www.hkexnews.hk and on the Company's website.

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong or via email to info@kh381.com for any enquiries. The shareholders' communication policy is available on the Company's website www.kh381.com under the "Investor Relations/Corporate Governance" section.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing the Group's and the Company's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 28 to 33 of this annual report.

GOING CONCERN

The Company incurred a loss of approximately HK$211,570,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$98,419,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates;

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds; and

(4) Green Luxuriant Group Investment Limited, a shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group and the financial support from Green Luxuriant Group Investment Limited. The directors of the Company are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2018. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

During the year under review, the Board has engaged Nortex Consultants Limited as independent consultant to undertake a review of the internal control system of the Group on material issues covering financial, operational and regulatory compliance controls and risk management function.

The Directors considered that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

The Company does not have an internal audit function for the year ended 31 December 2018. Taking into account the size and complexity of the operations of the Group and the potential costs of setting up an internal audit function, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. However, the Board will regularly review the need to set up an internal audit function or engage an independent professional service provider to review the Group's internal control and risk management system.

The Group adopts a risk management framework which comprises the following processes:

— Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

— Develop necessary measures to manage those risks; and

— Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

— The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

— Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;

— Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

— A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and

— Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 December 2018 and considered that it was effective.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

INDEPENDENT AUDITOR'S REPORT

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

TO THE SHAREHOLDERS OF
KIU HUNG INTERNATIONAL HOLDINGS LIMITED
僑雄國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Kiu Hung International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 119, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

Opening balances and comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditors (the "Predecessor Auditors"), who expressed a qualified opinion on those statements on 29 March 2018. The matters that led to the Predecessor Auditors modifying their auditors' opinion include the possible effects of the matters described in paragraphs 1 to 3 below on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2017 and the consolidated financial position of the Group as at 31 December 2017, and the related disclosures thereof in the consolidated financial statements. Since opening balances of these assets as at 1 January 2018 enter into the determination of the financial performance and cash flows of the Group for the current year ended 31 December 2018, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2018 reported in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the cash flows for the year ended 31 December 2018 reported in the consolidated statement of cash flows. In addition, as any adjustments that would be required may have consequential significant effects on those assets of the Group as at 31 December 2017 and its results and cash flows for the year ended 31 December 2017 presented as comparative figures in the consolidated financial statements, we were also unable to determine the possible effects of these matters on the comparability of the current year's figures and the comparative figures presented in the consolidated financial statements.

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1. ***Investment in associates***

   Fujian Yuguo Chaye Limited ("Fujian Yuguo")

   Included in the investment in associates of the Group was an investment in Fujian Yuguo whose carrying amounts as at 31 December 2018 and 2017 were approximately HK$27,605,000 and HK$46,110,000 respectively. The Group recognised share of results from Fujian Yuguo of HK$770,000, share of exchange translation difference of associate of HK$1,997,000 and impairment loss of investment in Fujian Yuguo of HK$15,000,000 in its consolidated financial statements for the year ended 31 December 2017. The Predecessor Auditors were unable to satisfy themselves about (i) the recoverable amount of the investment in Fujian Yuguo; (2) whether impairment loss of HK$15,000,000 was properly recognised for the year ended 31 December 2017; and (3) whether share of results of HK$770,000 and share of exchange translation difference of associate HK$1,997,000 were properly recognised for the year ended 31 December 2017.

   Any adjustment to the figures mentioned above might also have consequential effects on the impairment loss of approximately HK$16,360,000 on investment in Fujian Yuguo for the year ended 31 December 2018. However, we are satisfied that the investment in Fujian Yuguo is fairly stated as at 31 December 2018.

2. ***Inventories***

   We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the net realisable value of ceramic items with carrying amount of approximately HK$35,303,000 in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 was free from material misstatements. There were no satisfactory alternative audit procedures that we could adopt to determine whether any provision for impairment loss should be made in the consolidated financial statements in respect of these ceramic item inventories.

   Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the years ended 31 December 2018 and 2017 and the financial position of the Group as at 31 December 2018 and 2017.

3. ***Prepayment, deposits and other receivables***

   Included in the prepayment, deposits and other receivables in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 are deposits paid (the "Deposits Paid") of approximately HK$102,100,000. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Deposits Paid as at 31 December 2018 and 31 December 2017. There were no satisfactory alternative audit procedures that we could adopt to determine whether any provision for impairment of the Deposits Paid should be made in the consolidated financial statements.

   Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the years ended 31 December 2018 and 2017 and the financial position of the Group as at 31 December 2018 and 2017.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$211,570,000 for the year ended 31 December 2018 and was in net current liability position of approximately HK$98,419,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Provision for expected credit losses ("ECL") of trade receivables

Refer to Note 23 to the consolidated financial statements.

As at 31 December 2018, the Group had gross trade receivables of approximately HK$49,585,000 (2017: HK$33,982,000) and provision for impairment of approximately HK$8,156,000 (2017: HK$4,510,000).

ECL for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.

We have identified ECL assessment of trade receivables as a key audit matter because assessing ECL of trade receivables is a subjective area as it requires the management's judgment and uses of estimates.

Our procedures in relation to management's ECL assessment on trade receivables included:

— Reviewing and assessing the application of the Group's policy for calculating the ECL;

— Evaluating techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9;

— Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;

— Inquiring management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;

— Evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and

— Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlement to bank receipts.

2. Investment in associates

Refer to Note 19 to the consolidated financial statements.

Included in investment in associates in the consolidated statement of financial position as at 31 December 2018 are investment in Multijoy Development Limited (''Multijoy"), Fujian Yuguo and Anhui Fu Lao Wine Development Company Limited ("Anhui Fu Lao") of approximately HK$179,968,000, HK$27,605,000 and HK$28,347,000 respectively.

The Group tested the amounts of investment in Multijoy, Fujian Yuguo and Anhui Fu Lao for impairment. This impairment test is significant to our audit because the balances of investment in Multijoy, Fujian Yuguo and Anhui Fu Lao of approximately HK$179,968,000, HK$27,605,000 and HK$28,347,000 respectively as at 31 December 2018 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates by management and external valuation specialists.

With the assistance from our engaged valuation specialists, our audit procedures included, among others:

— Assessing the competence, independence and objectivity of the external valuers engaged by the Group;

— Challenging the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Assessing the arithmetical accuracy of value-in-use and fair value less costs of disposal calculations;

— Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

— Checking input data to supporting evidence.

3. Fair value of financial assets at fair value through other comprehensive income ("FVTOCI")

Refer to Note 20 to the consolidated financial statements.

At 31 December 2018, the fair value of the Group's financial assets at FVTOCI of HK$133,000,000 was classified under the fair value hierarchy as level 3 financial instruments and change in fair value of financial assets at FVTOCI of HK$58,818,000 was recognised to other comprehensive income during the year ended 31 December 2018.

The valuation of these financial instruments is based on a combination of valuation techniques and key unobservable inputs. Estimates of unobservable inputs that need to be developed can involve significant management and external valuation specialist's judgment.

We identified assessing the fair value of financial assets at FVTOCI as a key audit matter because of the degree of complexity involved in valuing financial assets at FVTOCI and because of the degree of judgement exercised by management in determining the inputs used in the valuation methods.

Our audit procedures included, among others:

— Assessing the competence, independence and objectivity of the external valuers engaged by the Group;

— Challenging the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Reviewing and checking the sensitivity analysis on the key inputs used in the valuation; ensuring proper disclosures of these sensitivity analyses; and

— Assessing the disclosure in the consolidated financial statements in relation to the financial assets at FVTOCI with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Audit Engagement Director
Practising Certificate Number P04686

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**214,605**	219,628
Cost of sales		**(149,334)**	(141,959)
Gross profit		**65,271**	77,669
Other income	8	**2,997**	4,927
Selling and distribution costs		**(32,262)**	(37,863)
Administrative expenses		**(133,715)**	(108,585)
Other gains, net		**745**	26,155
Operating loss		**(96,964)**	(37,697)
Finance costs	9	**(25,808)**	(18,600)
		(122,772)	(56,297)
Impairment of investment in an associate	19	**(16,360)**	(15,000)
Impairment of exploration and evaluation assets	17	**(88,758)**	(34,804)
Share of result of associates		**4,754**	5,366
Loss before income tax		**(223,136)**	(100,735)
Income tax credit	10	**11,566**	5,641
Loss for the year	11	**(211,570)**	(95,094)
Loss attributable to:			
— equity holders of the Company		**(208,066)**	(91,289)
— non-controlling interests		**(3,504)**	(3,805)
		(211,570)	(95,094)
Loss per share attributable to the equity holders of the Company		**HK cents**	HK cents
Basic and diluted loss per share	14	**(2.70)**	(1.46)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Loss for the year	**(211,570)**	(95,094)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**3,105**	20,685
Surplus on revaluation of financial assets at fair value through other comprehensive income ("FVTOCI")	**58,818**	–
Deferred income tax expense arising on revaluation of properties	**–**	(3,413)
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**(13,538)**	17,558
Share of exchange translation difference of associates	**–**	15,132
Other comprehensive income for the year, net of tax	**48,385**	49,962
Total comprehensive loss the year	**(163,185)**	(45,132)
Total comprehensive loss attributable to:		
— equity holders of the Company	**(159,681)**	(41,327)
— non-controlling interests	**(3,504)**	(3,805)
	(163,185)	(45,132)

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**78,660**	82,582
Investment properties	16	**14,902**	15,500
Exploration and evaluation assets	17	**–**	114,671
Other intangible asset	18	**1,012**	1,024
Investment in associates	19	**235,920**	241,198
Available-for-sale financial asset	20	**–**	74,182
Financial assets at FVTOCI	20	**133,000**	–
Deferred income tax assets	21	**198**	188
Prepayments, deposits and other receivables	24	**2,249**	21,203
		465,941	550,548
Current assets			
Inventories	22	**70,758**	68,601
Trade and bills receivables	23	**43,301**	29,628
Prepayments, deposits and other receivables	24	**181,029**	141,773
Income tax recoverable		**–**	1,760
Bank and cash balances	25	**21,818**	31,581
		316,906	273,343
Assets of a disposal group classified as held for sale	26	**20,514**	–
		337,420	273,343
Total assets		**803,361**	823,891
Current liabilities			
Trade payables	27	**12,982**	8,340
Accruals and other payables		**172,853**	89,929
Income tax payable		**740**	240
Promissory notes	28	**153,607**	137,900
Obligation under finance leases	29	**324**	311
Borrowings	30	**95,333**	78,441
		435,839	315,161
Net current liabilities		**(98,419)**	(41,818)
Total assets less current liabilities		**367,522**	508,730

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred income tax liabilities	21	**14,968**	28,502
Borrowings	30	**6,545**	–
Obligation under finance leases	29	**417**	741
		21,930	29,243
Net assets		**345,592**	479,487
Equity			
Share capital	31	**811,039**	710,039
Reserves		**(471,244)**	(239,853)
Equity attributable to owners of the Company		**339,795**	470,186
Non-controlling interests		**5,797**	9,301
Total equity		**345,592**	479,487

The consolidated financial statements on pages 34 to 119 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Approved by:

Hui Kee Fung
Director

Yu Won Kong, Dennis
Director

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to owners of the Company												
	Notes	Share capital HK$'000	Share premium Note (a) HK$'000	Statutory surplus Note (b) HK$'000	Contributed surplus Note (c) HK$'000	Foreign currency translation reserve Note (d) HK$'000	Share-based payment reserve Note (e) HK$'000	Property revaluation reserve Note (f) HK$'000	Convertible bonds equity reserve Note (g) HK$'000	Fair value reserve for financial assets at FVTOCI HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		609,272	1,554,840	4,375	303	53,036	38,904	41,911	–	–	(1,860,657)	441,984	13,106	455,090
Total comprehensive loss for the year		–	–	–	–	32,690	–	17,272	–	–	(91,289)	(41,327)	(3,805)	(45,132)
Issue of convertible bonds		–	–	–	–	–	–	–	69,529	–	–	69,529	–	69,529
Issue of shares upon conversion of convertible bonds	31(a)	100,767	(31,238)	–	–	–	–	–	(69,529)	–	–	–	–	–
Forfeiture of share option	32	–	–	–	–	–	(10,540)	–	–	–	10,540	–	–	–
At 31 December 2017 and 1 January 2018		710,039	1,523,602	4,375	303	85,726	28,364	59,183	–	–	(1,941,406)	470,186	9,301	479,487
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(13,538)**	**–**	**3,105**	**–**	**58,818**	**(208,066)**	**(159,681)**	**(3,504)**	**(163,185)**
Issue of consideration shares	31(b)	**101,000**	**(71,710)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,290**	**–**	**29,290**
Forfeiture of share option	32	**–**	**–**	**–**	**–**	**–**	**(19,145)**	**–**	**–**	**–**	**19,145**	**–**	**–**	**–**
At 31 December 2018		**811,039**	**1,451,892**	**4,375**	**303**	**72,188**	**9,219**	**62,288**	**–**	**58,818**	**(2,130,327)**	**339,795**	**5,797**	**345,592**

Notes:

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations and the articles of association of these PRC subsidiaries, the statutory reserve may be used to offset the accumulated losses, or for capitalisation as paid-up capital of the subsidiaries.

(c) The contributed surplus of the Group represents the excess of the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited over the nominal value of Company's shares issued in exchange thereof.

(d) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(e) Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payment reserve in note 4 to the consolidated financial statements.

(f) The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 4 to the consolidated financial statements.

(g) The convertible bonds equity reserve has been set up and is dealt with in accordance with the accounting policies adopted for convertible bonds in note 4 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before income tax		**(223,136)**	(100,735)
Adjustments for:			
Amortisation of other intangible assets		**12**	11
Depreciation of property, plant and equipment		**7,442**	5,785
Provision for impairment of trade receivables		**3,915**	4,490
Provision for impairment of other receivables		**16,535**	–
Reversal of impairment of trade receivables		**–**	(100)
Impairment of exploration and evaluation assets		**88,758**	34,804
Impairment of investment in an associate		**16,360**	15,000
Fair value gain on investment properties		**–**	(3,823)
Interest expenses		**25,808**	18,600
Interest income		**(2,202)**	(1,350)
Write-off and loss on disposals of property, plant and equipment		**1,105**	–
Provision/(write-back) for inventory obsolescence		**849**	(428)
Share of result of associates		**(4,754)**	(5,366)
Gain on settlement of promissory notes using convertible notes		**–**	(22,306)
Operating loss before working capital changes		**(69,308)**	(55,418)
Changes in inventories		**(4,146)**	7,696
Changes in trade receivables		**(13,601)**	(6,848)
Changes in bills receivables		**–**	2,815
Changes in prepayments, deposits and other receivables		**(36,383)**	(21,414)
Changes in trade payables		**4,850**	(5,681)
Changes in trust receipt loans		**–**	(676)
Changes in accruals and other payables		**58,962**	17,014
Cash used in operations		**(59,626)**	(62,512)
Interest paid		**–**	(1,329)
Income taxes refunded/(paid), net		**504**	(2,621)
Net cash used in operating activities		**(59,122)**	(66,462)

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Interest received		**8**	11
Dividend received from associates		**11,639**	12,336
Purchase of property, plant and equipment		**(2,020)**	(13,152)
Loans to a company	24(b)	**–**	(9,212)
Net cash generated from/(used in) investing activities		**9,627**	(10,017)
Cash flows from financing activities			
Bank and other loans raised		**56,782**	95,195
Repayment of bank and other loans		**(19,349)**	(48,046)
Proceeds from issue of promissory notes		**22,279**	23,500
Repayment of promissory notes		**(18,970)**	(2,500)
Repayment of obligation under finance leases		**(348)**	(322)
Net cash generated from financing activities		**40,394**	67,827
Net decrease in cash and cash equivalents		**(9,101)**	(8,652)
Cash and cash equivalents at the beginning of the year		**31,581**	36,920
Effect of foreign exchange rate changes		**(662)**	3,313
Cash and cash equivalents at end of the year		**21,818**	31,581

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is changed from 25/F., Fortis Tower, 77–79 Gloucester Road, Wan Chai, Hong Kong to Room 1403, Capital Center, 151 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the manufacturing and trading of toys and gifts items, exploration of natural resources and the investment in various potential businesses including fruit plantation, leisure and culture.

2. BASIS OF PREPARATION

Going concern basis

The Group incurred a loss of approximately HK$211,570,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities of approximately HK$98,419,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates;

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds; and

(4) Green Luxuriant Group Investment Limited, a shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group and the financial support from Green Luxuriant Group Investment Limited. The directors of the Group are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2018. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

a. *Classification of financial assets and financial liabilities* *(continued)*

The reclassifications made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

Consolidation financial position (extract)	Carrying amount as at 31 December 2017 under HKAS 39 HK$'000	Reclassification and remeasurement HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Non-current assets			
Financial assets at FVTOCI	–	74,182	74,182
Available-for-sale financial assets	74,182	(74,182)	–

The Group's trade and bills receivables, deposits and other receivables and bank balances and cash are reclassified from loans and receivables to financial assets carried at amortised cost under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

Except for disclosed above, the carrying amounts for all financial assets and liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

b. *Impairment of financial assets*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and bills receivables, deposits and other receivables and bank balances and cash).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' aging.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary upon the initial adoption of the standard.

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15, Revenue from contracts with customers *(continued)*

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition over one year in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The adoption of HKFRS 15 does not have impact on the presentation as the Group does not have any significant contract asset or contract liability in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the applications of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 16 "Leases" *(continued)*

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$9,910,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings and investment properties which are carried at their fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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 has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). 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 owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

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 Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Shorter of 10 years or over the lease terms
Plant and machinery	5 to 10 years
Moulds	2 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	4 to 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Prepaid land lease payments

The lump-sum upfront lease payments made on entering into or acquiring leasehold land are accounted for as prepaid land lease payments and are amortised over the lease term on a straight line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are land and/or buildings held to earn rentals or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include cost of acquiring exploration right, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies.

Exploration and evaluation assets are classified as such and carried forward as long as:

(i) the exploration right is current;

(ii) the Group plans and has sufficient fund to continue the explorations; and

(iii) the technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining right and are amortised.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

Assets of a disposal group classified as held for sale

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets of a disposal group classified as held for sale *(continued)*

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

Trademark

Trademark is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful lives of 99 years.

Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is 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.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets (accounting policies applied from 1 January 2018)

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (accounting policies applied from 1 January 2018) *(continued)*

(i) Debt instruments (continued)

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

(ii) Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(iii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (accounting policies applied from 1 January 2018) *(continued)*

(iii) Impairment loss on financial assets (continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (accounting policies applied until 31 December 2017)

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (accounting policies applied until 31 December 2017) *(continued)*

(iii) Available-for-sale financial asset

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(iv) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the fair value of the compound financial instrument as a whole and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

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

(a) Sales of goods

Customers obtain control of toys and gift when the goods are delivered to and have been accepted by customers. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 60 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

(b) Rental income

Rental income is recognised on a straight-line basis over the lease term.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Sales of goods

Revenue from the sales of toys and gifts is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 Company or of a parent of the Company.

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

(i) The entity and the Company 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 entity and the other entity is an associate of the third entity.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except deferred income tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group. Details are explained in note 2 to the consolidated financial statements.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties in the PRC that are measured using the fair value model, the directors have reviewed the Group's investment property in the PRC portfolios and concluded that the Group's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties in the PRC over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties in the PRC, the directors have rebutted the presumption that investment properties in the PRC measured using the fair value model are recovered through sale.

For the purposes of measuring deferred tax for investment properties in Hong Kong that are measured using the fair value model, the directors have reviewed the Group's investment property in Hong Kong portfolios and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties in Hong Kong, the directors have adopted the presumption that investment properties in Hong Kong measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

(a) Fair values of investment properties, leasehold land and buildings

In making its estimates, the Group considers the information from the valuations of investment properties (note 16) and leasehold land and buildings (note 15) performed by an external professional valuer by using the market approach. Had the Group used different valuation techniques, the fair value of the investment properties, leasehold land and buildings would be different and thus may have an impact on the consolidated financial statements.

The fair values of investment properties and leasehold land and buildings would change by approximately HK$1,490,000 (2017: HK$1,550,000) and approximately HK$6,320,000 (2017: approximately HK$6,320,000) respectively if the market values of comparable properties or the unobservable inputs adopted under the valuation approach differ by 10% from the Group's estimates.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(c) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 6(b) and 23.

(d) Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary difference and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Estimated impairment of investments in an associate and non-financial assets

The Group assesses whether investments in an associate and non-financial assets have suffered any impairment in accordance with the accounting policy. The recoverable amounts of investments in an associate and non-financial assets have been determined based on value in use calculations or market valuations. These calculations require the use of judgement and estimates, in particular of future revenue or cash flow. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of cash-generating units to exceed their recoverable amounts.

(f) Fair value of financial assets at FVTOCI

The fair value of financial assets at FVTCOI has been valued based on a combination of valuation technique and key unobservable inputs. The valuation requires the management to exercise judgement to determine the inputs used in valuation. The judgements include considerations of inputs such as growth rate, discount rate, marketability discount and minority interest discount. Change in assumption about these factors could affect the reported fair value of financial assets at FVTOCI.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies (HK$, Renminbi ("RMB") and United States Dollars ("US$")) of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged with US$, management is of the view that there is no significant foreign exchange risk to the Group.

(b) Credit risk

The carrying amount of the trade and bills receivables, other receivables, cash and bank balances and deposits included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

At 31 December 2018, 46% (2017: 48%) and 75% (2017: 81%) of the total trade receivables were due from the Group's largest customer and the five largest customers at 31 December 2018, respectively. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2018 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected credit loss rate (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)	Net carrying amount (HK$'000)
Provision on individual basis				
181 days to 360 days past due (Note)	3%	2,737	84	2,653
Over 360 days past due	100%	7,728	7,728	–
Provision on collective basis				
Current	0%	31,032	–	31,032
Within 90 days past due	2%	7,347	147	7,200
91days to 180 days past due	20%	620	124	496
181 days to 360 days past due	50%	81	41	40
Over 360 days past due	80%	40	32	8
		49,585	8,156	41,429

Note: As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. The directors are of the opinion that the credit risk of these receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of these receivables is assessed to be 3% and provision of HK$84,000 was made for the year ended 31 December 2018.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2018						
Trade payables	**12,982**	**–**	**–**	**–**	**12,982**	**12,982**
Accruals and other payables	**171,186**	**–**	**–**	**–**	**171,186**	**171,186**
Promissory notes	**153,607**	**–**	**–**	**–**	**153,607**	**153,607**
Obligation under finance leases	**348**	**348**	**85**	**–**	**781**	**741**
Borrowings	**99,030**	**6,426**	**840**	**–**	**106,296**	**101,878**
	437,153	**6,774**	**925**	**–**	**444,852**	**440,394**

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2017						
Trade payables	8,340	–	–	–	8,340	8,340
Accruals and other payables	89,463	–	–	–	89,463	89,463
Promissory notes	137,900	–	–	–	137,900	137,900
Obligation under finance leases	348	348	432	–	1,128	1,052
Borrowings	81,689	1,327	537	–	83,553	78,441
	317,740	1,675	969	–	320,384	315,196

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

The Group's bank deposits and bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings of the Group. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

No sensitivity analysis of interest rate is presented as change in interest rate has no material effect on pre-tax loss as a result of change in interest rate applied to the Group's floating-rate loans.

(e) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets:		
Financial assets at amortised costs	82,242	–
Financial assets at FVTOCI	133,000	–
Available-for-sale financial asset	–	74,182
Loans and receivables (including bank and cash balances)	–	104,071
Financial liabilities:		
Financial liabilities at amortised costs	440,394	315,196

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair values *(continued)*

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018				
Recurring fair value measurements:				
Leasehold land and building				
— Hong Kong	**–**	**–**	**63,200**	**63,200**
Investment properties				
— Hong Kong	**–**	**–**	**3,100**	**3,100**
— The PRC	**–**	**–**	**11,802**	**11,802**
Financial assets at FVTOCI	**–**	**–**	**133,000**	**133,000**
	–	**–**	**211,102**	**211,102**
At 31 December 2017				
Recurring fair value measurements:				
Leasehold land and building				
— Hong Kong	–	–	63,200	63,200
Investment properties				
— Hong Kong	–	–	3,100	3,100
— The PRC	–	–	12,400	12,400
Available-for-sale financial asset	–	–	74,182	74,182
	–	–	152,882	152,882

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair values *(continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Financial assets at FVTOCI/ Available-for-sale financial asset HK$'000	Total HK$'000
At 1 January 2018	**15,500**	**63,200**	**74,182**	**152,882**
Total gains or losses recognised				
in profit or loss (#)	**–**	**–**	**–**	**–**
in other comprehensive income	**–**	**3,105**	**58,818**	**61,923**
Depreciation	**–**	**(3,105)**	**–**	**(3,105)**
Exchange differences	**(598)**	**–**	**–**	**(598)**
At 31 December 2018	**14,902**	**63,200**	**133,000**	**211,102**
(#) Include gains or losses for assets held at the end of reporting period	**–**	**–**	**–**	**–**
At 1 January 2017	10,954	44,700	74,182	129,836
Total gains or losses recognised				
in profit or loss (#)	3,823	–	–	3,823
in other comprehensive income	–	20,685	–	20,685
Depreciation	–	(2,185)	–	(2,185)
Exchange differences	723	–	–	723
At 31 December 2017	15,500	63,200	74,182	152,882
(#) Include gains or losses for assets held at the end of reporting period	3,823	–	–	3,823

The total gains or losses recognised in other comprehensive income are presented in surplus on revaluation of properties in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains in the consolidated profit or loss.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair values *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

At 31 December 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties — Hong Kong	Direct comparison approach	Market price of car park	HK$1,590,000 per unit	Increase	3,100
Investment properties — the PRC	Direct comparison approach	Market price of office	HK$11,000 per square meter	Increase	11,802
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$1,200,000 per unit	Increase	1,100
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$3,675–HK$4,449 per square feet	Increase	62,100
Financial assets at FVTOCI	Discount cash flow	Cash flow	HK$10,760,814–HK$27,375,759 per year	Increase	133,000
		Discount rate	19%	Decrease	
		Marketability discount	31%	Decrease	
		Minority interest discount	21%	Decrease	
		Growth rate	2%	Increase	

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair values *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements (continued)

At 31 December 2017

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties — Hong Kong	Direct comparison approach	Market price of car park	HK$1,300,000–HK$1,800,000 per unit	Increase	3,100
Investment properties — the PRC	Direct comparison approach	Market price of office	HK$18,924 per square meter	Increase	12,400
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$1,100,000 per unit	Increase	1,100
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$2,971–HK$3,473 per square feet	Increase	62,100
Available-for-sale financial asset	Discount cash flow	Cash flow	HK$10,578,713–HK$102,094,570 per year	Increase	74,182
		Discount rate	16.68%	Decrease	
		Marketability discount	14.80%	Decrease	
		Minority interest discount	22.24%	Decrease	
		Growth rate	2.60%	Increase	

During the two years, there were no changes in the valuation techniques used.

7. OPERATING SEGMENT INFORMATION

The Group has five reportable segments as follows:

Exploration	–	Exploration of natural resources
Toys and gifts items	–	Manufacturing and trading of toys and gifts items
Fruit plantation	–	Investment in business related to fruit plantation through associates of the Group
Leisure	–	Investment in the PRC outbound tourism and tea and wine products related business through associates or subsidiaries of the Group
Culture	–	Investment in cultural items

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different economic characteristics.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include assets at corporate level. Segment liabilities do not include liabilities at corporate level.

(a) Information about reportable segment revenue, results, assets and liabilities are as follows:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Year ended 31 December												
Revenue from external customers	**–**	–	**214,605**	219,628	**–**	–	**–**	–	**–**	–	**214,605**	219,628
Segment loss	**(80,141)**	(27,612)	**(11,952)**	(3,216)	**4,124**	3,579	**(52,990)**	(27,885)	**–**	–	**(140,959)**	(55,134)
Depreciation and amortisation	**–**	(2)	**(5,418)**	(4,131)	**–**	–	**(1,408)**	(1,122)	**–**	–	**(6,826)**	(5,255)
Impairment of investment in an associate	**–**	–	**–**	–	**–**	–	**(16,360)**	(15,000)	**–**	–	**(16,360)**	(15,000)
Impairment of exploration and evaluation assets	**(88,758)**	(34,804)	**–**	–	**–**	–	**–**	–	**–**	–	**(88,758)**	(34,804)
Provision for impairment of trade receivables	**–**	–	**(3,915)**	(4,490)	**–**	–	**–**	–	**–**	–	**(3,915)**	(4,490)
Provision for impairment of loan and other receivables	**–**	–	**–**	–	**–**	–	**(16,535)**	–	**–**	–	**(16,535)**	–
Interest income	**–**	–	**8**	11	**–**	–	**2,194**	1,339	**–**	–	**2,202**	1,350
Interest expenses	**–**	(130)	**(1,445)**	(1,374)	**–**	–	**(6,504)**	(2,771)	**–**	–	**(7,949)**	(4,275)
Income tax credit	**14,405**	7,812	**(1,782)**	(2,171)	**(1,057)**	–	**–**	–	**–**	–	**11,566**	5,641
At 31 December												
Segment assets	**20,837**	115,101	**164,769**	171,309	**312,968**	269,270	**131,866**	115,413	**35,303**	35,303	**665,743**	706,396
Segment liabilities	**(702)**	(15,225)	**(71,349)**	(69,240)	**(2,063)**	(1,005)	**(72,434)**	(46,534)	**–**	–	**(146,548)**	(132,004)
Additions to segment non-current assets	**–**	–	**2,017**	2,414	**–**	–	**101,000**	30,687	**–**	–	**103,017**	33,101

7. OPERATING SEGMENT INFORMATION *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2018 HK$'000	2017 HK$'000
Reconciliation of segment loss:		
Total loss of reportable segments	**(140,959)**	(55,134)
Unallocated amount:		
Corporate finance costs	**(17,859)**	(14,325)
Other corporate income and expenses	**(52,752)**	(25,635)
Loss for the year	**(211,570)**	(95,094)

	2018 HK$'000	2017 HK$'000
Reconciliation of segment assets:		
Total assets of reportable segments	**665,743**	706,396
Unallocated corporate assets		
Property, plant and equipment	**–**	1,531
Bank and cash balances	**10,072**	199
Prepayments, deposits and other receivables	**127,546**	115,765
	137,618	117,495
Total assets	**803,361**	823,891

	2018 HK$'000	2017 HK$'000
Reconciliation of segment liabilities:		
Total liabilities of reportable segments:	**146,548**	132,004
Unallocated corporate liabilities		
Borrowings	**31,727**	11,727
Accruals and other payables	**125,887**	62,773
Promissory notes	**153,607**	137,900
	311,221	212,400
Total liabilities	**457,769**	344,404

7. OPERATING SEGMENT INFORMATION *(continued)*

(c) Geographical information:

	Revenue		Non-current assets	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
The PRC (including Hong Kong)	**7,474**	1,296	**327,393**	452,374
North America[1]	**205,043**	215,951	**3,101**	2,601
European Union[2]	**416**	608	**–**	–
Others[3]	**1,672**	1,773	**–**	–
	214,605	219,628	**330,494**	454,975

1 North America includes the United States of America (the "USA") and Canada.

2 European Union includes Spain, Italy, France and the United Kingdom.

3 Others include Middle East, South America and Southeast Asia.

Revenue from two (2017: one) customers, accounted for more than 10% of the Group's total revenue for the year, represented approximately 62% of the total Group's revenue for the year ended 31 December 2018 (2017: 60%), which are shown as follows:

	2018 HK$'000	2017 HK$'000
Customer A	**111,410**	131,262
Customer B	**22,494**	15,333

The geographical location of customer is based on the location at which the goods delivered and information about the non-current assets including property, plant and equipment, investment properties, exploration and evaluation assets, other intangible asset and investment in associates, classified in accordance with geographical location of the assets at the end of the reporting period.

7. OPERATING SEGMENT INFORMATION *(continued)*

(d) Analysis of revenue by category:

Revenue from contract with customers within the scope of HKFRS 15.

	2018 HK$'000	2017 HK$'000 Note
Sales of toys and gifts items	**214,605**	219,628
Timing of revenue recognition		
At point in time	**214,605**	219,628

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Moulds income	**43**	22
Bank interest income	**8**	11
Loan interest income	**2,194**	1,339
Rental income	**412**	75
Waiver of other payable	**–**	2,715
Others	**340**	765
	2,997	4,927

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on:		
Bank borrowings and overdrafts	**1,389**	1,270
Other loans	**14,968**	6,398
Trust receipt loans	**19**	59
Finance leases charges	**37**	45
Imputed interest on convertible bonds	**–**	6,521
Promissory notes	**9,395**	4,307
	25,808	18,600

10. INCOME TAX CREDIT

	2018 **HK$'000**	2017 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**(475)**	(315)
Current tax — Overseas		
Provision for the year	**(1,273)**	(981)
Total current tax	**(1,748)**	(1,296)
Deferred income tax credit	**13,314**	6,937
Income tax credit	**11,566**	5,641

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

10. INCOME TAX CREDIT *(continued)*

The reconciliation between the income tax credit and loss before tax multiplied by Hong Kong profits tax rate is as follows:

	2018 HK$'000	2017 HK$'000
Loss before income tax	**(223,136)**	(100,735)
Tax at the applicable tax of 16.5% (2017: 16.5%)	**(36,817)**	(16,621)
Tax effect of income that is not taxable	**(164)**	(5,114)
Tax effect of expenses that are not deductible	**49,319**	14,021
Tax effect of utilisation of tax losses not previously recognised	**–**	(92)
Tax effect of temporary differences not recognised	**(13,992)**	(156)
Tax effect of share of result of associates	**–**	(886)
Tax effect of PRC dividend withholding tax	**1,058**	–
Tax effect of unused tax losses not recognised	**360**	6,833
Over-provision for prior years	**(30)**	–
Tax reduction	**(20)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(11,280)**	(3,626)
	(11,566)	(5,641)

Tax charge relating to each component of other comprehensive income is as follows:

	2018			2017		
	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000
Exchange differences on translating foreign operations	**(13,538)**	**–**	**(13,538)**	17,558	–	17,558
Surplus on revaluation of properties	**3,105**	**–**	**3,105**	20,685	(3,413)	17,272
Share of exchange translation difference of associates	**–**	**–**	**–**	15,132	–	15,132
Surplus on revaluation of financial assets at FVTOCI	**58,818**	**–**	**58,818**	–	–	–
Other comprehensive loss	**48,385**	**–**	**48,385**	53,375	(3,413)	49,962
Current tax		**–**			–	
Deferred income tax (note 21)		**–**			(3,413)	
		–			(3,413)	

11. LOSS FOR THE YEAR

The Group's loss for the year is arrived after charging/(crediting) the following:

	2018 HK$'000	2017 HK$'000
Amortisation of other intangible asset	**12**	11
Auditor's remuneration	**1,800**	1,800
Cost of inventories sold	**149,334**	141,959
Depreciation of property, plant and equipment	**7,442**	5,785
Fair value gain on investment properties	**–**	(3,823)
Gain on settlement of promissory notes using convertible notes	**–**	(22,306)
Net foreign exchange gain	**(3,935)**	(26)
Provision for impairment of other receivables	**16,535**	–
Provision for impairment of trade receivables	**3,915**	4,490
Reversal of impairment of trade receivables	**–**	(100)
Minimum lease payments under operating leases in respect of leasehold land and buildings	**8,020**	13,115
Provision/(write-back of provision) for inventories obsolescence	**849**	(428)
Loss on written-off of property, plant and equipment	**1,105**	–
Staff costs (including directors' remuneration)		
Salaries, bonus and allowance	**63,928**	62,051
Retirement benefits scheme contributions	**3,797**	1,995
	67,725	64,046

12. DIRECTORS' EMOLUMENTS

(a) The emoluments of each director were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2018				
Executive directors:				
Mr. Hui Kee Fung *(Chairman)*	–	4,550	18	4,568
Mr. Yu Won Kong, Dennis *(Chief executive officer)*	–	4,550	–	4,550
Mr. Zhang Qijun	–	164	–	164
Mr. Zhang Yun	–	300	–	300
Ms. Yi Meixuan *(appointed on 2 August 2018 and resigned on 25 January 2019)*	–	248	–	248
Mr. Shu Zhongwen *(appointed on 25 October 2018)*	–	145	–	145
Mr. Pun Yat Kan Ken *(re-designated as executive director on 8 November 2018)*	–	114	2	116
Ms. Cui Yu *(appointed on 29 January 2019 and suspended on 22 March 2019)*	–	–	–	–
Independent non-executive directors:				
Mr. So Chun Pong, Ricky	136	–	–	136
Mr. Wang Xiao Ning	136	–	–	136
Mr. Cheung Man Loon, Michael	160	–	–	160
Mr. Chan Man Kit *(appointed on 25 October 2018 and resigned on 5 January 2019)*	22	–	–	22
Mr. Pun Yat Kan Ken *(appointed on 25 October 2018 and re-designated as executive director on 8 November 2018)*	5	–	–	5
	459	10,071	20	10,550

12. DIRECTORS' EMOLUMENTS *(continued)*

(a) The emoluments of each director were as follows: *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2017				
Executive directors:				
Mr. Hui Kee Fung *(Chairman)*	–	5,050	18	5,068
Mr. Yu Won Kong, Dennis *(Chief executive officer)*	–	4,550	–	4,550
Mr. Li Wenjun *(appointed on 3 March 2017 and retired on 30 June 2017)*	–	79	–	79
Mr. Yip Kong Nam *(retired on 30 June 2017)*	–	360	9	369
Mr. Nojiri Makoto *(resigned on 29 March 2017)*	–	45	–	45
Mr. Zhang Qijun	–	200	–	200
Mr. Zhang Yun	–	300	–	300
Mr. Hui Lap Keung *(appointed on 9 November 2016 and resigned on 3 March 2017)*	–	166	3	169
Dr. Lau Siu Wa *(appointed on 5 December 2016 and retired on 30 June 2017)*	–	420	9	429
Non-executive director:				
Mr. Li Zhaosheng *(appointed on 5 December 2016 and retired on 30 June 2017)*	–	60	–	60
Independent non-executive directors:				
Mr. So Chun Pong, Ricky	120	–	–	120
Mr. Wang Xiao Ning	120	–	–	120
Mr. Chan Wai Keung *(appointed on 29 March 2017 and retired on 30 June 2017)*	31	–	–	31
Mr. Suen Chun Hung, Benjamin *(retired on 30 June 2017)*	60	–	–	60
Mr. Cheung Man Loon, Michael	120	–	–	120
	451	11,230	39	11,720

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those person's other services in connection with the management of the affairs of the Company and its subsidiaries.

12. DIRECTORS' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2017: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2017: three) individuals are set out below:

	2018 HK$'000	2017 HK$'000
Salaries, wages and allowances	**4,617**	6,346
Retirement benefits scheme contributions	**54**	187
	4,671	6,533

The emoluments fell within the following band:

	Number of individuals	
	2018	2017
HK$1,000,000 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
	3	3

During the year, no emoluments (2017: HK$Nil) were paid by the Group to the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$208,066,000 (2017: HK$91,289,000) and the weighted average number of ordinary shares of 7,695,313,000 (2017: 6,244,556,000) in issue during the year.

(b) Diluted loss per share

There was no dilutive potential ordinary shares for the Company's outstanding share options and convertible loans for the years ended 31 December 2018 and 2017. Accordingly, the diluted loss per share is same as basic loss per share for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST/VALUATION:							
At 1 January 2017	44,700	5,994	7,628	22,002	9,983	3,823	94,130
Additions	–	3,948	5,769	745	2,622	775	13,859
Adjustment on revaluation to equity	18,500	–	–	–	–	–	18,500
Disposal/written off	–	–	–	(485)	–	–	(485)
Exchange difference	–	169	415	616	119	196	1,515
At 31 December 2017 and 1 January 2018	**63,200**	**10,111**	**13,812**	**22,878**	**12,724**	**4,794**	**127,519**
Additions	**–**	**537**	**91**	**554**	**838**	**–**	**2,020**
Adjustment on revaluation to equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reclassification to disposal group held for sale	**–**	**–**	**–**	**–**	**(147)**	**(1,043)**	**(1,190)**
Disposal/written off	**–**	**(3,228)**	**–**	**–**	**(998)**	**(280)**	**(4,506)**
Exchange difference	**–**	**(176)**	**(441)**	**(487)**	**(50)**	**176**	**(978)**
At 31 December 2018	**63,200**	**7,244**	**13,462**	**22,945**	**12,367**	**3,647**	**122,865**
ACCUMULATED DEPRECIATION:							
At 1 January 2017	–	4,501	6,358	20,975	6,743	2,431	41,008
Charge for the year	2,185	1,237	351	778	860	374	5,785
Adjustment on revaluation to equity	(2,185)	–	–	–	–	–	(2,185)
Disposal/written off	–	–	–	(485)	–	–	(485)
Exchange difference	–	41	129	445	51	148	814
At 31 December 2017 and 1 January 2018	**–**	**5,779**	**6,838**	**21,713**	**7,654**	**2,953**	**44,937**
Charge for the year	**3,105**	**1,221**	**780**	**832**	**1,025**	**479**	**7,442**
Adjustment on revaluation to equity	**(3,105)**	**–**	**–**	**–**	**–**	**–**	**(3,105)**
Reclassification to disposal group held for sale	**–**	**–**	**–**	**–**	**(147)**	**(939)**	**(1,086)**
Disposal/written off	**–**	**(2,539)**	**–**	**–**	**(862)**	**–**	**(3,401)**
Exchange difference	**–**	**–**	**(134)**	**(369)**	**3**	**(82)**	**(582)**
At 31 December 2018	**–**	**4,461**	**7,484**	**22,176**	**7,673**	**2,411**	**44,205**
CARRYING AMOUNTS:							
At 31 December 2018	**63,200**	**2,783**	**5,978**	**769**	**4,694**	**1,236**	**78,660**
At 31 December 2017	63,200	4,332	6,974	1,165	5,070	1,841	82,582

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

An analysis of the cost/valuation of the above assets is as follows:

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018							
At cost	**–**	**7,244**	**13,462**	**22,945**	**12,367**	**3,647**	**59,665**
At valuation	**63,200**	**–**	**–**	**–**	**–**	**–**	**63,200**
	63,200	**7,244**	**13,462**	**22,945**	**12,367**	**3,647**	**122,865**
31 December 2017							
At cost	–	10,111	13,812	22,878	12,724	4,794	64,319
At valuation	63,200	–	–	–	–	–	63,200
	63,200	10,111	13,812	22,878	12,724	4,794	127,519

An analysis of the carrying amounts of the Group's leasehold land and buildings is as follows:

	2018 HK$'000	2017 HK$'000
Held under medium term leases in Hong Kong	**63,200**	63,200

At 31 December 2018, the Group's property, plant and equipment with an aggregate carrying amount of approximately of HK$62,100,000 (2017: HK$62,100,000) were pledged to secure banking facilities granted to the Group.

At 31 December 2018, the Group's property, plant and equipment with an aggregate carrying amount of approximately HK$824,000 (2017: HK$1,139,000) was held under finance lease (note 29).

The Group's leasehold land and buildings were revalued at 31 December 2018 and 2017 on the open market value basis by reference to market evidence of recent transactions for similar properties by Weisi Limited (2017: Ravia Global Appraisal Advisory Limited), an independent firm of qualified professional valuer.

The carrying amount of the Group's leasehold land and buildings would have been HK$1,901,000 (2017: HK$1,967,000) had they been stated at cost less accumulated depreciation and impairment losses.

16. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
At 1 January	**15,500**	10,954
Fair value gains	**–**	3,823
Exchange differences	**(598)**	723
At 31 December	**14,902**	15,500

Investment properties were revalued at 31 December 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Weisi Limited, an independent firm of qualified professional valuer (2017: Ravia Global Appraisal Advisory Limited).

At 31 December 2018, the Group's investment properties with an aggregate carrying amount of approximately HK$11,802,000 (2017: approximately HK$12,400,000) were pledged to secure banking facilities granted to the Group.

17. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2017	1,243,933
Exchange difference	87,205
At 31 December 2017 and 1 January 2018	1,331,138
Exchange difference	(63,886)
Transferred to assets of a disposal group classified as held for sale	(1,267,252)
At 31 December 2018	–
Accumulated impairment loss	
At 1 January 2017	1,103,050
Impairment loss recognised	34,804
Exchange difference	78,613
At 31 December 2017 and 1 January 2018	1,216,467
Impairment loss recognised	88,758
Exchange difference	(58,383)
Transferred to assets of a disposal group classified as held for sale	(1,246,842)
At 31 December 2018	–
Carrying amount	
At 31 December 2018	–
At 31 December 2017	114,671

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field ("BCF") and Guerbanhada Coal Mine ("GCM"). During the year ended 31 December 2018, the management of the Company was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of the PRC was very remote. On the consideration of the best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the management decided to dispose the Group's 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the "Disposal Group"), which held BCF and GCM respectively. On 15 December 2018, the Disposal Group was bid at open market auction. The disposal was completed on 15 January 2019. The sales proceeds of the Disposal Group was RMB15,000,000. In accordance with HKFRS 5 the assets and liabilities of the Disposal Group have been written down to their fair value less cost of disposal and an impairment of approximately HK$88,758,000 was recognised for the year ended 31 December 2018. The assets and liabilities of the Disposed Group are classified as assets of a disposal group classified at held for sale (see note 26).

17. EXPLORATION AND EVALUATION ASSETS *(continued)*

As at 31 December 2017, the carrying amount attributable to BCF and GCM were tested for impairment using the fair value less costs of disposal model. The recoverable amounts of the exploration and evaluation assets were valued by Roma Appraisals Limited. Based on the valuation report, an impairment of approximately HK$34,804,000 was recognised for the year ended 31 December 2017.

18. OTHER INTANGIBLE ASSET

	Trademark HK$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,155
Accumulated amortisation	
At 1 January 2017	120
Amortisation for the year	11
At 31 December 2017 and 1 January 2018	131
Amortisation for the year	12
At 31 December 2018	143
Carrying amount	
At 31 December 2018	1,012
At 31 December 2017	1,024

19. INVESTMENT IN ASSOCIATES

	2018 **HK$'000**	2017 HK$'000
Unlisted investments:		
Share of net assets	**228,689**	224,838
Goodwill	**610,238**	603,007
	838,927	827,845
Impairment losses	**(603,007)**	(586,647)
	235,920	241,198

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

19. INVESTMENT IN ASSOCIATES *(continued)*

(a) Multijoy Group

Name	Multijoy Developments Limited ("Multijoy")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Plantation

	Note	2018	2017
% of ownership interests		**40%**	40%
	Note	**HK$'000**	HK$'000
At 31 December:			
Non-current assets		**556,827**	604,535
Current assets		**38,409**	49,267
Non-current liabilities		**(138,272)**	(150,152)
Current liabilities		**(7,044)**	(15,930)
Net assets		**449,920**	487,720
Group's share of net assets		**179,968**	195,088
Goodwill		**453,886**	453,886
		633,854	648,974
Impairment losses		**(453,886)**	(453,886)
Group's carrying amount of interests		**179,968**	195,088
Year ended 31 December:			
Revenue		**35,503**	34,520
Profit before tax		**15,772**	15,366
Profit after tax		**11,797**	11,493
Other comprehensive (loss)/income		**(23,153)**	32,836
Total comprehensive (loss)/income		**(11,356)**	44,329
Dividends received from associates		**11,040**	10,052

19. INVESTMENT IN ASSOCIATES *(continued)*

(b) Eagle Praise Group

Name	Eagle Praise Limited ("the Eagle Praise Group")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Tourism related business

	2018	2017
% of ownership interests	20%	20%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	–	–
Current assets	–	–
Non-current liabilities	–	–
Current liabilities	–	–
Net liabilities	–	–
Group's share of net assets	–	–
Goodwill	117,761	117,761
	117,761	117,761
Impairment losses	(117,761)	(117,761)
Group's carrying amount of interests	–	–
Year ended 31 December:		
Revenue	–	–
Loss before tax	–	–
Loss after tax	–	–
Other comprehensive loss	–	–
Total comprehensive loss	–	–
Dividends received from associates	–	–

On 23 April 2015, the Group completed the acquisition of 20% equity interest in the Eagle Praise Group, a company incorporated in the BVI with limited liability, at a total consideration satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK$92,000,000 issued by the Company.

It was subsequently revealed that the representations made by the vendor in respect of the business of the Eagle Praise Group were false and misleading. As a result, full provision for impairment of investment in the Eagle Praise Group of approximately HK$117,761,000 was made during the year ended 31 December 2016.

19. INVESTMENT IN ASSOCIATES *(continued)*

(c) Fujian Yuguo

Name	Fujian Yuguo Chaye Limited ("Fujian Yuguo")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Tea products related

	2018	2017
% of ownership interests	**33%**	33%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**66,791**	47,598
Current assets	**26,899**	68,453
Non-current liabilities	**(7,819)**	(16,922)
Current liabilities	**(2,221)**	(8,977)
Net assets	**83,650**	90,152
Group's share of net assets	**27,605**	29,750
Goodwill	**31,360**	31,360
	58,965	61,110
Impairment losses	**(31,360)**	(15,000)
Group's carrying amount of interests	**27,605**	46,110
Year ended 31 December:		
Revenue	**14,693**	51,574
(Loss)/profit before tax	**(1,739)**	2,807
(Loss)/profit after tax	**(1,645)**	2,334
Other comprehensive (loss)/income	**(3,043)**	6,052
Total comprehensive (loss)/income	**(4,688)**	8,386
Dividends received from associates	**599**	2,284

As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$16,360,000 (2017: HK$15,000,000) was recognised for the year ended 31 December 2018.

19. INVESTMENT IN ASSOCIATES *(continued)*

(d) Anhui Fu Lao Wine Development Company Limited

Name	Anhui Fu Lao Wine Development Company Limited ("Anhui Fu Lao")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Wine products related

	2018
% of ownership interests	**20%**
	HK$'000
At 31 December:	
Non-current assets	**59,398**
Current assets	**105,846**
Non-current liabilities	**(13,663)**
Current liabilities	**(46,003)**
Net assets	**105,578**
Group's share of net assets	**21,116**
Goodwill	**7,231**
Group's share of carrying amount of interests	**28,347**
Year ended 31 December:	
Revenue	**17,012**
Profit before tax	**3,857**
Profit after tax	**2,893**
Other comprehensive loss	**(7,609)**
Total comprehensive loss	**(4,716)**

On 31 May 2018, the Group completed the acquisition of 20% equity interest in Anhui Fu Lao, a company incorporated in the PRC with limited liability, at a total consideration satisfied by the issue of 1,010,000,000 new ordinary shares of the Company of HK$0.1 each at share price of HK$0.029 per share based on the market price of the Company's share on that date.

19. INVESTMENT IN ASSOCIATES *(continued)*

(d) Anhui Fu Lao Wine Development Company Limited *(continued)*

The fair values of identifiable assets and liabilities of the associate acquired and of the cost of acquisition have been determined on a provisional basis pending the finalization of their fair value measurements. The provisional fair values of identifiable assets and liabilities of the associate acquired shown above were determined based on carrying amounts of the assets and liabilities in the accounts of the associate, whilst the provisional fair value used for the cost of acquisition was determined based on market price of the quoted shares of the Company issued as consideration for the acquisition, rather than the fair value of the 20% equity interests of the associate acquired on completion day. As a result, the resulting goodwill attributable to the interests in the associate has also been determined on a provisional basis.

In subsequent consolidated financial statements of the Group, upon the finalization of the fair value measurements referred to above during the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect the finalized fair value measurements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial assets were reclassified to financial assets at FVTOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018, see Note 2 in details.

	2018 **HK$'000**	2017 HK$'000
Financial assets at FVOCI (non-recycling)	**133,000**	–
Available-for-sale financial assets	**–**	74,182

Available-for-sale financial assets/financial assets at FVTOCI include the following:

	2018 **HK$'000**	2017 HK$'000
Unlisted equity securities		
USO Management & Holding Co. Ltd.	**133,000**	74,182

The Group designated its investment in unlisted investment as FVTOCI (non-recycling), as the investment is held for strategic purpose. On 23 January 2019, the Group further acquired 28% of shareholding interests in the unlisted equity securities, (see note 41(b)), details of which are disclosed in the Company's announcement on 23 January 2019.

21. DEFERRED INCOME TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Decelerated tax depreciation HK$'000	Accelerated tax depreciation HK$'000	Revaluation surplus on investment properties and leasehold land and buildings HK$'000	Exploration and evaluation assets HK$'000	PRC dividend withholding tax HK$'000	Total HK$'000
At 1 January 2017	188	(121)	(9,479)	(21,141)	–	(30,553)
Charge to equity for the year (note 10)	–	–	(3,413)	–	–	(3,413)
(Charge)/credit to profit or loss for the year	–	–	(875)	7,812	–	6,937
Exchange differences	–	39	(130)	(1,194)	–	(1,285)
At 31 December 2017 and 1 January 2018	**188**	**(82)**	**(13,897)**	**(14,523)**	**–**	**(28,314)**
(Charge)/credit to profit or loss for the year	**10**	**(43)**	**–**	**14,405**	**(1,058)**	**13,314**
Exchange differences	**–**	**–**	**112**	**118**	**–**	**230**
At 31 December 2018	**198**	**(125)**	**(13,785)**	**–**	**(1,058)**	**(14,770)**

The following is the analysis of the deferred income tax balances (after offset) for the consolidated statement of financial position purposes:

	2018 HK$'000	2017 HK$'000
Deferred income tax assets	**198**	188
Deferred income tax liabilities	**(14,968)**	(28,502)
	(14,770)	(28,314)

At the end of the reporting period the Group has unused tax losses of HK$36,784,000 (2017: HK$41,296,000) available for offset against future profits. No deferred income tax assets have been recognised due to the unpredictability of future taxable profit of these subsidiaries. Tax losses may be carried forward indefinitely.

22. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	6,194	3,266
Work in progress	7,348	21,780
Finished goods	23,237	8,788
	36,779	33,834
Ceramic items	35,303	35,303
Less: Provision for inventories obsolescence	(1,324)	(536)
	70,758	68,601

23. TRADE AND BILLS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	49,585	33,982
Less: provision for impairment	(8,156)	(4,510)
Trade receivables, net	41,429	29,472
Bills receivables	1,872	156
	43,301	29,628

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Expected credit losses for trade receivables related to credit-impaired accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities. Such credit-impaired receivables are assessed individually for impairment allowance. The Group determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

23. TRADE AND BILLS RECEIVABLES *(continued)*

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	**12,367**	18,245
31 days to 90 days	**11,032**	6,296
91 days to 180 days	**12,059**	4,890
181 days to 360 days	**5,902**	24
Over 360 days	**69**	17
	41,429	29,472

As of 31 December 2018, trade receivables of approximately HK$10,397,000 (2017: approximately HK$4,952,000) were past due but not credit-impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
Within 90 days	**7,200**	4,003
91 days to 180 days	**496**	904
181 days to 360 days	**2,693**	28
Over 360 days	**8**	17
	10,397	4,952

Reconciliation of allowance for trade receivables:

	2018 HK$'000	2017 HK$'000
At 1 January	**4,510**	120
Provision for impairment	**3,915**	4,490
Receivable written off uncollectable	**(268)**	–
Reversal of impairment	**–**	(100)
Exchange difference	**(1)**	–
At 31 December	**8,156**	4,510

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Non-current portion			
Prepayment		2,249	–
Prepayment for corporation agreement	(a)	–	11,202
Loan receivable	(b)	–	9,212
Rental deposits		–	789
		2,249	21,203
Current portion			
Deposits for sales right of a property development		102,100	102,100
Deposits for the acquisition of partial interest in a company	(c)	10,000	10,000
Prepayment for corporation agreement	(a)	8,505	–
Trade deposits		14,105	3,674
Deposit and other receivables		41,281	22,861
Loan receivable	(b)	11,044	–
Prepayment		1,902	3,138
Amount due from a director	(d)	8,407	–
		197,344	141,773
Less: Provision for impairment		(16,315)	–
		181,029	141,773
		183,278	162,976

Reconciliation of allowance for loan and other receivables:

	2018 HK$'000	2017 HK$'000
At 1 January	–	–
Provision for impairment	16,535	–
Exchange difference	(220)	–
At 31 December	16,315	–

(a) The amount represents the prepayment for co-operation of production of wine with a company.

(b) The loan receivable is unsecured, interest bearing at 24% per annum and repayable on 31 March 2019.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

(c) During the year ended 31 December 2017, the Group issued a promissory note of HK$10,000,000 as a refundable deposits or part of the consideration upon completion for acquisition of 100% equity interest in Silver Metro Holdings Limited. The deposit was refunded due to the termination of the acquisition during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group issued a promissory note of HK$10,000,000 as a refundable deposits or part of the consideration upon completion for further acquisition of 28% equity interest in USO Management and Holdings Limited (see note 41(b)). The deposits will be refundable upon the completion or termination of the acquisition.

(d) Amount due from a director

	2018 HK$'000	2017 HK$'000	Maximum outstanding balance during the year HK$'000
Zhang Yun	**8,407**	–	8,407

The amount is unsecured, interest-free and repayable on demand.

25. BANK AND CASH BALANCES

As at 31 December 2018, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,577,000 (2017: HK$5,879,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

26. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in note 17, the Disposal Group was disposed to an independent third party on 15 January 2019. The Disposal Group is included in the Group's Exploration segment for segment reporting purposes (see note 7). The following major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position.

	HK$'000
Property, plant and equipment	104
Exploration and evaluation assets	20,410
	20,514

In accordance with HKFRS 5, the assets and liabilities of the Disposal Group have been written down to their fair value less costs to sell of HK$20,514,000, which was determined based on the disposal price for the 80% equity interest to be sold by the Group. This is a non-recurring fair value measurement.

27. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	11,405	7,376
31 days to 90 days	1,311	444
91 days to 180 days	165	302
181 days to 360 days	–	115
Over 360 days	101	103
	12,982	8,340

28. PROMISSORY NOTES

	Notes	Total HK$'000
At 1 January 2017		192,214
Issuance of promissory notes	(a), (b)	33,500
Imputed interest		6,521
Repayment of promissory notes		(2,500)
Off set against convertible bonds	(c)	(91,835)
At 31 December 2017 and 1 January 2018		137,900
Issuance of promissory notes	(a), (d), (f)	44,677
Repayment of promissory notes		(18,970)
Cancellation of promissory note returned	(b)	(10,000)
At 31 December 2018		153,607

	2018 HK$'000	2017 HK$'000
An analysis is shown as follows:		
Not yet overdue	22,398	26,500
Overdue	131,209	111,400
	153,607	137,900

28. PROMISSORY NOTES *(continued)*

	2018 HK$'000	2017 HK$'000
Analysed as:		
Current liabilities	**153,607**	137,900
Non-current liabilities	**–**	–
	153,607	137,900

Notes:

(a) During the year ended 31 December 2018, the Group issued promissory notes of HK$10,590,000 (2017: HK$23,500,000) for cash. Those promissory notes are unsecured and have a maturity period of less than one year. The fair value of the promissory note approximates their carrying amount.

The interest rate of the promissory notes are as follows:

	2018 HK$'000	2017 HK$'000
15% to 24%	**10,590**	8,500
Non-interest bearing	**–**	15,000
	10,590	23,500

(b) During the year ended 31 December 2017, the Group issued promissory notes of HK$10,000,000 as a refundable deposits or part of the consideration for acquisition of 65% equity interest in a company. The promissory notes are non-interest bearing, unsecured and repayable on 13 March 2018.

During the year ended 31 December 2018, the project is terminated and the promissory notes was returned to the Group.

(c) On 7 December 2015, the Company issued a promissory note with a principal amount of HK$100,767,000 ("Juice PN"), as part of the consideration for the acquisition of 19% equity interests of USO Management & Holding Co Ltd. The Juice PN is unsecured, non-interest bearing and has a maturity period of three years after the date of issue. The Juice PN is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum.

On 7 November 2017, the Company issued convertible bonds ("Juice CB"), which had fair value of approximately HK$69,529,000, to set off against the Juice PN. The Juice CB has principal amount of approximately HK$100,766,000 with the rights to convert into 1,007,665,620 share at conversion price of HK$0.10 per share. The promissory note had carrying value of HK$91,835,000 on 7 November 2017. This resulted in gain on settlement of promissory notes using convertible notes of approximately HK$22,306,000.

(d) During the year ended 31 December 2018, the Group issued promissory note of HK$10,000,000 as a refundable deposits for acquisition of 28% equity interest in USO Management and Holdings Limited (note 41(b)). The promissory note is non-interest bearing, unsecured and repayable on completion or termination of the acquisition.

28. PROMISSORY NOTES *(continued)*

Notes: (continued)

(e) Included in promissory notes is an amount of HK$92,000,000 which was issued with a principal amount of HK$92,000,000 by the Company on 23 April 2015, as part of the consideration for the acquisition of 20% equity interests of the Eagle Praise Group. The promissory note is unsecured, non-interest bearing and has a maturity period of one year after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum. On 16 December 2015, the promissory note was replaced by a new promissory note of the same principal amount with maturity date of 31 December 2016.

On 30 December 2016, the Company engaged its legal advisers to issue a legal letter (the "Letter") to Unicorn Sino Limited ("Unicorn"), the vendor of the Eagle Praise Group. As set out in the Letter, the Company relied on the representations of Ms. Wei, the ultimate sole beneficial owner of Unicorn, in particular, the business plan presented by Unicorn to the Company, when the Company and its subsidiaries entered into the sale and purchase agreement (as amended by the supplemental agreement dated 16 December 2015) and the Shareholders' Agreement (as amended by the supplemental agreement dated 16 December 2015) (collectively, the "Agreements") with Unicorn.

It was subsequently revealed that the representations made by Ms. Wei in respect of the business of the Eagle Praise Group were false and misleading. The Company is seeking legal advice on the arrangements for the rescission of the Agreements and the promissory note of HK$92,000,000.

(f) During the year ended 31 December 2018, the Group issued promissory notes of (i) HK$2,119,000 to set off against trade payables. The promissory note is unsecured, interest bearing at 24% per annum and with maturity date on 30 August 2018, (ii) HK$9,570,000 in total for settling consultancy fees. The promissory notes are unsecured, interest bearing at 12% per annum and with maturity dates of 31 July 2018 and 30 April 2018, and (iii) HK$12,398,000 for settling of other borrowings. The promissory note is unsecured, interest bearing at 24% per annum and with maturity date of 20 January 2019.

29. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Within one year	**348**	348	**324**	311
In the second to fifth years, inclusive	**433**	780	**417**	741
	781	1,128	**741**	1,052
Less: Future finance charges	**(40)**	(76)	**N/A**	N/A
Present value of lease obligations	**741**	1,052	**741**	1,052
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(324)**	(311)
Amount due for settlement after 12 months			**417**	741

The Group's finance lease payables are secured by the lessor's title to the leased assets.

30. BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans	**11,217**	22,994
Other loans	**90,661**	55,447
	101,878	78,441
Analysed as:		
Secured	**11,633**	30,350
Unsecured	**90,245**	48,091
	101,878	78,441
The carrying amounts of the above borrowings are repayable:		
On demand or within one year	**95,333**	78,441
More than one year but not exceeding two years	**5,810**	–
More than two years but not exceeding five years	**735**	–
	101,878	78,441

The average interest rates at 31 December were as follows:

	2018	2017
Bank loans	**6%**	4%
Trust receipt loans	**–**	–
Other loans	**14%**	17%

Borrowings of HK$94,426,000 (2017: HK$59,282,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate the fair value of the Group's borrowings approximate the carrying amount.

Notes:

(i) The Group's property, plant and equipment of approximately HK$62,100,000 (2017: HK$62,100,000) and investment properties of approximately HK$11,802,000 (2017: HK$12,400,000) were pledged as security for the Group's borrowing amounted to approximately HK$7,452,000 (2017: HK$7,196,000).

(ii) The Group's borrowing of approximately HK$621,000 (2017: HK$6,214,000) were secured by a personal guarantee by the director of the Company.

(iii) The Group's borrowing of approximately HK$11,013,000 (2017 HK$22,559,000) were secured by personal guarantee by directors or senior management of subsidiaries of the Group.

31. SHARE CAPITAL

	Notes	Number of shares 2018	2017	Amount 2018 HK$'000	2017 HK$'000
Ordinary shares of HK$0.10 each					
Authorised:					
At 31 December 2017 and 31 December 2018		**30,000,000,000**	30,000,000,000	**3,000,000**	3,000,000

		Number of shares 2018	2017	Amount 2018 HK$'000	2017 HK$'000
Issued and fully paid:					
At the beginning of the year		**7,100,381,596**	6,092,715,976	**710,039**	609,272
Issue of shares					
— upon conversion of convertible bonds	(a)	**–**	1,007,665,620	**–**	100,767
— upon acquisitions of an associate	(b)	**1,010,000,000**	–	**101,000**	–
At the end of the year		**8,110,381,596**	7,100,381,596	**811,039**	710,039

Notes:

(a) During the year ended 31 December 2017, the Company issued 1,007,665,620 ordinary shares of HK$0.10 each in relation to the conversion of the convertible bonds at the conversion price of HK$0.10 per share. Approximately HK$100,767,000 and HK$31,238,000 were credited to share capital and debited to share premium respectively during the year ended 31 December 2017.

(b) On 31 May 2018, the Company issued 1,010,000,000 ordinary shares of HK$0.10 each at HK$0.029 per share based on the market price of the Company's shares for the acquisition of 20% equity interest in Annual Fu Lao. Approximately HK$101,000,000 and HK$71,710,000 were credited to share capital and debited to share premium respectively during the year ended 31 December 2018.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to continue with the expansion plan of the Group's businesses. In order to fund the daily operation and the expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. The directors consider such funding for the future operation and expansion will be available as and when required.

31. SHARE CAPITAL *(continued)*

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is the Group's net debts (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2018 was 121.8% (2017: 59.3%).

32. SHARE OPTION SCHEME

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

32. SHARE OPTION SCHEME *(continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Share option type	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price** HK$
2014 (a)	1 September 2014	N/A	1 September 2014 to 31 August 2019	0.4000
2015 (a)	14 July 2015	N/A	14 July 2015 to 13 July 2018	0.2320
2015 (b)	20 July 2015	N/A	20 July 2015 to 19 July 2018	0.2250
2015 (c)	1 September 2015	N/A	1 September 2015 to 31 August 2018	0.1308

Options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**237,800,000**	**0.2785**	324,800,000	0.2821
Forfeited/expired during the year	**(168,800,000)**	**0.2290**	(87,000,000)	0.2919
Outstanding at the end of the year	**69,000,000**	**0.4000**	237,800,000	0.2785
Exercisable at the end of the year	**69,000,000**	**0.4000**	237,800,000	0.2785

The options outstanding at the end of the year have a weighted average remaining contractual life of 0.67 years (2017: 0.8 years) and the exercise price is HK$0.4000 (2017: HK$0.1308 to HK$0.4000).

33. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

Statement of Financial Position of the Company

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investments in subsidiaries	398,484	686,208
Current assets		
Prepayments, deposits and other receivables	16,220	11,257
Amount due from subsidiaries	202,545	–
Amount due from a director	8,407	–
Bank and cash balances	10,033	31
Total current assets	237,205	11,288
Current liabilities		
Accruals and other payables	119,304	56,119
Due to subsidiaries	13,971	13,787
Promissory notes	153,607	137,900
Borrowings	31,727	11,727
Total current liabilities	318,609	219,533
Net current liabilities	(81,404)	(208,245)
Total assets less current liabilities	317,080	477,963
Net assets	317,080	477,963
Equity		
Share capital	811,039	710,039
Reserves	(493,959)	(232,076)
	317,080	477,963

33. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(continued)*

Reserve

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	1,554,840	125,161	38,904	–	(1,874,787)	(155,882)
Total comprehensive loss for the year	–	–	–	–	(44,956)	(44,956)
Issue of convertible bonds	–	–	–	69,529	–	69,529
Issue of shares upon conversion of convertible bonds	(31,238)	–	–	(69,529)	–	(100,767)
Release on equity/forfeiture of share option	–	–	(10,540)	–	10,540	–
At 31 December 2017 and 1 January 2018	**1,523,602**	**125,161**	**28,364**	**–**	**(1,909,203)**	**(232,076)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(190,173)**	**(190,173)**
Issue of shares upon conversion of convertible bonds	**(71,710)**	**–**	**–**	**–**	**–**	**(71,710)**
Forfeiture of share option	**–**	**–**	**(19,145)**	**–**	**19,145**	**–**
At 31 December 2018	**1,451,892**	**125,161**	**9,219**	**–**	**(2,080,231)**	**(493,959)**

34. LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000	2017 HK$'000
As lessor:		
Within one year	**46**	208
In the second to fifth years, inclusive	**–**	4
	46	212
As lessee:		
Within one year	**3,263**	5,108
In the second to fifth years, inclusive	**6,647**	8,403
	9,910	13,511

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 2 years (2017: 3 years) and rentals are fixed over the lease terms and do not include contingent rentals.

35. CAPITAL COMMITMENT

The Group did not have any significant capital commitment at 31 December 2018 and 2017.

36. CONTINGENT LIABILITIES

As at 31 December 2018 and 2017, the Group had no material contingent liabilities.

37. RELATED PARTY TRANSACTIONS

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

	2018 HK$'000	2017 HK$'000
Product development, sale and marketing services fee paid to Miracles for Fun USA, Inc. (note)	**3,496**	3,708

Note:

The sole owner of Miracles for Fun USA, Inc. is the director and beneficial owner of 49% (2017: 49%) equity interest in the Company's subsidiary, Marketing Resource Group, Inc..

(b) Outstanding balance with related parties

(i) Including in prepayments, deposits and other receivables

	2018 HK$'000	2017 HK$'000
Amount due from a director, Zhang Yun*	**8,407**	–
Amount due from a subsidiary of an associate, 江西雅欣果業有限公司*	**5,453**	–
Prepayment, deposits and other receivables — Amount due from Mad About Gardening LLC.* (note)	**232**	312

* The amounts due are unsecured, interest free and repayable on demand.

Note: The sole owner of Mad About Gardening LLC. is director and beneficial owner of 49% equity interest in the Company's subsidiary, Marketing Resource Group, Inc..

37. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balance with related parties *(continued)*

(ii) Including in accruals and other payables

	2018 HK$'000	2017 HK$'000
Amount due to a director, Shu ZhongWen*	**1,468**	–
Amount due to a relative of a director, Li Pik Ha*	**9,126**	–
Amount due to an associate, Fujian Yuguo Chaye Limited*	**42**	–

* The amounts due are unsecured, interest free and repayable on demand.

(iii) Including in promissory notes

	2018 HK$'000	2017 HK$'000
Promissory note payable to Shu ZhongWen, a director of the Company	**2,119**	–

(c) Key management compensation

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**17,555**	18,175
Retirement benefits scheme contributions	**440**	226
	17,995	18,401

(d) Guarantee provided by related parties

As at 31 December 2018, the Group's borrowings of approximately HK$621,000 (2017: HK$6,214,000) and HK$11,013,000 (2017: HK$22,559,000) were secured by a personal guarantee by the Company's directors and a director or senior management of the Company's indirect non-wholly owned subsidiary, respectively.

38. NOTES TO THE CONSOLIDATION STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Obligation under finance leases HK$'000	Promissory notes HK$'000	Borrowings HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2017	622	192,214	30,793	223,629
Change in cash flows	(322)	21,000	47,149	67,827
Non-cash changes				
— Finance leases charges	45	–	–	45
— Raise of obligation under finance lease	707	–	–	707
— Imputed interest on promissory notes	–	6,521	–	6,521
— Settlement of promissory note by issuance of convertible loans	–	(91,835)	–	(91,835)
— Issuance of promissory note as refundable deposit for acquiring 65% of a company	–	10,000	–	10,000
— Changes in trust receipt loans	–	–	(676)	(676)
— Exchange difference	–	–	1,175	1,175
At 31 December 2017 and 1 January 2018	**1,052**	**137,900**	**78,441**	**217,393**
Change in cash flows	**(348)**	**3,309**	**37,433**	**40,394**
Non-cash changes				
— Finance leases charges (including interest)	**37**	**–**	**–**	**37**
— Settlement of borrowings by issuance of promissory notes	**–**	**12,398**	**(10,826)**	**1,572**
Cancellation of promissory note as refundable deposit for acquiring 65% of a company	**–**	**(10,000)**	**–**	**(10,000)**
— Issuance of promissory note as deposit for acquiring 28% of a company	**–**	**10,000**	**–**	**10,000**
— Exchange difference	**–**	**–**	**(3,170)**	**(3,170)**
At 31 December 2018	**741**	**153,607**	**101,878**	**256,226**

(b) Major non-cash transaction

As detailed in Note 19(d), a total number of 1,010,000,000 ordinary shares of the Company were issued as consideration for the acquisition of an associate during the year.

39. LITIGATIONS

(a) Wing Siu

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Wing Siu Company Limited ("Wing Siu") as landlord and Super Dragon Management Limited ("Super Dragon"), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, Wing Siu agreed to let Super Dragon the premises located at 19th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong (the "Wanchai Property") for a term of three years from 15 December 2014 to 14 December 2017.

On 8 August 2016, Super Dragon and the Company received from Wing Siu a writ of summons issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "High Court") with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the Wanchai Property; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK$3,886,000 as at 1 August 2016; (iii) rent, management fees and rates to the date of delivery of vacant possession of the Wanchai Property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vii) further or other relief.

The Company vacated from the Wanchai Property in the third quarter of 2017 and has settled part of the amount claimed above. As at 31 December 2018, the accumulated interest, payment and administrative fees accrued for the postponement of payment is approximately HK$4,843,000, the Company is liaising with Wing Siu and expects to settle the outstanding amounts during 2019.

(b) Others

On 8 June 2016 and 19 July 2016, the Company and a director of the Company received from Mr. Guo Jingsheng ("Mr. Guo") a writ of summons and an indorsement of claim issued in the High Court, respectively, against the Company as borrower and the director of the Company as guarantor for the outstanding amount of borrowing including interests of approximately HK$13,921,000.

The Company and the director entered into two sets of Settlement Deed with Mr. Guo dated 27 February 2018 respectively. As at the date of this report, the Company is liaising with Mr. Guo and expects to settle the outstanding amount of such borrowing including interests of HK$15,692,000 in installments within one year.

(c) Winding-Up Petition (HCCW 81/2019)

The Company was served with a statutory demand on 21 February 2019 from Mianyang Heli Medical Health Management Co., Ltd. ("Petitioner") (綿陽合力醫療健康管理有限公司) for a total outstanding indebtedness amount of HK$14,484,715 ("Outstanding Indebtedness"). On 18 March 2019, a sealed copy winding-up petition in HCCW 81/2019 (the "Petition") issued in the Court of First Instance of the High Court (the "Hight Court") against the Company was served on the Company based on the Outstanding Indebtedness.

On 28 March 2019, the Company took out a summons at the High Court on 8 May 2019 on the hearing of an application of the part of the Company for an Order that the petition be struck out, and the action commenced by the Petitioner be dismissed, on the grounds that, amongst others, there are defects in the Petition, there are bona fide disputes to the debt on substantial grounds, and the Petition (i) discloses no reasonable cause of action, (ii) is scandalous, frivolous or vexatious and/or (iii) is otherwise an abuse of the process of the Court. On 29 March 2019, the Court granted the order to restrain the Petitioner and its agents from advertising the Petition until the Petition is rectified.

In the opinion of the directors of the Company, the grant of winding-up order by the Court is remote, and the Petition has no material impact to the business and normal operations to the Group.

40. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Company name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Super Dragon Management Limited	BVI, limited liability company	1 ordinary share of US$1 each	100%	Provision of management service, Hong Kong
Better Sourcing Worldwide Limited	Hong Kong, limited liability company	HK$100	51%	Trading of gifts and toys, Hong Kong
Kiu Hung Industries Limited	Hong Kong, limited liability company	HK$1,000	100%	Trading of gifts and toys, Hong Kong
Kiu Hung Toys Company Limited	Hong Kong, limited liability company	HK$2 ordinary share and HK$10,000 non-voting deferred share	100%	Investment holding, Hong Kong
Newgary Development Limited	Hong Kong, limited liability company	HK$2 ordinary share and HK$10,000 non-voting deferred share	100%	Property holding, Hong Kong
Toland International Limited	Hong Kong, limited liability company	HK$4,200,000	70%	Trading of flags and garden products, Hong Kong
福建奇嘉禮品玩具有限公司 (Fujian Kcare Giftoys Co., Ltd.*)	The PRC, limited liability company	RMB10,000,000	100%	Manufacture and trading of gifts and toys, The PRC
福建僑興酒業有限公司 (Fujian Kiu Hung Wine Co., Ltd.*)	The PRC, limited liability company	HK$30,000,000	100%	Manufacture and trading of wine products, The PRC
內蒙古銘潤峰能源有限公司 (Inner Mongolia Mingrunfeng Energy Co., Ltd.*)	The PRC, limited liability company	RMB53,000,000	100%	Exploration and mining, The PRC
內蒙古潤恒礦業有限公司 (Inner Mongolia Run Heng Mining Company Limited *)	The PRC, limited liability company	RMB56,014,705	100%	Exploration and mining, The PRC
Top Point Investments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment in securities, Hong Kong
Marketing Resource Group Inc.	The USA, limited liability company	350,000 ordinary shares of US$1 each	51%	Trading of flags and garden products, The USA
Kiu Hung Capital Company Limited	BVI, limited liability company	641,027 ordinary shares of US$1 each	100%	Corporate finance, Hong Kong
Shun Jun Ventures Limited	Samoa, limited liability company	13,743,131 ordinary shares of US$1 each	100%	Investing property, the PRC

* *For identification purpose*

41. EVENTS AFTER THE REPORTING PERIOD

(a) Memorandum of Understanding with Rising Fortune Group

On 4 January 2019, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Rising Fortune Group Limited (the "Vendor") in relation to a mutual intention on a possible acquisition (the "Possible Acquisition") of certain inventories/using rights of production plant and machineries/using rights of wine patents/using rights of wine production licenses in relation to the fermentation and production of Chinese rice wine located at Tieling Industrial Zone, Minhou County, Fujian Province (福建省閩侯縣鐵嶺工業區) (the "Target Assets"), by the Company from the render.

The portion of the Target Assets to be acquired under the Possible Acquisition, the consideration (the "Consideration") for the Possible Acquisition and the payment terms of the Consideration will be subject to further negotiation between the parties to the MOU.

The MOU shall remain in effect from the date of the MOU until the earlier of (i) a term of one hundred and fifty (150) days or such other date as the parties to the MOU may agree in writing; or (ii) the date of written agreement by both parties not to continue with the Possible Acquisition; or (iii) the date where any party violates the provision relating to confidentiality as contained in the MOU.

Details of the Possible Acquisition are set out in the Company's announcement dated 4 January 2019.

(b) Acquisition of 28% equity interest in USO Management & Holding Co Ltd (the "Target Company")

On 23 January 2019, the Company announced that Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company (the "Purchaser") has completed the acquisition of 28% equity interest in the Target Company. As at 31 December 2018, the Purchaser held 19% equity interest in the Target Company, which would be reclassified as investment in associates upon completion of the acquisition.

On the same day, (i) 1,700,000,000 new shares were allotted and issued at the issue price of HK$0.1 each by the Company to the vendor; and (ii) promissory note in the principal amount of HK$30,000,000 was issued by the Company to the vendor to satisfy the purchase consideration. The First Promissory Note in the principal amount of HK$10,000,000 was fully returned to the Purchaser for cancellation.

For details, please refer to the Company's announcements dated 19 June 2018, 10 July 2018, 15 August 2018, 28 September 2018, 15 October 2018, 15 November 2018, 15 December 2018, 18 December 2018 and 23 January 2019 and the circular of the Company dated 31 December 2018.

As at 31 December 2018, there were certain condition precedent in the acquisition agreement for the acquisition of the 28% equity interest which was still unfulfilled.

41. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(c) Memorandum of Understanding with Julian International Group Co., Ltd.

On 19 March 2019, the Company announced that it had entered into a non-legally binding memorandum of understanding with Julian International Group Co., Ltd., a company incorporated in British Virgin Islands (the "Vendor") in relation to a mutual intention on a possible acquisition (the "Possible Acquisition") of certain equity interests of 裕興國際企業有限公司 (the "Target Company"), by the Company (or its wholly owned subsidiary) from the Vendor. The Target Company is a company incorporated in Hong Kong with limited liability. As advised by the Vendor, the Target Company is undergoing assets restructuring with 金馬控股集團有限公司. The Target Company shall upon completion of the assets restructuring, have the right to operate the forest pulp integration project (林漿一體化項目) (the "Forest Pulp Integration Project"), including approximately 2.93 million hectares of forest in Russia and the operation right of an environmentally-friendly pulp project in Guangxi.

The consideration for the certain equity interests of the Target Company is estimated to be HK$800,000,000, and shall be determined after arm's length negotiation between the parties to the MOU and set out in the formal agreement. The Consideration shall be settled by way of allotment and issue of consideration shares by the Company, and will be subject to further negotiation between the parties upon completion of the due diligence review to be performed by the Company.

For details, please refer to the Company's announcement dated 18 March 2019.

(d) Placing of convertible bonds under general mandate (the "Placing")

On 20 March 2019, Shun Loong Securities Company Limited (the "Placing Agent") and the Company entered into the placing agreement, pursuant to which the Placing Agent has conditionally agreed to procure, on a best efforts basis, placees to subscribe in one or more tranches for the convertible bonds in an aggregate principal amount of up to HK$500,000,000 at the conversion price of HK$1 (subject to adjustments).

Assuming the convertible bonds are fully placed, upon full conversion of the convertible bonds at the conversion price HK$1 without adjustment, a maximum of 500,000,000 conversion shares will be issued. Assuming the convertible bonds are fully placed by the Placing Agent and based on the estimated expenses of the Placing, the gross and net proceeds from the Placing are estimated to be HK$500,000,000 and approximately HK$484,700,000 respectively, and assuming the conversion rights attaching to the convertible bonds are fully exercised, the net price is approximately HK$0.9694 per conversion share.

For details, please refer to the Company's announcement dated 20 March 2019.

42. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.

FIVE YEARS
FINANCIAL SUMMARY

The following is a summary of the published consolidated results and statement of assets and liabilities of the Group for the last five years:

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**214,605**	219,628	235,384	223,313	229,022
Loss before income tax	**(223,136)**	(100,735)	(142,373)	(85,394)	(508,965)
Income tax credit/(expenses)	**11,566**	5,641	(5,603)	(1,858)	293
Loss for the year	**(211,570)**	(95,094)	(147,976)	(87,252)	(508,672)
Attributable to:					
Equity holders of the Company	**(208,066)**	(91,289)	(149,652)	(89,665)	(509,606)
Non-controlling interests	**(3,504)**	(3,805)	1,676	2,413	934
	(211,570)	(95,094)	(147,976)	(87,252)	(508,672)

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**803,361**	823,891	785,933	807,433	461,777
Total liabilities	**(457,769)**	(344,404)	(330,843)	(406,405)	(168,586)
Net assets	**345,592**	479,487	455,090	401,028	293,191
Equity attributable to equity holders of the Company	**339,795**	470,186	441,984	389,598	284,174
Non-controlling interests	**5,797**	9,301	13,106	11,430	9,017
Total equity	**345,592**	479,487	455,090	401,028	293,191