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SINO HAIJING HOLDINGS LIMITED
中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01106)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of Directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein present the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative audited figures for the corresponding year in 2016.

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Revenue		
— *Continuing operations*	**921,156**	580,057
— *Discontinued operations*	**35,014**	26,612
Gross Profit		
— *Continuing operations*	**181,582**	110,632
— *Discontinued operations*	**34,589**	26,477
Loss attributable to the equity holders of the Company		
— *Continuing operations*	**(92,594)**	(18,740)
— *Discontinued operations*	**(17,513)**	(12,336)
Basic and diluted loss per share		
— *Continuing operations*	**HK0.82 cents**	HK0.38 cents
— *Discontinued operations*	**HK0.16 cents**	HK0.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Continuing operations			
REVENUE	3	**921,156**	580,057
Cost of sales and services		**(739,574)**	(469,425)
Gross profit		**181,582**	110,632
Other revenue and other income		**9,914**	7,555
Gain on bargain purchase on acquisition of an associate		**–**	84,673
Gain on disposal of available-for-sale financial assets	12	**26,873**	–
Loss on disposal of an associate	11	**(18,879)**	–
Impairment loss on goodwill	13	**–**	(16,049)
Administrative and other operating expenses		**(147,126)**	(131,550)
Fair value change of financial assets at fair value through profit or loss		**(1,012)**	–
Net realised loss on financial assets at fair value through profit or loss		**(6,603)**	(25,711)
Allowance for loans and interest receivables	17	**(46,204)**	(5,579)
Loss on change in fair value of convertible bonds		**(18,741)**	–
Share of results of an associate		**319**	1,760
(Loss) Profit from operations		**(19,877)**	25,731
Finance costs	5	**(72,554)**	(39,561)
Loss before tax	5	**(92,431)**	(13,830)
Income tax expense	6	**(4,307)**	(6,604)
Loss for the year from continuing operations		**(96,738)**	(20,434)
Discontinued operations			
Loss for the year from discontinued operations	9	**(17,262)**	(9,598)
Loss for the year		**(114,000)**	(30,032)

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Other comprehensive income (loss):			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**34,638**	(40,333)
Released of exchange reserve upon disposal of an associate		**14,846**	–
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year		**(44,014)**	–
Changes in fair value of available-for-sale financial assets	*12*	**5,238**	45,467
Other comprehensive income for the year, net of tax		**10,708**	5,134
Total comprehensive loss for the year		**(103,292)**	(24,898)
Loss for the year attributable to the equity holders of the Company:			
– from continuing operations		**(92,594)**	(18,740)
– from discontinued operations	*9*	**(17,513)**	(12,336)
		(110,107)	(31,076)
(Loss) Profit for the year attributable to non-controlling interests:			
– from continuing operations		**(4,144)**	(1,694)
– from discontinued operations	*9*	**251**	2,738
		(3,893)	1,044
Total comprehensive loss attributable to the equity holders of the Company:			
– from continuing operations		**(84,007)**	(8,508)
– from discontinued operations		**(18,220)**	(15,805)
		(102,227)	(24,313)

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Total comprehensive (loss) income attributable to non-controlling interests:			
– from continuing operations		**(2,023)**	(2,711)
– from discontinued operations		**958**	2,126
		(1,065)	(585)
Loss per share for the year	*8*		
– Basic			
– from continuing operations		**(HK0.82 cents)**	(HK0.38 cents)
– from discontinued operations		**(HK0.16 cents)**	(HK0.25 cents)
– Diluted			
– from continuing operations		**(HK0.82 cents)**	(HK0.38 cents)
– from discontinued operations		**(HK0.16 cents)**	(HK0.25 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**31 December 2017** **HK$'000**	31 December 2016 HK$'000 (Restated)
Non-current assets			
Investment properties		**11,096**	10,925
Property, plant and equipment		**389,208**	348,289
Intangible assets	*10*	**144,929**	142,000
Interest in an associate	*11*	**–**	293,588
Lease premiums for land		**29,837**	28,443
Available-for-sale financial assets	*12*	**36,828**	346,702
Deposits for potential acquisition of subsidiaries		**55,000**	11,408
Deposits for acquisition of land and plant and machinery		**21,434**	3,339
Goodwill	*13*	**3,059**	96,094
Promissory notes receivable	*14*	**153,537**	–
Security deposits		**10,983**	–
Deferred tax assets		**7,624**	–
Deposits for potential acquisition of intangible asset	*15*	**53,600**	53,600
		917,135	1,334,388
Current assets			
Financial assets at fair value through profit or loss		**5,557**	360
Inventories		**36,796**	24,704
Lease premiums for land		**757**	704
Trade and other receivables	*16*	**395,042**	325,813
Loans and interest receivables	*17*	**667,110**	354,437
Pledged bank deposits		**4,083**	6,608
Cash and cash equivalents		**115,867**	22,496
		1,225,212	735,122
Current liabilities			
Trade and other payables	*18*	**184,677**	165,956
Notes payable	*19*	**464,000**	360,000
Bank and other borrowings	*20*	**150,070**	374,406
Income tax payable		**62,986**	58,344
		861,733	958,706

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

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding and the address of the registered office of the Company is Cricket Square, Hutchins Drive , P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

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

Adoption of new/revised HKFRSs

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

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

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

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

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

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

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

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

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

CORRECTION OF PRIOR YEAR ERROR

In preparing the consolidated financial statements of the Group for the year ended 31 December 2017, the Directors of the Company had revisited the facts and circumstances associated with the prepayment of HK$53,600,000 for the large performance project in Halong City, Vietnam. As detailed in note 15, the Group paid HK$53,600,000 to Impression Culture International Holdings Limited ("Impression Culture"), an independent third party for the production of script, design of stage background, props, dance, sound and lighting effect of the show. Upon completion of the script, the Group has an exclusive right to use the script for operating the show in Halong Bay, Vietnam.

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

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

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

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

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

The above prior year adjustments have no impact on the consolidated statements of comprehensive income for the years ended 31 December 2016 and 2015.

3. REVENUE

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

4. SEGMENT INFORMATION

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

Continuing operations bold

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

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

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

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

Discontinued operations

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

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

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

To better reflect current and future business development and organisation of the Group, the management grouped scenic spot business presented in the segment reporting in the consolidated financial statements for the year ended 31 December 2016 into Tourism and Travel business during the current year.

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

BY BUSINESS SEGMENTS

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

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

GEOGRAPHICAL INFORMATION

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

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

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

5. LOSS BEFORE TAX

This is stated after charging:

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

6. TAXATION

	2017 *HK$'000*	2016 *HK$'000* (Re-presented)
Continuing operations		
Hong Kong Profit Tax		
– Current year	**2,372**	1,868
– Deferred tax	**(7,624)**	–
Income tax (income) expense	**(5,252)**	1,868
PRC enterprise income tax ("PRC EIT")		
– Current year	**11,239**	4,801
– Over provision in prior year	**(1,616)**	–
– Deferred tax	**(64)**	(65)
Income tax expense	**9,559**	4,736
Total income tax expense for continuing operations	**4,307**	6,604
Discontinued operations		
Current tax	**5,808**	6,087
Deferred tax	**(4,025)**	–
	1,783	6,087

7. DIVIDEND

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

8. LOSS PER SHARE

For continuing operations

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

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

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

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

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

For discontinued operations

Basic and diluted loss per share for the discontinued operations is HK$0.16 cents per share (2016: loss of approximately HK$0.25 cents per share), based on the loss for the year attributable to the equity holders of the Company from the discontinued operation of HK$17,513,000 (2016: loss of approximately HK$12,336,000) and the denominators detailed above for both basic and diluted loss per share.

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

9. DISCOUNTINUED OPERATIONS

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

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**35,014**	26,612
Cost of services		**(425)**	(135)
Gross profit		**34,589**	26,477
Impairment loss on goodwill		**(14,743)**	(27,000)
Impairment loss on Intangible assets		**(16,100)**	–
Administrative and other operating expenses		**(1,879)**	(2,988)
Profit (loss) before tax		**1,867**	(3,511)
Income tax expenses	*6*	**(1,783)**	(6,087)
Profit (loss) for the year		**84**	(9,598)
Loss on disposal of subsidiaries		**(17,346)**	–
		(17,262)	(9,598)
Other comprehensive loss			
Exchange differences arising on translation of foreign operation		**–**	(4,081)
Total comphrehensive loss		**(17,262)**	(13,679)

	Note	2017 HK$'000	2016 HK$'000
Total comprehensive loss for the year attributable to:			
– equity holders of the Company		**(18,220)**	(15,805)
– non-controlling interests		**958**	2,126
		(17,262)	(13,679)

Discontinued operations

a)	**Staff costs**		
	Salaries, wages and other benefits	**739**	450
b)	**Other items:**		
	Cost of services	**425**	135
	Depreciation of property, plant and equipment	**68**	1
	Operating lease charges on rented premises	**699**	124

10. INTANGIBLE ASSETS

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

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

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

11. INTEREST IN AN ASSOCIATE

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

At 31 December 2016, the Group hold 150,000,000 shares of Yong Tai Berhad ("Yong Tai"), represented 39.44% of equity interest in Yong Tai, which is listed on the Main Market of Bursa Malaysia Securities Berhad. A gain on bargain purchase on acquisition of an associate of approximately HK$84.7 million was recognised in the year ended 31 December 2016. The Company entered into a series of Sale and Purchase agreements with certain purchasers between 27 March 2017 and 9 May 2017 in relation to the disposal of entire shares of Yong Tai at aggregate consideration of approximately MYR165,000,000 (Malaysian Ringgit, equivalent to approximately HK$289,874,000). Loss on disposal of the associate of approximately HK$18,879,000 has been recognised in the consolidated statement of comprehensive income during the year.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

During the year ended 31 December 2017, the Group disposed of 182,500,000 ICPS through its securities broker on the Main Market of Bursa Malaysia Securities Berhad at aggregate consideration of RM164,250,000 (equivalent to approximately HK$296,662,000) and gain on disposal of approximately HK$26,873,000 was recognised in the consolidated statement of comprehensive income. After the disposal, the Group hold 17,500,000 ICPS as at 31 December 2017.

13. GOODWILL

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

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

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

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

14. PROMISSORY NOTES RECEIVABLE

As at 31 December 2017, the Group had promissory notes receivables ("PN1" and "PN2") with principal amounts of HK$88,000,000 and HK$80,000,000 respectively, of which PN1 is unsecured and carry interests of 2% per annum while PN2 is secured by the 697,000,000 ordinary shares of the Company held by the buyer of Xian Tai Group and carry interest of 2% per annum. PN1 and PN2 will mature on 16 November 2019 and 30 November 2019 respectively, formed part of the Group's consideration receivables in relation to the disposal of interest in Master Race Group and Xian Tai Group as set out in note 9.

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

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

15. DEPOSITS FOR POTENTIAL ACQUISITION OF INTANGIBLE ASSET

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

In the 2016 consolidated financial statements, the Group classified the initial payment of HK$53,600,000 as prepayment under current assets instead of non-current assets. Thus, the Group has restated as non-current assets as at 31 December 2016. Details of the restatements and correction of prior period error were set out in note 2.

16. TRADE AND OTHER RECEIVABLES

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

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

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

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

17. LOANS AND INTEREST RECEIVABLES

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

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

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

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

18. TRADE AND OTHER PAYABLES

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

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

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

19. NOTES PAYABLE

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

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

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

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

20. BANK AND OTHER BORROWINGS

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

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

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

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

EXTRACTS OF THE DRAFT INDEPENDENT AUDITOR'S REPORT

The following is the extract of the draft independent auditor's report from Mazars CPA Limited, the external auditor of the Company (the "Auditor"), on the Group's consolidated financial statements for the year ended 31 December 2017:

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

(i) Valuation on promissory notes receivable

The Group disposed of its entire 85% equity interests in Master Race Limited and its subsidiaries (together "Master Race Group") of which part of the consideration was satisfied by unsecured promissory notes receivable with a principal value of HK$88,000,000 issued by the purchaser. At initial recognition, the fair value of the promissory notes receivable was approximately HK$81,452,000 and the carrying amount was approximately HK$81,846,000 as at 31 December 2017.

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

(ii) Valuation on intangible assets

The recoverable amount of the intangible asset (i.e. the operating agreements which were acquired as a result of the acquisition of subsidiaries during the current year as mentioned in note 10) was determined based on the value-in-use calculations using a discounted cash flow approach. We were not able to obtain sufficient appropriate audit evidence to satisfy ourselves that the key assumptions (e.g. the useful lives of the intangible asset and the forecasted revenue) adopted in the valuation were supportable and we were unable to determine whether any impairment loss should be recognised.

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

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

(iii) Impairment on deposits for potential acquisition of intangible assets and property, plant and equipment

As at 31 December 2017, the Group had property, plant and equipment and deposits for potential acquisition of intangible asset with carrying amount of approximately HK$25,948,000 and HK$53,600,000 respectively (the "Assets"), which would be used for the operation of a show "Dream Memory – Halong Bay" (the "show") in Halong Bay, Vietnam.

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

(iv) Impairment loss on other receivables

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the past, the principal activities of the Group mainly focus on the production and sale of expanded polystyrene ("EPS") packaging products for household electrical appliances ("Packaging Business") in the PRC. Started from year 2016, in order to diversify the business of the Group, the Group has been exploring for appropriate opportunities for different investment projects, including, but not limited to the Tourism and Travel Business, Securities Investment Business and Money Lending Business.

PACKAGING BUSINESS

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

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

TOURISM AND TRAVEL BUSINESS

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

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

SECURITIES INVESTMENTS

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

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

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

MONEY LENDING BUSINESS

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

DISCONTINUED OPERATION – HEALTHCARE BUSINESS

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

DISCONTINUED OPERATION – TICKETING AGENCY BUSINESS

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

REVENUE

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

GROSS PROFIT

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

OTHER REVENUE AND OTHER INCOME

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

GAIN ON BARGAIN PURCHASE ON ACQUISITION OF AN ASSOCIATE

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

GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

LOSS ON DISPOSAL OF AN ASSOCIATE

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

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

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

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

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

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

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

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

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

ALLOWANCE FOR LOANS AND INTEREST RECEIVABLES

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

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

LOSS ON CHANGE IN FAIR VALUE OF CONVERTIBLE BONDS

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

SHARE OF RESULTS OF AN ASSOCIATE

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

FINANCE COSTS

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

INCOME TAX EXPENSES

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

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

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

DISCONTINUED OPERATIONS

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

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

The Group recorded an aggregated net loss from disposals of subsidiaries of HK$17.3 million during the year. In respect of the discontinued operation, net profit for the year amounted to approximately HK$84,000 (2016: net loss of approximately HK$9.6 million). Detail of the results of the discontinued operation is presented in Note 9 to the consolidated financial statements.

IMPAIRMENT LOSS ON GOODWILL AND INTANGIBLE ASSET

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

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

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

LOSS ON DISPOSALS OF SUBSIDIARIES

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

BUSINESS REVIEW AND OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

GEARING RATIO

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

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

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

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

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

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

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

ISSUE OF NOTES IN JANUARY 2017

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

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

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

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

ISSUE OF BONDS IN JUNE 2017

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

SHARE OPTION SCHEME

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

The total number of the shares of the Company available for issue under the share option scheme as at 31 December 2017 was 1,312,472,125 shares (including options for 277,192,100 shares that have been granted on 27 July 2016 but not yet lapsed or exercised) which represented 11.06% of the issued share capital of the Company as at 31 December 2017. Among the share options granted but not yet lapsed, a total of 108,697,036 share options were granted to the directors. During the year ended 31 December 2017, no share options were further granted. No options were exercised by the directors during the year ended 31 December 2017 and up to the date of this report. Subsequent to the end of the year, no additional share options were granted to the employees and directors of the Group.

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

EMPLOYEES AND REMUNERATION POLICY

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

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

CAPITAL STRUCTURE

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

CAPITAL COMMITMENT

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

PLEDGE OF ASSETS OF THE GROUP

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

CONTINGENT LIABILITIES

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

HEDGING

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

CODE PROVISION A.6.7

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

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

CODE PROVISION A.4.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 22 June 2018 (the "2018 AGM"). A notice convening the 2018 AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors of the Company namely, Mr. Pang Hong, Mr. Lam Hoi Lun and Mr. Lee Tao Wai, has reviewed the results of the Group for the year ended 31 December 2017 and has discussed with the management the accounting principles and practices adopted by the Group, and its internal controls, risk management and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2017 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Mazars CPA Limited ("Mazars") to the amounts set out in the Group's consolidated financial statements. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars on this preliminary results announcement.

ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITOR

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

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

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

(1) Valuation on promissory notes receivable

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

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

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

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

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

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

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

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

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

The Group has also appointed APAC to perform an appraisal of the value of the operating agreements as at 31 December 2017. The fair value of intangible asset has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 15-year period by applying growth rate from 3% to 10%, and a discount rate of 21.0%. Cash flow projections during the budget period are also based on the expected sales during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectation for the market developments.

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

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

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

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

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

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

By Order of the Board
Sino Haijing Holdings Limited
Li Zhenzhen
Executive Director

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises of Ms. Li Zhenzhen, Mr. Lam Wai Hung, Mr. Wang Xin, Mr. Wei Liyi and Mr. Cheng Chi Kin as executive Directors; Mr. Pang Hong, Mr. Lee Tao Wai, Mr. Lam Hoi Lun and Mr. Li Yang as the independent non-executive Directors.

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