MING LAM HOLDINGS LIMITED
銘霖控股有限公司

(formerly known as 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 2018

The board of Directors (the "Board") of Ming Lam Holdings Limited (the "Company") (formerly known as Sino Haijing Holdings Limited) herein present the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 together with the comparative audited figures for the corresponding year in 2017.

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
— *Continuing operations*	**1,126,129**	921,156
— *Discontinued operations*	–	35,014
Gross Profit		
— *Continuing operations*	**261,773**	181,582
— *Discontinued operations*	–	34,589
Loss attributable to the equity holders of the Company		
— *Continuing operations*	**(290,778)**	(92,594)
— *Discontinued operations*	–	(17,513)
Basic and diluted loss per share		
— *Continuing operations*	**HK2.33 cents**	HK0.82 cents
— *Discontinued operations*	–	HK0.16 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
REVENUE	*3*	**1,126,129**	921,156
Cost of sales and services		**(864,356)**	(739,574)
Gross profit		**261,773**	181,582
Other revenue and other income		**30,341**	9,914
Gain on bargain purchase on acquisition of an associate	*11*	**9,103**	–
Gain on disposal of available-for-sale financial assets	*12*	**4,645**	26,873
Loss on disposal of an associate	*11*	**–**	(18,879)
Impairment loss on goodwill	*13*	**(3,059)**	–
Impairment loss on promissory note receivable	*14*	**(87,263)**	–
Impairment loss on other receivable	*16*	**(15,528)**	–
Impairment loss on deposit of intangible assets	*15*	**(53,600)**	–
Impairment loss on construction in progress		**(25,949)**	–
Administrative and other operating expenses		**(278,659)**	(147,126)
Fair value change of financial assets at fair value through profit or loss, net		**(3,900)**	(1,012)
Net realised loss on financial assets at fair value through profit or loss		**(12,087)**	(6,603)
Loss allowance for loans and interest receivables	*17*	**(33,780)**	(46,204)
Loss on change in fair value of convertible bonds		**–**	(18,741)
Share of results of an associate	*11*	**(1,576)**	319
(Loss) from operations		**(209,539)**	(19,877)
Finance costs	*5*	**(59,152)**	(72,554)
Loss before tax	*5*	**(268,691)**	(92,431)
Income tax expense	*6*	**(23,379)**	(4,307)
Loss for the year from continuing operations		**(292,070)**	(96,738)
Discontinued operations			
Loss for the year from discontinued operations	*9*	**–**	(17,262)
Loss for the year		**(292,070)**	(114,000)

	Notes	2018 HK$'000	2017 HK$'000
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		**(24,902)**	34,638
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		**(9,690)**	(44,014)
Changes in fair value of available-for-sale financial assets	*12*	**(3,474)**	5,238
Other comprehensive income for the year, net of tax		**(38,066)**	10,708
Total comprehensive loss for the year		**(330,136)**	(103,292)
Loss for the year attributable to the equity holders of the Company:			
– from continuing operations		**(290,778)**	(92,594)
– from discontinued operations	*9*	**–**	(17,513)
		(290,778)	(110,107)
(Loss)/Profit for the year attributable to non-controlling interests:			
– from continuing operations		**(1,192)**	(4,144)
– from discontinued operations	*9*	**–**	251
		(1,192)	(3,893)
Total comprehensive loss attributable to the equity holders of the Company:			
– from continuing operations		**(328,886)**	(84,007)
– from discontinued operations		**–**	(18,220)
		(328,886)	(102,227)

	Notes	2018 HK$'000	2017 HK$'000
Total comprehensive (loss) income attributable to non-controlling interests:			
– from continuing operations		**(1,250)**	(2,023)
– from discontinued operations		**–**	958
		(1,250)	(1,065)
Loss per share for the year	*8*		
– Basic			
– from continuing operations		**HK2.33 cents**	HK0.82 cents
– from discontinued operations		**–**	HK0.16 cents
– Diluted			
– from continuing operations		**HK2.33 cents**	HK0.82 cents
– from discontinued operations		**–**	HK0.16 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
Non-current assets			
Investment properties		**9,911**	11,096
Property, plant and equipment		**345,814**	389,208
Intangible assets	*10*	**134,132**	144,929
Interest in an associate	*11*	**18,861**	–
Lease premiums for land		**27,621**	29,837
Available-for-sale financial assets	*12*	**2,139**	36,828
Deposits for potential acquisition of subsidiaries		**258,893**	55,000
Deposits for acquisition of land and plant and machinery		**15,847**	21,434
Goodwill	*13*	**–**	3,059
Promissory notes receivable	*14*	**75,751**	153,537
Security deposits		**11,763**	10,983
Deferred tax assets		**7,624**	7,624
Deposits for potential acquisition of intangible asset	*15*	**–**	53,600
		908,356	917,135
Current assets			
Financial assets at fair value through profit or loss		**73,140**	5,557
Inventories		**31,592**	36,796
Lease premiums for land		**718**	757
Trade and other receivables	*16*	**534,267**	395,042
Loans and interest receivables	*17*	**628,237**	667,110
Pledged bank deposits		**13,681**	4,083
Cash and cash equivalents		**127,478**	115,867
		1,409,113	1,225,212
Current liabilities			
Trade and other payables	*18*	**228,783**	184,677
Notes payable	*19*	**440,000**	464,000
Bank and other borrowings	*20*	**227,000**	150,070
Income tax payable		**78,537**	62,986
		974,320	861,733

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
Net current assets		**434,793**	363,479
Total assets less current liabilities		**1,343,149**	1,280,614
Non-current liabilities			
Bonds payable		**134,955**	10,216
Deferred tax liabilities		**2,016**	2,302
		136,971	12,518
NET ASSETS		**1,206,178**	1,268,096
Capital and reserves			
Share capital		**166,575**	148,292
Reserves		**1,016,236**	1,095,187
Equity attributable to equity holders of the Company		**1,182,811**	1,243,479
Non-controlling interests		**23,367**	24,617
TOTAL EQUITY		**1,206,178**	1,268,096

1. GENERAL INFORMATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

GOING CONCERN

Basis of going concern

The Group incurred a consolidated net loss of approximately HK$292,070,000 for the year ended 31 December 2018. As at 31 December 2018, a bond payable of approximately HK$64,000,000 with interest payable of approximately HK$1,311,000 were both overdue. Subsequent to 31 December 2018, the Group was also unable to extend the maturity date of other bonds payable with interest payable of approximately HK$424,434,000 that became due. On 18 February 2019, one of the creditors has filed a legal claim against the Group demanding repayments of the overdue borrowings of approximately HK$60,000,000.

The circumstances stated above have indicated the existence of uncertainties which gave rise to a concern on the Group's ability to continue as a going concern that it may not be able to realise its assets and discharge its liabilities in the normal course of business. In light of the aforementioned circumstances, the Board has contemplated the Group's available sources of funding and the liquidity position in the coming future and the possibility to improve the Group's performance so as to evaluate whether the Group would have sufficient financial resources to continue its business as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to the following:

(i) The Group has been actively negotiating with the banks to secure the renewals of the Group's bank and other loans when due to meet its liabilities when fall due;

(ii) On 13 March 2019, the Group successfully entered into an agreement to dispose of its 80% equity interests in Golden Truth Enterprises Limited and its subsidiaries at a cash consideration of HK$140,000,000, such transactions are expected to be completed by the end of third quarter in 2019;

(iii) The Group continues to develop its logistic segment by acquiring the entire issued share capital of Dong Tai You Bang Wu Liu (Hai Wai) Company Limited which brings synergy with pervious acquisition of Manufacture Element Prefabricate Pte Limited in order to strengthen the Group income stream and financial position; and

(iv) The Group has been actively negotiating with creditors the repayment arrangements, which the Group has overdue interest and principal payment obligations. In particular, in March 2019, the Company partially repaid of HK$10,000,000 of the other borrowings and extended the due date of the other borrowings to 30 May 2019.

The certainty of the ability of the Company to satisfy its existing debts by recovering the receivables in the timely manner and the liquidity of the current assets with the amount stated in the balance sheet represent a material uncertainty that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern. The Board is satisfied that the steps proposed by the management have been carefully considered and while a material uncertainty exists, the Board believes that the Group will be able to achieve the desired outcome of raising sufficient funds to enable the Group to fund its operations for the foreseeable future. On the basis of this assumption the Board has determined that it is appropriate for the Company to adopt the going concern assumption in preparing the accompanying financial statements.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities or realise their assets other than in the normal course of business. Assets may need to be realised at amounts which could differ from the amounts at which they are currently recorded in the balance sheet and additional liabilities may arise. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made in the financial statements.

APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

1. Sales of packaging products

2. Loan interest income from money lending business

3. Sales of air tickets in tourism and travel business

4. Admission fee income from scenic spot business

5. Agency income from tourism and travel business

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes to the consolidated financial statements.

Considering the nature of the Group's principal activities, Management has assessed the impact and concluded that the application of HKFRS 15 has not had any material impact on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts).

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in notes to the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

	Carrying amounts previously reported at 31 December 2017	Remeasurement	Carrying amounts under HKFRS 9 At 1 January 2018
	HKD'000	*HKD'000*	*HKD'000*
Promissory note receivables	153,537	(148)	153,389
Loan and interest receivables	667,110	(5,541)	661,569
Accumulated losses	(269,832)	(5,689)	(275,521)

NEW AND AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 *Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of approximately HK$18,958,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

3. REVENUE

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Sale of packaging products	**803,361**	686,031
Loan interest income from money lending business	**83,166**	65,268
Sale of air-tickets in tourism and travel business	**197,703**	151,826
Admission fee income from scenic spot business	**8,947**	9,147
Agency fee income from tourism and travel business	**32,952**	8,884
	1,126,129	921,156
Discontinued operations		
Service fee from ticketing agency business	**–**	28,468
Entrustment and management fees from healthcare business	**–**	6,546
	–	35,014
	1,126,129	956,170

i) **Disaggregation of revenue**

Segment	For the year ended 31 December 2018 Packaging Business *HK$'000*	 Tourism and travel *HK$'000*
Types of goods or services		
Sales of packaging products	803,361	–
Sales of air-tickets in tourism and travel business	–	197,703
Admission fee income from scenic spot business	–	8,947
Agency fee income from tourism and travel business	–	32,952
Total	803,361	239,602
Geographical markets		
The People's Republic of China (the "PRC")	803,361	236,848
Hong Kong	–	2,754
Total	803,361	239,602
Timing of revenue recognition		
A Point in time	803,361	239,602
Over time	–	–
Total	803,361	239,602

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information

Segment	For the year ended 31 December 2018 Packaging Business *HK$'000*	 Tourism and travel *HK$'000*	 Money lending *HK$'000*
Revenue disclosed in segment information			
External customers and total	803,361	239,602	83,166
Interest income	–	–	(83,166)
Revenue from contracts with customers	803,361	239,602	–

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

(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.

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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**803,361**	686,031	**–**	–	**239,602**	169,857	**83,166**	65,268	**–**	6,546	**–**	28,468	**1,126,129**	956,170
Reportable segment profit (loss)	**37,398**	53,946	**(7,055)**	1,717	**(70,135)**	(9,867)	**34,736**	19,002	**–**	5,106	**–**	(3,239)	**(5,056)**	66,665
Other income													**12,815**	1,148
Gain on bargain purchase on acquisition of an associate													**9,103**	–
Gain/(Loss) on change in fair value of convertible bonds													**–**	(18,741)
Impairment loss on promissory note receivable													**(87,263)**	–

	Continuing operations								Discontinued operations					
	Packaging Business		Securities Investments		Tourism and Travel		Money Lending		Healthcare Business		Ticketing Agency		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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*
Impairment loss on other receivable													**(15,528)**	–
Impairment loss on deposit of intangible assets													**(53,600)**	–
Impairment loss on construction in progress													**(25,949)**	–
Share of results of an associate													**(1,576)**	–
Finance cost													**(59,152)**	(67,429)
Corporate expenses													**(42,486)**	(72,207)
Loss before tax													**(268,691)**	(90,654)

GEOGRAPHICAL INFORMATION

The Group operates in three principal geographical areas: Hong Kong 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Hong Kong	**85,740**	74,152	**776,859**	664,253
The PRC	**1,040,389**	847,004	**53,607**	62,517
Discontinued operations				
The PRC	**–**	35,014	**–**	–
	1,126,129	956,170	**830,466**	726,770

5. LOSS BEFORE TAX

This is stated after charging:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
a) Finance costs:		
Interest on bank and other borrowings	**6,704**	29,862
Interest on notes payable	**44,276**	42,347
Interest on bonds payable	**8,172**	345
	59,152	72,554
b) Staff costs (Directors' emoluments included):		
Salaries, wages and other benefits	**104,002**	101,517
Contribution to defined contribution retirement plans	**3,958**	4,867
Equity-settled share-based payment	**26,695**	–
	134,655	106,384
c) Other items:		
Amortisation of lease premiums for land	**717**	710
Amortisation of intangible assets	**10,797**	5,971
Auditor's remuneration	**1,630**	1,912
Cost of services	**179,889**	159,606
Cost of inventories	**684,467**	579,968
Depreciation of investment properties	**644**	627
Depreciation of property, plant and equipment	**34,705**	32,848
Write off of property, plant and equipment	**1,222**	1,152
Loss on disposal of property, plant and equipment, net	**5,930**	–
Operating lease charges on rented premises	**11,596**	7,563

6. TAXATION

Hong Kong Profits Tax has been provided at 16.5% on the Group's estimated assessable profits arising from Hong Kong in 2018 and 2017. The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2018 and 2017 based on existing legislation, interpretations and practices in respect thereof except for those subsidiaries described below.

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

	2018 ***HK$'000***	2017 *HK$'000*
Continuing operations		
Hong Kong Profit Tax		
– Current year	**22,651**	2,372
– Deferred tax	**–**	(7,624)
Income tax (income) expense	**22,651**	(5,252)
PRC enterprise income tax ("PRC EIT")		
– Current year	**6,496**	11,239
– Over provision in prior year	**(5,702)**	(1,616)
– Deferred tax	**(66)**	(64)
Income tax expense	**728**	9,559
Total income tax expense from continuing operations	**23,379**	4,307
Discontinued operations		
Current tax	**–**	5,808
Deferred tax	**–**	(4,025)
	–	1,783

7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2018 and 2017.

8. LOSS PER SHARE

For continuing and discontinued operations

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

For continuing operations

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to the equity holders of the Company	**(290,778)**	(110,107)
Less: Loss for the year from discontinued operations	–	17,513
Loss for the purpose of basic and diluted loss per share from continuing operations	**(290,778)**	(92,594)

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

Weighted average number of ordinary shares for basic and diluted loss per share	**12,528,942**	11,226,067
Loss per share:		
– Basic	**HK2.33 cents**	HK0.82 cents
– Diluted	**HK2.33 cents**	HK0.82 cents

Diluted loss per share is the same as the basic loss per share for the year ended 31 December 2018 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

There is no discontinued operations in 2018.

In 2017, Basic and diluted loss per share for the discontinued operations is HK0.16 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 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 2018 and 2017.

9. DISCOUNTINUED OPERATIONS

Management considers that the Ticketing Agency business and Healthcare business that were disposed of constituted discontinued operations in 2017.

	Note	2017 *HK$'000*
Revenue	*3*	35,014
Cost of services		(425)
Gross profit		34,589
Impairment loss on goodwill		(14,743)
Impairment loss on intangible assets		(16,100)
Administrative and other operating expenses		(1,879)
Profit (loss) before tax		1,867
Income tax expenses	*6*	(1,783)
Profit (loss) for the year		84
Loss on disposal of subsidiaries		(17,346)
		(17,262)
Other comprehensive income		
Exchange differences arising on translation of foreign operation		–
Total comprehensive loss		(17,262)

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

a) Staff costs

Salaries, wages and other benefits	739

b) Other items:

Cost of services	425
Depreciation of property, plant and equipment	68
Operating lease charges on rented premises	699

The major assets of the discontinued operation are intangible assets. The major classes of assets and liabilities of the discontinued operation are measured at the lower of carrying amount and fair value less costs of disposal at the date of disposal.

10. INTANGIBLE ASSETS

	Operating agreements *HK$'000* *(note a)*	Ticketing agency right *HK$'000* *(note b)*	Total *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2018			
At beginning of the year	144,929	–	144,929
Amortisation for the year	(10,797)	–	(10,797)
At end of reporting period	**134,132**	**–**	**134,132**
Cost	150,900	–	150,900
Accumulated amortisation	(16,768)	–	(16,768)
At end of reporting period	134,132	–	134,132
Remaining useful life	13 years	N/A	
Reconciliation of carrying amounts – year ended 31 December 2017			
At beginning of the year	–	142,000	142,000
Additions – acquisition of subsidiaries	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

(a) The operating agreements were acquired as a result of acquisition of subsidiaries as detailed in note 17 to the consolidated financial statements. The operating agreements include a long-term aircraft charter contract and a master contractor contract in respect of outbound tourism and hospitality with Beijing Mega Global International Travel Service Co., Ltd ("Beijing Mega") for a period of 15 years. Hence, such intangible assets are amortised on a straight-line basis over 15 years.

No impairment has been recognised during the year ended 31 December 2018 and 2017.

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

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

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

11. INTEREST IN AN ASSOCIATE

	2018	2017
	HK$'000	*HK$'000*
Cost of investments in an associate	**9,334**	293,004
Gain on bargain purchases	**9,103**	–
Share of post-acquisition profit, net of dividend received	**(1,576)**	2,079
Disposal during the year	**–**	(297,642)
Exchange realignment	**–**	2,559
Group's share of net assets of an associate at 31 December	**16,861**	–
Amounts due from an associate (note (a))	**2,000**	–
Total	**18,861**	–

(a) The balance of amounts due from an associates is unsecured, interest free and repayable on demand.

(b) On 14 November 2017, the Group and another independent third party entered into the sale and purchase agreement pursuant to purchase the sale shares 40% 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 Licenses by the Securities and Futures Commission of Hong Kong (the "SFC") at the consideration of HK$9,334,360. The approval from the SFC for the transfer of Sales Shares was obtained by the Group on 10 August 2018. A gain on bargain purchase on acquisition of an associate of approximately HK$9,103,000 was recognised in the year ended 31 December 2018.

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

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Irredeemable convertible preference shares listed outside Hong Kong, at fair value *(notes (a) and (b))*	**1,720**	36,366
Equity shares listed outside Hong Kong, at fair value *(note (b))*	**419**	462
	2,139	36,828

(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 and 2018, the Group disposed of 182,500,000 and 15,000,000 ICPS through its securities broker on the Main Market of Bursa Malaysia Securities Berhad at aggregate consideration of MYR164,250,000 (equivalent to approximately HK$296,662,000) and MYR13,800,000 (equivalent to approximately HK$26,820,000) with gain on disposal of approximately HK$26,873,000 and HK$4,645,000 respectively was recognised in the consolidated statement of comprehensive income. After the disposal, the Group holds 17,500,000 and 2,500,000 ICPS as at 31 December 2017 and 2018 respectively.

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

(c) For the year ended 31 December 2018, loss on change in fair value of HK$3,474,000 (2017: Gain on change in Fair value of HK$5,238,000) in respect of these shares held by the Group was recognised in the available-for-sale financial assets revaluation reserve.

13. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
Reconciliation of carrying amount		
At beginning of reporting period	**3,059**	96,094
Acquisition of subsidiaries	–	3,059
Disposal of subsidiaries	–	(81,351)
Impairment loss for the year	**(3,059)**	(14,743)
At the end of reporting period	–	3,059

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:

	Golden Truth Group	**Incola Travel Group**	**Total**
	HK$'000	*HK$'000* *(note (a))*	*HK$'000*
Year ended 31 December 2018			
Cost			
At beginning and at end of reporting period	16,049	3,059	19,108
At end of reporting period	**16,049**	**3,059**	**19,108**
Accumulated impairment			
At beginning of the period	**16,049**	–	16,049
Impairment loss for the year	–	3,059	3,059
At end of reporting period	**16,049**	**3,059**	**19,108**
Carrying amount			
At end of reporting period	–	–	–

	Master Race Group HK$'000 (note b)	Golden Truth Group HK$'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
Additions 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

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

(a) The impairment loss of HK$3,059,000 recognised during the year in relation to Incola Travel Group.

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

14. PROMISSORY NOTES RECEIVABLE

	2018		
	PN1	**PN2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2017	81,846	71,691	153,537
Imputed interest income for the year	5,417	4,146	9,563
Impairment loss recognised during the year	(87,263)	–	(87,263)
At 31 December 2018	–	75,837	75,837
Less: Loss allowance for promissory notes receivable *(note)*	–	(86)	(86)
	–	75,751	75,751

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

	2018	2017
	HK$'000	*HK$'000*
Movement of accumulated allowance		
At beginning of reporting period	**–**	–
Application of HKFRS9	**148**	–
Decrease in allowance	**(62)**	–
At the end of reporting period	**86**	–

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 secured by 100% equity interest of a company incorporated in the PRC held by an independent third party and carries interests of 2% per annum while PN2 is secured by the 697,000,000 ordinary shares of the Company held by the buyer of Xian Tai Group and carries interest of 2% per annum. PN1 and PN2 which will mature on 16 November 2019 and 30 November 2019 respectively.

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

In the process of fulfill the immediate cashflow requirement for the Group towards the end of the year, the Company had communicated with the holder of PN1 for early payment. However, the PN2 holder replied that he was no longer able to repay the PN1 under his current financial status. The guarantor had also been notified and acknowledged on such default. The Company are communicating with the guarantor for settling the default amount with the pledge assets and had not able to settle on a treatment at the announcement date. The Company has also hired legal advisor to advice on the legal procedure on claiming the pledge collateral incase in any dispute. The management had accessed the risk on the default payment and the actual value of the pledge assets. Therefore, the balance of PN1 was fully impaired during the year ended 31 December 2018.

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 2017, the Group has prepaid approximately HK$53,600,000 to Impression Culture. As at 31 December 2017, the payment of the remaining balance of approximately HK$16,400,000 is subject to the final approval from the Vietnam Central Government of the application relation the option of the show.

In April 2018, the Group has obtained the final approval and licenses from the Vietnam Central Government. The development of the Show, including the construction of performance stage and stadium, training of performance actors/actresses and making of stage props of the show will be continued when further funding is being obtained.

The Company does not have enough internal financial resources to carry out with the capital expenditure of the construction of the project currently. They are in the process of finding financial resources not limited to new borrowings and inviting other investor for collaboration. The timing of the availability of the new funding is unknown at the moment which gives an uncertainty for which the present value to the intangible asset. Hence the Company has decided that for such balance was fully impaired during the year ended 31 December 2018.

16. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**310,276**	221,759
Less: Loss allowance for trade receivables *(note (b))*	**(84)**	(86)
	310,192	221,673
Bills receivable	**159,137**	124,247
Other receivables *(note (c))*	**11,615**	23,795
Prepayments and deposits	**53,323**	25,327
	534,267	395,042

(a) The normal credit period granted to the customers of the Group is 90 to 120 days (2017: 90 to 120 days). The ageing analysis of the trade receivables by invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**273,094**	218,632
Over 3 months but within 6 months	**26,659**	2,356
Over 6 months but within 1 year	**6,015**	417
Over 1 year	**4,508**	354
	310,276	221,759
Less: Loss allowance for trade receivables	**(84)**	(86)
	310,192	221,673

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

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

	2018	2017
	HK$'000	*HK$'000*
At beginning of reporting period	**86**	80
Exchange realignment	**(2)**	6
At the end of reporting period	**84**	86

(c) 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 2018, the Arbitration was yet not finished, the management of the Group has sought legal advice. It has been advised by the Group's legal advisor that the recoverable amount would be minimal and therefore the management fully impaired the said balance accordingly.

17. LOANS AND INTEREST RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired –		
Unsecured loans to third parties		
– Principal	**454,484**	319,562
– Interest	**63,478**	9,957
	517,962	329,519
Secured loans to third parties		
– Principal	**76,606**	301,679
– Interest	**13,822**	17,870
	90,428	319,549
Guaranteed loans to third parties		
– Principal	**16,628**	17,000
– Interest	**3,219**	1,042
	19,847	18,042
Total carrying amount	**628,237**	667,110

Gross amount of loans and interest receivables	**667,558**	718,893
Less: Accumulated allowance	**(39,321)**	(51,783)
Carrying amount	**628,237**	667,110
Movement of accumulated allowance		
At beginning of reporting period	**51,783**	5,579
Increase in application of HKRRS 9	**5,541**	–
Increase in allowance	**33,780**	46,204
Decrease in written off	**(51,783)**	–
At the end of reporting period	**39,321**	51,783
Represented by:		
Current portion	**628,237**	667,110
Non-current portion	–	–
	628,237	667,110

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

18. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**98,673**	90,331
Bills payable	**22,944**	11,112
Other payables and accruals	**58,733**	39,983
Accrued interest on notes payable	**48,433**	43,251
	228,783	184,677

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**80,401**	73,344
Over 3 months but within 6 months	**12,930**	11,684
Over 6 months but within 1 year	**2,434**	2,084
Over 1 year	**2,908**	3,219
	98,673	90,331

19. NOTES PAYABLE

	2018	2017
	HK$'000	*HK$'000*
8.6% (2017: 8.6%) 1-year notes *(note (a))*	**280,000**	280,000
13% (2017: 13%) 1-year notes *(note (b))*	**64,000**	64,000
13% (2017: 10%) 1-year notes *(note (b))*	**96,000**	120,000
	440,000	464,000

(a) The notes are interest-bearing at 8.6% per annum, maturing on 21 April 2018 and secured by an equitable mortgage over the entire issued shares capital of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company which is incorporated under the laws of the British Virgin Islands. The notes holder is an independent third party.

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

On 20 July 2018, the Group and the 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, conditional upon the Group’s payment of the sum of HK$12,000,000 to the noteholder (which was paid by the Group) as part of the interest payable under the Notes, the maturity date of the notes is extended from 21 July 2018 to 21 January 2019.

Subsequent to year ended, the notes are overdue since 22 January 2019. The management is currently seeking to negotiate with the noteholder regarding a further of extension of maturity date.

(b) Pursuant to a note purchase agreement entered between the Company and an independent party on 22 November 2016, the Company issued secured notes in two tranches with the principal amount of HK$80,000,000 (“Note Tranche A”) and HK$120,000,000 (“Note Tranche B”). The notes are interest-bearing at 10% per annum, maturing in 12 months from the issue dates. The notes holder is an independent third party.

On 22 November 2017, the Company and note holder agreed that the maturity date of the Note Tranche A is extended to 23 November 2018 with the interest rate on the note for the extended period of 12 months being increased to 13% per annum.

The Note Tranche A is secured by the pledge of 697,000,000 ordinary shares of the Company provided by a shareholder of the Company. On 5 December 2017, the Company partially repaid Note Tranche A with the principal amount of HK$16,000,000 and such note with the principal amount of HK$64,000,000 remained outstanding as at 31 December 2017 and 31 December 2018. the Note Tranche A was overdue since 24 November 2018 and under the management is currently under the negotiation of extension of maturity date with note holder.

The Note Tranche B is secured by the pledge of 700,000,000 ordinary shares of the Company provided by shareholders of the Company. On 2 January 2018, the Company and the note holder agreed that the maturity date of the Note Tranche B is extended to 4 January 2019, with the interest rate on the note for the extended period of 12 months be increased to 13% per annum. On 4 January 2018, the Company partially repaid the Note Tranche B with the principal amount of HK$24,000,000 and such note with the principal amount of HK$96,000,000 (31 December 2017: HK$120,000,000) remained outstanding as at 31 December 2018.

Subsequent to year ended, the Note Tranche B was overdue since 5 January 2019 and under the management is currently seeking to negotiate with the noteholder regarding a further of extension of maturity date.

20. BANK AND OTHER BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Current		
Bank borrowings – secured	**160,621**	115,920
Other borrowings – secured	**6,379**	34,150
Other borrowings – unsecured	**60,000**	–
	227,000	150,070

At 31 December 2018 and 2017, 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:

	2018	2017
Effective interest rates per annum		
Bank borrowings – secured	**4.35% to 5.66%**	4.35% to 5.22%
Other borrowings – secured	**7.875% to 9.125%**	5.60% to 7.00%
Other borrowings – unsecured	**16.8%**	–

EXTRACTS OF THE DRAFT INDEPENDENT AUDITOR'S REPORT

The following is the extract of the draft independent auditor's report from Elite Partners CPA Limited, the external auditor of the Company (the "Auditor"), on the Group's consolidated financial statements for the year ended 31 December 2018:

BASIS FOR DISCLAIMER OF OPINION

1) Opening balances and comparative figures

As detailed in the auditor's report dated 29 March 2018 on the consolidated financial statements of the Group for the year ended 31 December 2017, the predecessor auditor disclaimed their opinion on the Group's consolidated financial statements for the year ended 31 December 2017.

The details of which are set out in auditor's report dated 29 March 2018 and included in the Group's annual report for the year ended 31 December 2017. As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2017 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the abovementioned matters would have a significant effect on the opening balances and consequential effect on the consolidated results and cash flows for the year ended 31 December 2018 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2018. Our opinion on the current period's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and corresponding figures.

2) Impairment loss of promissory note receivable

Included in the Group's unsecured promissory note receivable as at 31 December 2018 were the partial proceed of the disposal of 85% equity interests in Master Race Limited and its subsidiaries. The maturity date of the promissory note is two years from the date of issuance. The principal amount of the said promissory note was approximately HK$88,000,000. During the year ended 31 December 2018, the impairment loss of approximately HK$87,263,000 has been recognised in the statement of profit or loss in the current year. In the absence of adequate supporting documents, we were unable to obtain sufficient appropriate audit evidence as to the whether the basis of such impairment loss recognised in the current year was appropriate.

Any adjustment in connection with the promissory note receivable may have a significant effect on the financial position of the Group as at 31 December 2018, the financial performance of the Group for the year then ended and the related disclosures in the consolidated financial statements.

3) Impairment loss on other receivables

At 31 December 2018, included in the Group's other receivables were refundable earnest money paid to an independent third party of approximately HK$15,528,000 in relation to a proposed acquisition. During the year ended 31 December 2018, the impairment loss of approximately HK$15,528,000 has been recognised in the statement of profit or loss in the current year. In the absence of adequate supporting documents, we are unable to obtain sufficient appropriate audit evidence as to whether the basis of such impairment loss recognised in the current year was appropriate.

Any adjustment in connection with the other receivables may have a significant effect on the financial position of the Group as at 31 December 2018, the financial performance of the Group for the year then ended and the related disclosures in the consolidated financial statements.

4) Fundamental uncertainly relating to going concern basis of presentation of financial statements

As disclosed in note 2 to the consolidated financial statements, the Group incurred a consolidated net loss of HK$292,070,000 for the year ended 31 December 2018. As at 31 December 2018, a bond payable of approximately HK$64,000,000 with interest payable of approximately HK$1,311,000 were both overdue. Subsequent to 31 December 2018, the Group was also unable to extend the maturity date of other bonds payable with interest payable of approximately HK$ 424,434,000 that became due. On18 February 2019, one of the creditors has filed a legal claim against the Group demanding repayments of the overdue borrowings of approximately HK$60,000,000. These conditions, as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast a significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to settle certain immediate repayments to creditors, which are set out in note 2 to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, we were unable to satisfy ourselves as to whether such measures could be executed under the management expectation including but not limited to: (i) whether the Company could negotiate with the banks to secure the renewal of the Group's bank and other loans when may fall due; (ii) whether the disposal of 80% equity interest in Golden Truth Enterprises Limited and its subsidiaries could be completed by the end of third quarter in 2019; (iii) whether the development in the logistic segment would strengthen the financial performance and position of the Group; and (iv) whether the creditors could extend the overdue interest and principal payment obligations.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the Group fail to realise its plans to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position as at 31 December 2018. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

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. In order to diversify the business of the Group, the Group has been engaged different investment projects, including, the tourism and travel industry, entertainment and cultural industry and money lending business. During the year, the group also began to invest in logistic business.

PACKAGING BUSINESS

The revenue for the year from Packaging Business was approximately HK$803.4 million, representing an increase of 17.1% as compared to approximately HK$686.0 million for the corresponding year in 2017.

Gross profit of the Packaging Business was approximately HK$118.9 million for the year 2018, representing an increase of approximately 12.1% as compared to approximately HK$106.1 million for the corresponding year in 2017. The overall gross profit margin decreased from 15.5% in 2017 to 14.8% in 2018. During the year, the Packaging Business recorded segment profit of approximately HK$37.4 million (2017: approximately HK$53.9 million).

TOURISM AND TRAVEL BUSINESS

The revenue for the year from Tourism and Travel Business, including travel agency and scenic spot, was approximately HK$239.6 million (2017: approximately HK$169.9 million) and the gross profit was approximately HK$59.7 million (2017: approximately HK$16.2 million). In current year, the Group continue to operate Arch Partners Group and Incola Travel Group which are principally engaged in the business of travel agency for a full year. The revenue from Tourism and Travel Business has increased as compared to the corresponding period in 2017. During the year, the Tourism and Travel Business recorded segment loss of approximately HK$70.1 million (2017: loss of approximately HK$9.9 million) which includes the setup expense of Cambodian subsidiaries.

SECURITIES INVESTMENTS

The Group has invested in a portfolio of listed securities and equity interest in Hong Kong, 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.

After the Group sold 10,000,000 ICPS of Yong Tai Berhad ("Yong Tai") in January 2018, the Group's shareholding in Yong Tai decrease to 7,500,000 ICPS in Yong Tai. In July 2018, the Group further sold 5,000,000 ICPS of Yong Tai. After that, leaving behind 2,500,000 ICPS of Yong Tai being held by the Group after such disposal and up to the date of this report.

During the year, securities investment segment recorded a loss of approximately HK$7.1 million (2017: a profit of approximately HK$1.7 million), which was primarily due to the net realised loss on disposal of 182,500,000 ICPS of Yong Tai and the net loss on listed securities in Hong Kong and China. In view of the volatile stock market in recent years, the Group will closely monitor the performance of investment portfolio and adopt prudent investment strategy to manage the risk exposure.

MONEY LENDING BUSINESS

The Money Lending segment has remain steady growth in profit in year 2018 as compared to 2017. As at 31 December 2018, the loan portfolio, net of loss allowance was approximately HK$547.7 million (31 December 2017: approximately HK$667.1 million) with terms of one year at effective interest rates ranging from 6% to 16% (2017: 10% to 16%) per annum. For the year ended 31 December 2018, the Group recorded interest income from the loan portfolio of approximately HK$83.2 million (2017: approximately HK$65.3 million). The Group will closely monitor the trend of interest rate to adjust the development pace of the money lending business.

REVENUE

Revenue for the year was approximately HK$1,126.1 million, representing an increase of approximately 22.2% as compared to approximately HK$921.2 million for the corresponding year in 2017, this was primarily due to the revenue growth of Tourism and travel Business and Packaging Business by approximately HK$69.7 million and HK$117.3 million, respectively, compared to corresponding year in 2017.

GROSS PROFIT

Gross profit for the period was approximately HK$261.8 million, representing an increase of approximately 44.2% as compared to approximately HK$181.6 million for the corresponding year in 2017. The increase was primarily due to the contribution of gross profit from the Tourism and travel Business, which recorded gross profit of approximately HK$59.7 million (2017: approximately HK$16.2 million) during the year. The overall profit margin for the year increased from 19.7% to 23.2%.

OTHER REVENUE AND OTHER INCOME

Other revenue and other income was approximately HK$30.3 million for the year, representing an increase of approximately 206.1% as compared to approximately HK$9.9 million for the corresponding year 2017 primarily due to the interest income in related to the promissory notes.

NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE

During the year, the Group recorded a net loss on financial assets at fair value through profit or loss of approximately HK$16 million (2017: approximately HK$7.6 million). The Company will closely monitor the performance of its investment portfolio and will diversify the investment portfolio across various segment of the market.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses increased by 89.5% to approximately HK$278.7 million in 2018 from approximately HK$147.1 million, in the corresponding year of 2017, The increase mainly due to the set up cost of airline subsidiaries, Cambodian MJ Airlines Co. Ltd., this year.

FINANCE COSTS

Finance costs for the year were approximately HK$59.2 million, representing a decrease of approximately 18.5% as compared to approximately HK$72.6 million for the corresponding year in 2017. The decrease of finance costs was mainly due to the decrease in bank and other borrowing within the year.

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 for the year was approximately HK$290.8 million, representing a significant increase of approximately 164.1% as compared to the loss of approximately HK$110.1 million for the corresponding year last year.

BUSINESS REVIEW AND OUTLOOK

During the year, the Group's Packaging Business, which were engaged in the production and sale of expanded polystyrene packaging products for household electrical appliances in the PRC, continued to provide steady revenue and cash flow to the Group and recorded revenue of approximately HK$803.4 million, representing an increase of 17.1% compared to the corresponding year last year. On the other hand, the Group recorded a loss in the Securities Investments segment of approximately HK$7.1 million (2017: profit approximately HK$1.7 million). The Group is continuously engaged in investments in various securities in the year of 2018 for the purpose of capital appreciation. In future, the Group will continue to exercise due professional care in selecting investment targets.

The Group engaged in money lending business with the money lender licence in Hong Kong under the Money Lenders Ordinance. During the year, interest income of approximately HK$83.2 million (2017: approximately HK$65.3 million) from loan receivable which was recognised in the income statement. The interest rate charged during the year was ranging from 6% to 16% (2017: 10% to 16%) per annum. It is expected that such business will contribute steady returns to the Group.

During the year, our travel agency business – Incola Travel Limited contributed revenue of approximately HK$2.7 million to the Group. Our outbound travel, aircraft charter and business travel subsidiary – Arch Partners Holdings Limited, contributed revenue of approximately HK$227.9 million.

The Group invested and developed a show 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. In April 2018, the Group has obtained the final approval and licenses regarding the show from the Vietnam Central Government. The development of the Show, including the construction of performance stage and stadium, slowed down during the year due to funding pressure and will pick up when further funding is available. In recent years, the tourism industry in Vietnam has grown rapidly and the economic benefits are remarkable, of which Halong Bay is renowned for its natural landscape and scenic beauty. The show will be set in the middle of the sea in Halong Bay with mountains as its background, which reflects the harmonious atmosphere between human beings and the nature.

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 had obtained preliminary approval from government of Cambodia and is currently seeking permission from the Cambodian Aviation Authority to provide air services. Upon completion, this airline segment will able to bring in tremendous synergy with the existing traveling business.

Having a management team with strong and solid experience in tourism, entertainment and cultural industries, the Company is optimistic about the prospects of the new projects in the Southeast Asia. It is expected that these new projects will generate considerable returns to the Group in the future.

On 14 November 2017, the Company announced its acquisition of 40% 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 Licenses by the Securities and Futures Commission of Hong Kong (the "SFC") at the consideration of HK$9,334,360. The approval from the SFC for the transfer of Sales Shares was obtained by the Group on 10 August 2018.

On 3 September 2018, the Company announced its acquisition of the entire share capital of Manufacture Element Prefabricate Pte Limited (the "MEP"), for the Consideration of S$36,000,000 (equivalent to approximately HK$206,280,000) which shall be satisfied by the allotment and issue of 889,137,931 consideration shares of the Company to the vendors under the general mandate. MEP engages in warehousing and logistic service and its only asset, the property, with a total gross floor area of approximately 905,936 square foot (the "Property"), has close proximity to the Malaysia–Singapore Second Link, a bridge connecting Singapore and Malaysia, the Group expects that, after the acquisition, the Property will be developed as an integrated logistics and transportation hub to enhance the development of the existing business of the Group in the future. The transfer of entire share capital of MEP was completed on 18 September 2018. Following completion, the Group intends to arrange for a refinancing of the pre-existing loan of MEP but the new loan application is still being processed and has yet to be approved, as a result of which certain outgoing management of MEP cannot resign from the board of directors of MEP pending the release of their personal guarantees in support of the loan. Due to the delay of resignation of the outgoing management as explained above, the majority control of MEP is not regarded as having been obtained by the Group and MEP's accounts were not consolidated under the Group's accounts in the current year.

Four possible acquisitions of issued share namely Sou Ching Port Investment Co., Ltd., Oriental Queen Co., Ltd, Amazing Sunrise Limited and Cherish Spark Limited was lapsed during the year.

SETTLEMENT OF PROFESSIONAL FEE THROUGH THE OF ISSUE OF REMUNERATION SHARES

During the year, the Company issued of 12,500,000 remuneration shares to Mr. Han Ning at the market price of HK$0.20 per remuneration share on 11 July 2018. The above newly issued shares rank pari passu in all respects with the existing shares.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

During the year, save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals.

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2019, the Company announced the acquisition of 100% shareholding in Dong Tai You Bang Wu Liu (Hai Wai) Company Limited ("Dong Tai") for the consideration of HK$185 million which is to be satisfied by the issue of 1,562,500,000 shares of the Company. Dong Tai is engaged in the provision of warehousing and logistic services in the bonded zone in PRC. The acquisition was completed on 12 February 2019.

On 13 March 2019, the Company announced the Group's disposal of 80% shareholding of Golden Truth Enterprises Limited for the cash consideration of HK$140,000,000. The Directors are of the view that the disposal represents a good opportunity for the Group to unlock the value of its asset such that more financial resources can be allocated to other investment opportunities and the Group's financial position can be improved. The disposal has not been completed up to the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts prudent treasury policies in cash and financial management. As at 31 December 2018, the Group's current assets amounted to approximately HK$1,409.1 million (31 December 2017: approximately HK$1,225.2 million) of which approximately HK$73.1 million (31 December 2017: approximately HK$5.6 million) were financial assets at fair value through profit or loss and approximately HK$127.5 million (31 December 2017: approximately HK$115.9 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$974.3 million (31 December 2017: approximately HK$861.7 million) of which comprised of trade and other payables of approximately HK$228.8 million (31 December 2017: approximately HK$184.7 million), notes payable of HK$440.0 million (31 December 2017: HK$464.0 million) and interest-bearing bank and other borrowings of approximately HK$227 million (31 December 2017: approximately HK$150.1 million), while the Group's non-current liabilities amounted to approximately HK$137 million which comprised of the deferred tax liabilities and bonds payable (31 December 2017: approximately HK$12.5 million which represented the deferred tax liabilities).

As at 31 December 2018, the Group's interest-bearing bank and other borrowings of approximately HK$227 million (31 December 2017: approximately HK$150.1 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 2018, HK$66.4 million (31 December 2017: HK$nil) and HK$160.6 million (31 December 2017: HK$150.1 million) were denominated in HK$ and RMB, respectively. As at 31 December 2018, bank and other borrowings of approximately HK$126 million (31 December 2017: HK$52.6 million) and HK$101 million (31 December 2017: HK$97.5 million) were interest-bearing at fixed and variable interest rates of 7.875% to 9.125% and 4.35% to 5.66% (2017: 5.60% to 7.00% and 4.35% to 7.00%) respectively.

As at 31 December 2018, the Group had two outstanding interest-bearing notes. One with principal amount of HK$80 million which was interest-bearing at 8.6% 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 14 June 2018, the Company entered into a placing agreement with the China Times Securities Limited (the" Placing Agent"), whereby the Company conditionally agreed to issue and the Placing Agent agreed to act as the placing agent to procure, on a best effort basis, subscribers to subscribe for Bonds with an aggregate principal amount of up to HK$150 million. The net proceeds of HK$112.5 million from the Bond issue were utilized for investment of the Company, repayment of liabilities when they fall due and general working capital of the Group.

GEARING RATIO

As at 31 December 2018, the total tangible assets of the Group were approximately HK$2,183.3 million (31 December 2017: approximately HK$1,994.4 million) whereas the total liabilities were approximately HK$1,111.3 million (31 December 2017: approximately HK$874.3 million). The gearing ratio (total liabilities divided by total tangible assets) was approximately 50.9% (31 December 2017: approximately 43.8%).

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.

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 2018 was Nil. Among the 1,310,181,125 share options granted but not yet lapsed, a total of 401,283,742 share options were granted to the directors. During the year ended 31 December 2018, 1,035,289,025 were granted. 1,000,000 Share options were exercised by a director during the year ended 31 December 2018 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.

1,000,000 share options were exercised during the year ended 31 December 2018. In 2017, no share options were exercised.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of around 764 (2017: 460) 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 2017, no share options were granted and the Group recognised a share option expense of approximately HK$21,539,000. During the year ended 31 December 2018, 1,035,289,025 share options were granted. As at 31 December 2018, 1,310,181,125 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 2018, 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 13,325,998,183 ordinary shares were issued and fully paid.

CAPITAL COMMITMENT

As at 31 December 2018, the group's outstanding capital commitment contracted but not provided for in the consolidated financial statements was approximately HK$40.5 million (2017: approximately HK$351.2 million).

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2018, the Group pledged assets with aggregate carrying value of approximately HK$47.2 million (2017: approximately HK$85.2 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 (2017: HK$280 million).

CONTINGENT LIABILITIES

As at 31 December 2018, 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 2018, 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 22 June 2018, Mr. Li Yang and Mr. Pang Hong, being the independent non-executive Directors, did not attend the meeting due to their other business engagement. The Company will endeavour to arrange the future general meetings with the presence of the independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

CODE PROVISION A.4.1

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

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

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.

NON-COMPLIANCE WITH RULE 3.10(1) AND RULE 3.21 OF THE LISTING RULES

Following the resignation of Mr. Li, the number of independent non-executive directors of the Company is less than the minimum required under Rule 3.10(1) of the Listing Rules and the number of member of audit committee is less than the minimum required under Rule 3.21 of the Listing Rules. The Board will seek and appoint appropriate person(s) to fill the vacancy in accordance with Rule 3.11 and Rule 3.23 of the Listing Rules respectively as soon as practicable within three months of 3 December 2018. On 1 March 2019, Ms. Lee Yin Ting was appointed as independent non-executive director of the Company.

Following the appointment of an independent non-executive director on 1 March 2019, the Company has fulfilled the requirement under Rule 3.10 (1) and Rule 3.21 of the Listing Rule.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Monday, 3 June 2019, (the "2019 AGM"). A notice convening the 2019 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 annual general meeting of the Company on Monday, 3 June 2019, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Monday, 3 June 2019, 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 Tuesday, 28 June 2019.

REVIEW BY AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors of the Company namely, Mr. Lee Tao Wai, Mr. Lam Hoi Lun and Ms. Lee Yin Ting, has reviewed the results of the Group for the year ended 31 December 2018 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 2018 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Elite Partners CPA Limited ("Elite") to the amounts set out in the Group's consolidated financial statements. The work performed by Elite 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 Elite on this preliminary results announcement.

ADDITIONAL INFORMATION REGARDING THE DISCLAIMER OF AUDIT OPINION

As disclosed in the section headed "Basis for the Disclaimer of Opinion" of this announcement, the auditor of the Company, Elite Partners CPA Limited, does not express an opinion on the consolidated financial statements of the Company for the year ended 31 December 2018.

The matters which gave rise to such disclaimer of opinion related to: (1) Open balances and comparative figures; (2) Impairment loss on promissory note receivable; (3) impairment loss on other receivables; and (4) Fundamental uncertainly relating to going concern basis of presentation of financial statements. The Directors have the following opinions on the matters which gave rise to the disclaimer of opinion for the year ended 31 December 2018.

1) Opening balances and comparative figures, Impairment loss on promissory note receivable and impairment loss on other receivables

The modified opinion on opening balances and comparative figures this year was resulted from the disclaimer of opinion on impairment loss on promissory note receivable and impairment loss on other receivables last year, the effect of which was carried forwarded from last year to current year. The Company will continue to use its best efforts to recover these receivables, including the engagement of legal advisers to pursue after the debtors.

2) Fundamental uncertainly relating to going concern basis of presentation of financial statements

Following the lapse of placing of shares under general mandate in December 2018, the Company has to arrange for short-term debt financing to fulfill its operating cashflow requirements. In February 2019, a creditor of the Company issued writ of summons to the Company regarding alleged debt of HK$60 million under a loan agreement.

In March 2019, the Company partially repaid Hong Kong $10 million of the other borrowings and extended the due date of the other borrowings to 30 May 2019.

The Directors of the Company will continue to devote their efforts to improve the cashflow position by taking one or more of the followings measures.

a) Negotiate with banks and other lenders to apply for new loans end renew existing loans;

b) Introduce and invite investing partners to collaborate in projects which are under development to ease financial pressure;

c) Closely monitor debt collection status and negotiate with debtor for early repayment or factoring some of the receivables to improve cashflow;

d) Adjusting the investment timetable, reviewing the existing investments and projects of the Group and considering the disposal of certain investments and projects to improve the Group's financial position;

e) Review the possibility for obtaining new borrowings with longer repayment terms and opportunities of equity financing such as placing and right issue.

By Order of the Board
Ming Lam Holdings Limited
LI Zhenzhen
Chairman

Hong Kong, 29 March 2019

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

This announcement is published on the HKEx news website at http://www.hkexnews.hk and on the website of the Company at www.1106hk.com.