IR RESOURCES LIMITED
同仁資源有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 8186)

2018 FINAL RESULTS

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

The Board hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	*5*	**28,390**	37,183
Cost of sales and services	*6*	**(22,808)**	(29,916)
Gross profit		**5,582**	7,267
Other income and gains	*5*	**1,616**	1,825
Selling and distribution expenses		**(50)**	(1,450)
Administrative expenses		**(39,840)**	(42,950)
Finance costs	*7*	**(2,192)**	(1,432)
Fair value loss on equity investments at fair value through profit or loss	*6*	**(1,134)**	(132)
Loss on disposal of debt investments at fair value through other comprehensive income		**(232)**	–
Loss on disposal of equity investments at fair value through profit or loss, net		**–**	(7,689)
Loss on written off of property, plant and equipment		**(120)**	–
Impairment loss on trade receivables	*6, 17*	**(1,030)**	(88)
Impairment loss on other receivables	*6, 18*	**(8)**	–
Impairment loss on inventories		**(367)**	(1,814)
Impairment loss on property, plant and equipment	*6, 11*	**(919)**	(16,789)
Impairment loss on goodwill	*6, 13*	**(3,522)**	–
Impairment loss on intangible assets	*6, 12*	**–**	(41,574)
Impairment loss on available-for-sale investments	*6, 15*	**–**	(6,814)
Share of loss of associates	*14*	**(2,039)**	(3,906)
LOSS BEFORE TAX	*6*	**(44,255)**	(115,546)
Income tax expense	*8*	**(644)**	(314)
LOSS FOR THE YEAR		**(44,899)**	(115,860)
Loss attributable to:			
Ordinary equity holders of the Company		**(37,585)**	(103,347)
Non-controlling interests		**(7,314)**	(12,513)
		(44,899)	(115,860)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic loss per share			
For loss for the year		**(4.52) cents**	(12.74) cents
Diluted loss per share	*10*		
For loss for the year		**(4.52) cents**	(12.74) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
LOSS FOR THE YEAR		**(44,899)**	(115,860)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value loss on equity investment at fair value through other comprehensive income, net of tax (non-recycling)	16	**(11,885)**	–
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**120**	(383)
Fair value gain on available-for-sale investments		**–**	291
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)		**(291)**	–
Less: Income tax effect		**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(12,056)**	(92)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(56,955)**	(115,952)
Attributable to:			
Ordinary equity holders of the Company		**(49,641)**	(103,439)
Non-controlling interests		**(7,314)**	(12,513)
		(56,955)	(115,952)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**5,860**	6,077
Intangible assets	*12*	**500**	500
Goodwill	*13*	**–**	3,522
Interests in associates	*14*	**11,477**	11,623
Available-for-sale investments	*15*	**–**	44,424
Total non-current assets		**17,837**	66,146
Current assets			
Inventories		**242**	609
Trade receivables	*17*	**13,799**	10,989
Equity investment at fair value through other comprehensive income	*16*	**23,424**	–
Equity investments at fair value through profit or loss		**846**	1,980
Prepayments, other receivables and other assets	*18*	**21,138**	10,766
Cash held on behalf of customers		**52**	564
Cash and bank balances		**28,168**	56,852
Total current assets		**87,669**	81,760
Current liabilities			
Trade payables	*19*	**4,198**	238
Other loan, other payables and accruals	*20*	**51,521**	34,743
Derivative financial instrument	*22*	**–**	913
Other borrowing	*21*	**8,000**	8,000
Convertible bond	*22*	**–**	13,525
Tax payables		**3,886**	3,875
Total current liabilities		**67,605**	61,294
NET CURRENT ASSETS		**20,064**	20,466
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,901**	86,612
Non-current liability			
Other loan	*20(a)*	**16,902**	16,225
Total non-current liability		**16,902**	16,225
Net assets		**20,999**	70,387
EQUITY			
Share capital	*23*	**41,563**	41,563
Reserves		**(20,472)**	21,520
Total equity attributable to:			
Equity holders of the Company		**21,091**	63,083
Non-controlling interests		**(92)**	7,304
Total equity		**20,999**	70,387

1. CORPORATE AND GROUP INFORMATION

IR Resources Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at 26/F., Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.

The shares of the Company are listed on GEM of the Stock Exchange. The Company is an investment holding company and, together with its subsidiaries (collectively, the "Group") are principally engaged in (i) the forestry and agricultural business; (ii) the financial services business; (iii) the cultural business; and (iv) the logistics business.

During the second half of 2017, the Group had extended its business portfolio to cultural business (development and upgrading of online applications in the People's Republic of China (the "PRC")). Since, foreign invested entities were restricted from operating online game business in the PRC under the prevailing laws and regulations in the PRC, certain structured contracts (the "Structured Contracts") were entered into among (i) a wholly-owned subsidiary of the Group (a wholly foreign owned enterprise in the PRC) (the "WFOE"), (ii) the sole registered shareholder (the "DE Shareholder") of a domestic entity (the "Domestic Entity") in the PRC; and (iii) the Domestic Entity. In June 2018, the Structured Contracts had been terminated, and the Domestic Entity is no longer a structured entity of the Company and its result have not been consolidated into the consolidated financial statements of the Group since then.

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention except for equity investment at fair value through other comprehensive income, equity investments at fair value through profit or loss and derivative financial instrument, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. Hong Kong dollars is the functional currency of the Company and its subsidiaries operating in Hong Kong, while the functional currencies of the Company's subsidiaries established in the PRC and Cambodia are Renminbi ("RMB") and United States dollars ("US$"), respectively.

In light of all the measures adopted and arrangements implemented that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis based on the Group's financial and liquidity position as at 31 December 2018. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these potential adjustments are not reflected in these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

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*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK (IFRIC)–Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for the amendments to HKFRS 4 and HKAS 40, and annual improvements 2014–2016 cycle which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

HKFRS 2

Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share- based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction for the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

HKFRS 9

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement			
	Note	Category	Amount	Re-classification	ECL	Re-measurement	Amount	Category
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets								
Equity investments at fair value through other comprehensive income	*(a)*	N/A	–	27,271	–	8,038	35,309	FVOCI
From: Available-for-sale investments				27,271				
Available-for-sale investments	*(a)*	AFS	44,424	(44,424)	–	–	–	N/A
To: Equity investments at fair value through other comprehensive income				(27,271)				
To: Debt investment at fair value through other comprehensive income				(17,153)				
Trade receivables		L&R	10,989	–	(119)	–	10,870	AC
Financial assets included in prepayments, other receivables and other assets		L&R	10,766	–	–	–	10,766	AC
Equity investments at fair value through profit or loss		FVPL	1,980	–	–	–	1,980	FVPL
Debt investment at fair value through other comprehensive income	*(a)*	N/A	–	17,153	–	–	17,153	FVOCI
From: Available-for-sale investments				17,153	–			
Cash held on behalf of customers		L&R	564	–	–	–	564	AC
Cash and bank balances		L&R	56,852	–	–	–	56,852	AC
Total			125,575	–	(119)	8,038	133,494	
Financial liabilities								
Trade payables		AC	238	–	–	–	238	AC
Financial liabilities include in other payables and accruals		AC	34,743	–	–	–	34,743	AC
Derivative financial instrument		FVPL	913	–	–	–	913	FVPL
Other borrowing		AC	8,000	–	–	–	8,000	AC
Convertible bond		AC	13,525	–	–	–	13,525	AC
Other loan		AC	16,225	–	–	–	16,225	AC
Total			73,644	–	–	–	73,644	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Note:

(a) As of 1 January 2018, the Group had (i) equity investments previously classified as available-for-sale investments at amortised cost. These available-for-sale investments, which passed the contractual cash flow characteristics test in HKFRS 9, were not actively traded and were held with the intention to collect cash flows and without the intention to sell. As at 1 January 2018, the fair value of these available-for-sale investments was HK$35,309,000 (note 16). The Group still held these available-for-sale investments as at 31 December 2018 and the fair value of which amounted to HK$23,424,000. The change in fair value of these available-for-sale investments of HK$11,885,000 (note 16) have been recorded in other comprehensive income; and (ii) debt investments previously classified as available-for-sale investments at fair value. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group has concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial asset. Accordingly, the Group has classified the investment as debt investments measured at fair value through other comprehensive income. As the debt investments were previously measured at its fair value and therefore, no material adjustment was made on the opening balance of the adoption of HKFRS 9. The impact on the opening balance of the fair value reserves for the adoption of HKFRS 9 is as follows:

Impact on the opening balance of the fair value reserves

The impact of transition to HKFRS 9 on the opening balances of the fair value reserves, recycling and non-recycling as at 1 January 2018, is as follows:

		Fair value reserves	
	AFS reserve	**Recyling**	**Non-recyling**
	HK$'000	*HK$'000*	*HK$'000*
Fair value reserve under HKFRS 9 (available-for-sale investments revaluation reserve under HKAS 39)			
Balance as at 31 December 2017 under HKAS 39	291	–	–
Reclassification of financial assets from available-for-sale investments to debt investment at fair value through other comprehensive income	(291)	291	–
Remeasurement of equity investment at fair value through other comprehensive income previously measured at cost under HKAS 39	–	–	8,038
Balance as at 1 January 2018 under HKFRS 9, restated	–	291	8,038

Impairment

The following table reconciles the aggregate opening impairment allowances as at 1 January 2018 under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 17.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowance under HKFRS 9 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	6,718	119	6,837

Hedge accounting

The amendments have had no impact on the financial position or performance of the Group as the Group did not have any financial assets and financial liabilities under hedge accounting.

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The relevant disclosures are included in note 5.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

However, there was no financial impact on the opening balance of the retained earnings as at 1 January 2018 as the Group did not have any incompleted contracts at 1 January 2018.

HK(IFRIC)-Int 22

HK(IFRIC)-Int 22, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. As disclosed in note 24, as at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$889,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group has four (2017: four) reportable operating segments as follows:

(a) the sale of wood and agricultural produces and the timber logging business in Cambodia (the "Forestry and Agricultural Business");

(b) the securities brokerage and trading, asset management and loan financing (the "Financial Services Business");

(c) the provision of services in the development and upgrading of Chinese cultural related online application (the "Cultural Business"); and

(d) the logistics business (the "Logistics Business").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, fair value gains/(losses) from the Group's financial instruments as well as, head office and corporate expenses are excluded from such measurement.

Segment assets exclude equity investments at fair value through profit or loss, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowing, convertible bond, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2018

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Cultural Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales of wood and agricultural produces	**26,592**	**–**	**–**	**–**	**26,592**
Loan interest income arising from Financial Services Business	**–**	**168**	**–**	**–**	**168**
Brokerage commission income	**–**	**902**	**–**	**–**	**902**
Related service fee income arising from provision of financial information services	**–**	**728**	**–**	**–**	**728**
	26,592	**1,798**	**–**	**–**	**28,390**
Segment results	**(5,165)**	**(10,658)**	**(1,755)**	**(5)**	**(17,583)**
Unallocated expenses					**(22,441)**
Share of loss of associates					**(2,039)**
Loss before tax and finance costs					**(42,063)**
Finance costs	**(677)**	**–**	**–**	**–**	**(677)**
Unallocated finance costs					**(1,515)**
Loss before tax					**(44,255)**
Income tax expense					**(644)**
Loss for the year					**(44,899)**
Segment assets	**20,230**	**22,861**	**2,583**	**–**	**45,674**
Unallocated assets					**59,832**
Total assets					**105,506**
Segment liabilities	**77,210**	**870**	**2,849**	**–**	**80,929**
Unallocated liabilities					**3,578**
Total liabilities					**84,507**

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Cultural Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Other information					
Capital expenditure	**–**	**17**	**–**	**–**	**17**
Unallocated capital expenditure					**2,989**
					3,006
Depreciation and amortisation	**754**	**1,268**	**–**	**–**	**2,022**
Unallocated depreciation and amortisation					**162**
					2,184
Other income and gains	**–**	**413**	**6**	**–**	**419**
Unallocated other income and gains					**1,197**
					1,616
Impairment loss on intangible assets *(notes 6 and 12)*	**–**	**–**	**–**	**–**	**–**
Impairment loss on trade receivables *(notes 6 and 17)*	**1,018**	**12**	**–**	**–**	**1,030**
Loss on written off and impairment of property, plant and equipment *(notes 6 and 11)*	**–**	**1,039**	**–**	**–**	**1,039**
					2,069

Year ended 31 December 2017

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Cultural Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales of wood and agricultural produces	24,315	–	–	–	24,315
Loan interest income arising from Financial Services Business	–	502	–	–	502
Brokerage commission income	–	1,070	–	–	1,070
Related service fee income arising from provision of financial information services	–	884	–	–	884
Service fee income of Cultural Business	–	–	10,412	–	10,412
	24,315	2,456	10,412	–	37,183
Segment results	(63,829)	(3,914)	433	(393)	(67,703)
Unallocated expenses					(42,505)
Share of loss of an associate					(3,906)
Loss before tax and finance costs					(114,114)
Finance costs	(565)	–	–	–	(565)
Unallocated finance costs					(867)
Loss before tax					(115,546)
Income tax expense					(314)
Loss for the year					(115,860)
Segment assets	10,853	39,271	7,293	9,024	66,441
Unallocated assets					81,465
Total assets					147,906
Segment liabilities	(39,577)	(1,039)	(5,883)	(4,388)	(50,887)
Unallocated liabilities					(26,632)
Total liabilities					(77,519)

	Forestry and Agricultural Business *HK$'000*	Financial Services Business *HK$'000*	Cultural Business *HK$'000*	Logistics Business *HK$'000*	Total *HK$'000*
Other information					
Capital expenditure	147	5,051	–	–	5,198
Unallocated capital expenditure					15,097
					20,295
Depreciation and amortisation	2,440	769	–	–	3,209
Unallocated depreciation and amortisation					115
					3,324
Other income and gains	1,118	684	1	1	1,804
Unallocated other income and gains					21
					1,825
Impairment loss on intangible assets *(notes 6 and 12)*	41,574	–	–	–	41,574
Impairment loss on trade receivables *(notes 6 and 17)*	–	88	–	–	88
Impairment loss on property, plant and equipment *(notes 6 and 11)*	16,789	–	–	–	16,789
					58,451

Geographical information

(a) Revenue from external customers

	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong	**1,798**	2,456
The PRC	**26,592**	31,476
ASEAN Countries	**–**	3,251
	28,390	37,183

The classification of the revenue arising from (i) the Forestry and Agricultural Business; (ii) the Cultural Business; and (iii) the Logistics Business is based on the location of the customers' operation.

The classification of the revenue arising from Financial Services Business is based on the location of stock exchanges of the underlying securities investments made by their clients; the location of the borrowed funds first available to their borrowers; or the location of the client's operation.

(b) ***Non-current assets***

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**14,947**	18,078
The PRC	**–**	–
ASEAN Countries	**2,890**	3,644
	17,837	21,722

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets, if any.

Information about a major customer

Revenue of approximately HK$14,187,000 (2017: HK$10,995,000) was derived from sales of the Forestry and Agricultural Business to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of wood and agricultural produces	**26,592**	24,315
Loan interest income arising from Financial Services Business	**168**	502
Brokerage commission income	**902**	1,070
Related service fee income arising from provision of financial information services	**728**	884
Service fee income of Cultural Business	**–**	10,412
Total revenue	**28,390**	37,183

	2018	2017
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**6**	13
Fair value gain on other loan *(note 20 (a))*	**–**	1,113
Dividend income from debt investments at fair value through other comprehensive income	**413**	684
Gain on early redemption of convertible bond *(note 22)*	**1,156**	–
Others	**41**	15
Total other income and gains	**1,616**	1,825
Total revenue, other income and gains	**30,006**	39,008

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Cost of goods sold	**22,686**	20,849
Cost of services provided	**122**	9,067
	22,808	29,916
Auditors' remuneration:		
Annual audit	**1,250**	1,200
	1,250	1,200
Depreciation of property, plant and equipment* *(note 11)*	**2,184**	3,324
Exchange losses, net	**349**	38
Fair value loss on equity investments at fair value through profit or loss	**1,134**	132
Loss on disposal of debt investments as fair value through other comprehensive income	**232**	–
Impairment loss on trade receivables *(notes 17(a) and 17(b))*	**1,030**	88
Impairment loss on other receivables *(note 18)*	**8**	–
Impairment loss on intangible assets *(note 12)*	**–**	41,574
Impairment loss on property, plant and equipment *(note 11)*	**919**	16,789
Impairment loss on available-for-sale investments *(note 15)*	**–**	6,814
Impairment loss on goodwill *(note 13)*	**3,522**	–
Loss on written off/disposal of property, plant and equipment	**120**	10
Loss on disposal of equity investments at fair value through profit or loss, net	**–**	7,689
Impairment loss on inventories	**367**	1,814
Minimum lease payments under operating leases:		
Land and buildings	**2,096**	1,015
Staff costs (excluding directors' remuneration):		
Wages and salaries*	**17,749**	19,283
Pension scheme contributions	**455**	485
Equity-settled share options expenses	**–**	1,235
Commission rebate	**25**	–
	18,229	21,003
Bank interest income	**(6)**	(13)
Dividend income from debt investments as fair value through other comprehensive income *(note 15(b))*	**(413)**	(684)
Fair value gain on other loan *(note 20(a))*	**–**	(1,113)
Gain on early redemption of convertible bond *(note 22)*	**(1,156)**	–

* Cost of inventories include approximately HK$Nil (2017: HK$133,000) and HK$Nil (2017: HK$97,000) relating to staff costs and depreciation.

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Financial institution's loan interest	**680**	451
Convertible bond interest *(note 22)*	**835**	400
Interest on other borrowing *(note 21)*	**677**	581
	2,192	1,432

8. INCOME TAX EXPENSE

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2018.

PRC

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax ("EIT") has been provided at the rate of 25% during the years ended 31 December 2017 and 2018, and where small-scale enterprises with low profitability meet certain conditions, the EIT rate shall be reduced to 20%. During the years ended 31 December 2017 and 2018, a subsidiary of the Group has been designated as a small-scale enterprise, which pursuant to the notice of the Ministry of Finance and the State Administrative of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, it is subject to the concessionary EIT rate of 10% of assessable profits (i.e. 50% of the 20% applicable EIT rate on the assessable profits) for the years ended 31 December 2017 and 2018.

Cambodia

Under the Cambodian Law on Taxation, the Cambodian corporate income tax ("CCIT") is calculated at a rate of 20%. CCIT has not been provided as the Group did not generate any assessable profits arising in Cambodia during the years ended 31 December 2017 and 2018.

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**644**	272
PRC	**–**	42
Cambodia	**–**	–
	644	314
Deferred tax	**–**	–
Total tax charge for the year	**644**	314

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2018		2017	
	HK$'000	***%***	*HK$'000*	*%*
Loss before tax	**(44,255)**	**–**	(115,546)	–
Tax at the statutory tax rates	**(7,792)**	**17.6**	(21,910)	19.0
Effect of concessionary rate	**–**	**–**	(70)	–
Income not subject to tax	**(435)**	**1.0**	(504)	0.4
Expenses not deductible for tax	**8,112**	**(18.3)**	20,948	(18.1)
Tax loss not recognised	**759**	**(1.7)**	1,850	(1.6)
Tax charge at effective tax rate	**644**	**(1.5)**	314	(0.3)

The Group had deferred tax assets not recognised in respect of tax losses available for offsetting future assessable profits and accelerated depreciation in Hong Kong and Cambodia for a period of five years as follows:

	2018	2017
	HK$'000	*HK$'000*
Tax losses		
– Hong Kong	**65,126**	64,367
– Cambodia *	**25,405**	31,188
	90,531	95,555

* The expiry date of the above tax losses in Cambodia are as follows:

	2018	2017
	HK$'000	*HK$'000*
2018	**–**	5,783
2019	**5,097**	5,097
2020	**4,946**	4,946
2021	**10,815**	10,815
2022	**4,547**	4,547
	25,405	31,188

9. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2018 (2017: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(37,585)**	(103,347)

	Number of shares (in '000)	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**831,261**	811,144

The weighted average number of ordinary shares for the year ended 31 December 2017 has been adjusted for the share consolidation on 13 January 2017 as if effective since 1 January 2017.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2018 in respect of a dilution, as the impact of the convertible bond and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Constructed roads *HK$'000*	Motor vehicles *HK$'000*	Plant, machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
31 December 2018						
At 1 January 2018:						
Cost	**4,854**	**24,043**	**2,657**	**22,267**	**1,523**	**55,344**
Accumulated depreciation and impairment	**(4,854)**	**(24,043)**	**(2,657)**	**(17,038)**	**(675)**	**(49,267)**
Net carrying amount	**–**	**–**	**–**	**5,229**	**848**	**6,077**
At 1 January 2018, net of accumulated depreciation and impairment	**–**	**–**	**–**	**5,229**	**848**	**6,077**
Additions	**–**	**–**	**–**	**3,006**	**–**	**3,006**
Written off	**–**	**–**	**–**	**(120)**	**–**	**(120)**
Impairment *(Note b)*	**–**	**–**	**–**	**(583)**	**(336)**	**(919)**
Depreciation provided during the year	**–**	**–**	**–**	**(1,726)**	**(458)**	**(2,184)**
At 31 December 2018, net of accumulated depreciation and impairment	**–**	**–**	**–**	**5,806**	**54**	**5,860**
At 31 December 2018:						
Cost	**4,854**	**24,043**	**2,657**	**22,010**	**257**	**53,821**
Accumulated depreciation and impairment	**(4,854)**	**(24,043)**	**(2,657)**	**(16,204)**	**(203)**	**(47,961)**
Net carrying amount	**–**	**–**	**–**	**5,806**	**54**	**5,860**

	Buildings *HK$'000*	Constructed roads *HK$'000*	Motor vehicles *HK$'000*	Plant, machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
31 December 2017						
At 1 January 2017:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	2,394	9,163	1,464	9,692	23	22,736
At 1 January 2017, net of accumulated depreciation and impairment	2,394	9,163	1,464	9,692	23	22,736
Additions	–	–	–	192	201	393
Acquisition of subsidiaries	–	–	–	2,177	922	3,099
Disposal	–	–	–	(38)	–	(38)
Impairment *(note (a))*	(2,308)	(8,451)	(1,145)	(4,885)	–	(16,789)
Depreciation provided during the year	(86)	(712)	(319)	(1,909)	(298)	(3,324)
At 31 December 2017, net of accumulated depreciation and impairment	–	–	–	5,229	848	6,077
At 31 December 2017:						
Cost	4,854	24,043	2,657	22,267	1,523	55,344
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(17,038)	(675)	(49,267)
Net carrying amount	–	–	–	5,229	848	6,077

Notes:

(a) The impairment of the property, plant and equipment of HK$16,789,000 in previous year was mainly made on the buildings, constructed roads, motor vehicles and plant, machinery and equipment (collectively, the "Forest PPE") related to the Forestry and Agricultural Business in Cambodia. Given that (i) the Group's intangible assets relating to the Forestry and Agricultural Business were of no commercial value as at 31 December 2017 as detailed in note 12(a); (ii) the Forest PPE were used only for the Forestry and Agricultural Business and would not generate any other income streams; and (iii) the Forest PPE were not economically viable to be demolished for resale given the substantial disposal cost involved (such as demolition and transportation costs), and therefore would not have any residual value, the Directors were of the opinion that the recoverable amount of the Forest PPE, which had a carrying amount before impairment of HK$16,789,000 as at 31 December 2017, was determined to be of no commercial value and was fully impaired during the year ended 31 December 2017.

The recoverable amount of the Group's intangible assets relating to the Forestry and Agricultural Business are of no commercial value as at 31 December 2018 as detailed in note 12(a), therefore, no reversal of impairment was recorded during the year ended 31 December 2018.

(b) As detailed in note 13, during the year ended 31 December 2018, the Nine Rivers Capital Partner Limited ("Nine Rivers", together with its subsidiaries, the "Nine Rivers Group") has undergone a restructuring and the related property, plant and equipment of the Nine Rivers Group of HK$919,000 was impaired during the year.

12. INTANGIBLE ASSETS

	Timber logging rights *HK$'000* *(note (a))*	**Trading right** *HK$'000* *(note (b))*	**Total** *HK$'000*
Cost			
At 1 January 2017	896,932	–	896,932
Acquisition of subsidiaries	–	500	500
At 31 December 2017, 1 January 2018 and 31 December 2018	896,932	500	897,432
Accumulated amortisation and impairment			
At 1 January 2017	855,358	–	855,358
Impairment during the year ended 31 December 2017 *(note 6)*	41,574	–	41,574
At 31 December 2017, 1 January 2018 and 31 December 2018	896,932	–	896,932
Net carrying amount			
At 31 December 2017 and 31 December 2018	–	500	500

Notes:

(a) Timber Logging rights

As at 31 December 2018, the net carrying amount of the intangible assets before impairment amounted to HK$767,350,000 (2017: HK$767,350,000).

The Timber Logging Rights of the Group have a tenure of 70 years between 2007 and 2010. The Group uses the "unit of production method" as the amortisation method. Since the Timber Logging Rights was fully impaired as at 31 December 2017 and the recoverable amount of the Timber Logging Rights remained to be of no commercial value as at 31 December 2018 (as detailed below), no amortisation was provided for the year.

Impairment testing of intangible assets

31 December 2018

The Directors engaged Peak Vision Appraisals Limited, the independent professional valuers (the "Valuer") to determine the recoverable amount of the Timber Logging Rights as at 31 December 2018.

As at 31 December 2018, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 22 March 2019 (the "2018 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2018 was determined to be of no commercial value (mainly attributable to the decrease in the future estimated selling prices of the agricultural produces). As the intangible assets were fully impaired in 2017 and no further impairment loss of intangible assets were provided for the year ended 31 December 2018.

Apart from the key assumptions further disclosed below, the timber volume is one of the key assumptions used in the valuation of the Timber Logging Rights as at 31 December 2018. The estimated timber volume in 2018 was derived by the management with reference to (i) the 2017 Timber Volume (as defined below) calculated by the Tree Expert (as defined below) and (ii) the internal record of the timber movement during the year.

Such assessment of the recoverable amount of the intangible assets are based on the valuation performed by the Valuer and for each of the years ended 31 December 2015, 2016, 2017 and 2018, the Valuer has consistently used the excess earning method under the income approach to compute the valuation of the Timber Logging Rights. As described in the 2017 IA Valuation Report (as defined below) and the 2018 IA Valuation Report, there are three generally accepted valuation approaches, namely, the market approach, the cost approach and the income approach. Since there were not sufficient comparable transactions of similar assets for the Valuer to adopt the market approach to conclude a reliable valuation of the Timber Logging Rights and the cost approach would ignore the future economic benefits that could be derived from the Timber Logging Rights, the Valuer has consistently considered the excess earning method under the income approach, which values the Timber Logging Rights based on the discounted cash flow derived therefrom, is an appropriate method to value the Timber Logging Rights.

31 December 2017

The Directors engaged (i) a professional tree expert (the "Tree Expert") to determine the volume and condition of the timber (the "2017 Timber Volume") in the forests underlying the Timber Logging Rights and (ii) the Valuer to determine the recoverable amount of the Timber Logging Rights as at 31 December 2017. The physical inspections and physical count of the 2017 Timber Volume were attended by the Tree Expert, the Valuer and the auditors of the Company (the "Auditors") in January 2018.

As at 31 December 2017, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 15 February 2018 (the "2017 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2017 had been further decreased (mainly attributable to the decrease in the future estimated selling prices of the agricultural produces) to the extent that it was determined to be of no commercial value and therefore, the Group made an impairment loss of intangible assets of HK$41,574,000 as at 31 December 2017 (representing the carrying amount of the intangible assets before the impairment).

Extracted from the 2017 IA Valuation Report and the 2018 IA Valuation Report, were the key following assumptions used in the valuation of the Timber Logging Rights as at 31 December 2017 and 2018 which the management has based its cash flow projections to assess the impairment on the intangible assets:

	31 December 2018 *HK$'000*	31 December 2017 *HK$'000*
Estimated selling price of timber:		
Grade 1	**US$740 per m^3**	US$820 per m^3
Grade 2	**US$650 per m^3**	US$680 per m^3
Grade 3	**US$360 per m^3**	US$350 per m^3
Estimated selling price of latex:	**US$1.36 per kg**	US$1.62 per kg
Growth rate:		
Revenue	**3.51%**	3.26%
Cost	**3.12%**	3.20%
Tree volume	**0.73%**	0.73%
Discount rate	**17.43%**	17.46%
Inflation rate	**1.10%**	1.03%
Concession period	**70 years**	70 years

The weighted average revenue growth rate and cost growth rate used were based on the industry research. The discount rate used was pre-tax that reflected current market assessments of the time value of money and the specific risks related to the relevant segment.

Pursuant to the 2017 IA Valuation Report and the 2018 IA Valuation Report, the valuation based on the excess earnings method under the income approach (which the valuer has considered it is an appropriate method as it values the Timber Logging Rights based on the discounted cash flow derived from it) and based on observable inputs (e.g. (i) market prices of the agricultural produce; and (ii) interest rate by reference to the Economic and Monetary Statistics published by the National Bank of Cambodia, etc.) and taking into account the timber output amount determined by the business plan based on (i) the land planned to be cleared, (ii) the standing timber per hectare in the concession area and (iii) the expected processing recovery rate for sawn timber, which used unobservable inputs, to be completed in order to meet the master plan.

At each financial year, the Directors:

- verified all major inputs to the independent valuation report;
- assessed intangible assets movements when compared to the prior year valuation report; and
- held discussions with the Valuer.

(b) Trading right

The trading right represented a trading right on the Hong Kong Exchanges and Clearing Limited was acquired through the business combination during the year ended 31 December 2017. The trading right is considered to have an indefinite useful life and is tested for impairment at the end of the reporting period. As at 31 December 2018 and 2017, no impairment was provided as the Directors are of the opinion that the recoverable amount exceeds its carrying amount.

13. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**3,522**	–
Acquisition of subsidiaries during the year	**–**	3,522
Impairment during the year	**(3,522)**	–
Net carrying amount at 31 December	**–**	3,522
At 31 December	**–**	–
Cost	**3,522**	3,522
Accumulated impairment	**(3,522)**	–
Net carrying amount at 31 December	**–**	3,522

The net carrying amount of goodwill of HK$3,522,000 arose from the acquisition of 60.4% equity interest in Nine Rivers. The Nine Rivers Group engages in the Financial Services Business. Goodwill acquired through business combination is allocated to the Group's cash generating unit (the "Financial Services CGU") that is expected to benefit from that business.

Impairment testing of goodwill

31 December 2018

During the year ended 31 December 2018, the Nine Rivers Group has undergone a restructuring process. Based on the forecast prepared by the management to determine the recoverable amount of the Financial Services CGU, as the carrying amount of the goodwill exceeds its recoverable amount, an impairment of HK$3,522,000 has been provided for the year ended 31 December 2018.

The recoverable amount of the Financial Services CGU has been determined on the basis of a combination of the asset approach and the market approach. The asset approach is used to assess the market value of entity interest of the Nine Rivers Group, while the market approach values the premium above the net asset value for the licenses which are registered by Nine Rivers. The key assumptions of the above approaches are the selection of the transactions of the comparable companies. Only the transactions occurred within two years started from the end of the reporting period are chosen to compare with the premium of the net assets of the Nine Rivers Group.

31 December 2017

The Valuer has been engaged to determine the recoverable amount of the Financial Services CGU, pursuant to which no impairment has been provided for the year ended 31 December 2017 as the recoverable amount exceeds its carrying amount of the goodwill.

The recoverable amount of the Financial Services CGU has been determined on the basis of a combination of the asset approach and the market approach. The asset approach is used to assess the market value of entity interest of the Nine Rivers Group, while the market approach values the premium above the net asset value for the licenses which are registered by Nine Rivers. The key assumptions of the above approaches are the selection of the transactions of the comparable companies. Only the transactions occurred within two years started from the end of the reporting period are chosen to compare with the premium of the net assets of the Nine Rivers Group.

14. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Unlisted shares, at cost*	**17,306**	–
Loan to associate**	**–**	15,506
Due from an associate***	**120**	27
Share of loss of associates	**(5,949)**	(3,910)
	11,477	11,623

* The investment costs represented 49% equity interest in Violet Garden Limited ("VG") and 38% equity interest in Arcadia Global Limited (together, the "Associate(s)"), both of which are principally engaged in investment.

** As at 31 December 2017, balance represented the Group's proportionate shareholder's loan of HK$15,506,000 to VG, which was unsecured, interest-free and had no fixed terms of repayment. During the year ended 31 December 2018, all the shareholders' loans to VG had been capitalised as capital contribution.

*** The amount due from the 49% Associate is unsecured, interest-free and has no fixed terms of repayment.

The following table summarized the financial information of the associates as extracted from their unaudited management accounts:

	2018	2017
	HK$'000	*HK$'000*
Total assets*	**20,033**	23,059
Total liabilities	**(3,783)**	(31,038)
Revenue for the year	**–**	–
Loss for the year	**(4,394)**	(7,979)

31 December 2018

* Included in the total assets of HK$20,033,000 as at 31 December 2018 represented mainly equity investment which is determined with reference to the valuation report in previous year, loan receivable and property investment. Based on the valuation report of a professional valuer engaged by the Associate, the Associate recorded a fair value loss on equity investment at fair value through profit or loss of HK$4,168,000 and a fair value loss on the investment property of HK$183,000 for the year ended 31 December 2018 in its financial statements.

31 December 2017

* Included in the total assets of HK$23,059,000 as at 31 December 2017 represented mainly an equity investment at fair value through profit or loss of HK$15,535,000, which was determined based on the valuation report of a professional valuer engaged by the associate. The associate recorded a fair value loss on the equity investment at fair value through profit or loss of HK$7,483,000 as at 31 December 2017 in its financial statements.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Solar Power Company *(note (a))*	–	27,271
Unlisted income fund *(note (b))*	–	17,153
	–	44,424

Notes:

(a) Information of the Solar Power Company

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity interest	–	20,500
SPC Loan	–	13,585
	–	34,085
Impairment	–	(6,814)
Net carrying amount	–	27,271

Included in the available-for-sale investment with cost of HK$34,085,000 as at 31 December 2017, as to HK$20,500,000 was an equity investment in a solar power company (the "Solar Power Company", together with its subsidiaries, the "Solar Power Group") engaged in the solar power generation business; and as to the remaining balance of HK$13,585,000 represented a loan (the "SPC Loan") advanced to the Solar Power Company. During the year ended 31 December 2017, the Group made an impairment of available-for-sale investment of HK$6,814,000.

On 13 October 2016, the Group entered into a sale and purchase agreement (the "Solar Acquisition Agreement") with an independent third party and pursuant to which, the Group acquired 17.5% equity interest in the Solar Power Company at a cash consideration of HK$20,500,000. As the Group did not have significant influence over the Solar Power Company, such equity investment was accounted for as available-for-sale investments as at 31 December 2017.

On 22 February 2017, the Group further entered into a loan agreement with the Solar Power Company, to provide the SPC Loan of US$1,750,000 (equivalent to HK$13,585,000) to the Solar Power Company. The SPC Loan is unsecured, interest-free and is repayable upon demand subject to the consent of all shareholders of the Solar Power Company. The Directors considered that the SPC Loan forms part of a long term investment in the Solar Power Group and therefore, the SPC Loan was accounted for as available-for-sale investments forming part of the Group's investment in the Solar Power Company as at 31 December 2017.

Impairment assessment of available-for-sale investments

As at 31 December 2017, the recoverable amounts of the investment in Solar Power Company and the SPC Loan were determined by the Directors with reference to net asset value of Solar Power Company as at 31 December 2017. During the second half of 2017, a power plant of Solar Power Company was relocated to a new site and certain plant and equipment of such power plant were disposed of and impaired resulting in a reduction on the net asset value of Solar Power Company. Accordingly, the net asset value of Solar Power Company had been reduced and an impairment loss of HK$6,814,000 on the investment in Solar Power Company was made by the Group for the year ended 31 December 2017.

As at 31 December 2017, the amount was stated at cost less impairment because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The Group at the time did not intend to dispose them in the near future.

As detailed in note 2.2 to the consolidated financial statements, upon the adoption of HKFRS 9, the interest in the Solar Power Company was reclassified from available-for-sale investments to equity investment at fair value through other comprehensive income as follows:

	2018
	HK$'000
As at 1 January	**27,271**
Reclassified to equity investments at fair value through other comprehensive income upon adoption of HKFRS 9 *(note 16)*	**(27,271)**
Restated balance as at 1 January	**–**

(b) Unlisted income fund

	HK$'000
At 1 January 2017, at fair value	10,000
Acquisition of subsidiaries	14,851
Disposals	(7,989)
Fair value gain	291
At 31 December 2017	17,153

Included in the available-for-sale investments of HK$17,153,000 as at 31 December 2017 comprised an investment in the unlisted income fund made in December 2016.

During the year ended 31 December 2017, the Group recorded a fair value gain on the available- for-sale investment of HK$291,000 and recognised into the available-for-sale investments revaluation reserve.

As detailed in note 3, upon the adoption of HKFRS 9, the interest in the Unlisted income fund was reclassified from available-for-sale investments as follows:

	HK$'000
As at 1 January 2018	**17,153**
Reclassified to debt investment at fair value through other comprehensive income upon adoption of HKFRS 9 *(note 16)*	**(17,153)**
Restated balance as at 1 January 2018	**–**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investment at fair value through other comprehensive income

	2018	2017
	HK$'000	*HK$'000*
Equity investment at fair value through other comprehensive income:		
– Interest in Solar Power Company *(note 15(a))*	**9,839**	–
– SPC Loan *(note 15(a))*	**13,585**	–
	23,424	–

The Group has elected the option to irrevocably designated certain of its previous available-for-sale investments as equity investment at fair value through other comprehensive income as at 1 January 2018 on the basis that they are not held for trading.

The movements of the equity investment at fair value through other comprehensive income are as follows:

	HK$'000
As at 31 December 2017	–
Reclassified from available-for-sale investments upon adoption of HKFRS 9 *(notes 3 and 15(a))*	27,271
Fair value adjustment at initial adoption of HKFRS 9 as at 1 January 2018 *(note 3)*	8,038
Restated balance as at 1 January 2018 *(note 3)*	35,309
Fair value loss on equity investment at fair value through other comprehensive income	(11,885)
At 31 December 2018	23,424

The Directors engaged an independent professional valuer to determine the fair value of the interest in the Solar Power Group as at 1 January 2018 (being the date of initial adoption of HKFRS 9). Based on the valuation report dated 14 August 2018 (the "FVOCI Valuation Report"), the fair value of the Group's equity interest in the Solar Power Group (excluding the SPC Loan) as at 1 January 2018 was approximately HK$21,724,000, under the market approach.

In 27 November 2018, the Group entered into a sale and purchase agreement (the "Solar Disposal Agreement") with a company wholly-owned by a director of the Solar Power Company and that director (the "Guarantor") to dispose (the "Solar Power Disposal") of all the equity interest in the Solar Power Company and the SPC Loan at a cash consideration (the "Consideration") of HK$24,050,000, as to HK$12,000,000 (note 20) of which had been received as at 31 December 2018. The Solar Power Disposal was completed in 31 January 2019. Given that the Solar Power Disposal has been completed close to the year end date, the Director considered that the Consideration less direct cost of disposal of HK$626,000 amounting to HK$23,424,000 reflected the fair value of the Group's equity interest in the Solar Power Group (including the SPC Loan) as at 31 December 2018.

Debt investment at fair value through other comprehensive income

	2018	2017
	HK$'000	*HK$'000*
Debt investment at fair value through other comprehensive income		
Debt investment	**–**	–

The movements of the debt investment at fair value through other comprehensive income are as follows:

	HK$'000
As at 31 December 2017	–
Reclassified from available-for-sale investments upon adoption of HKFRS 9 *(notes 3 and 15(b))*	17,153
Fair value adjustment at initial adoption of HKFRS 9 as at 1 January 2018 *(note 3)*	–
Restated balance as at 1 January 2018 *(note 3)*	17,153
Disposals	(17,153)
At 31 December 2018	–

17. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note a)*	**21,654**	9,101
Less: Impairment	**(7,855)**	(6,718)
	13,799	2,383
Account receivables arising from its Financial Services Business *(note b)*		
– Cash clients' account	**–**	–
– Margin clients' account	**–**	8,463
– Other clients	**100**	231
Less: Impairment	**(100)**	(88)
	–	8,606
	13,799	10,989

Notes:

(a) Trade receivables

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**–**	2,309
31 to 60 days	**4,923**	74
61 to 90 days	**2,674**	–
91 to 180 days	**6,202**	–
181 to 360 days	**–**	–
Over 360 days	**–**	–
	13,799	2,383

The movements in the loss allowance for impairment of trade receivables during the reporting period are as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**6,718**	6,718
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 3)*	**119**	–
At 1 January (restated)	**6,837**	6,718
Impairment losses recognised *(note 6)*	**1,018**	–
At 31 December	**7,855**	6,718

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Not past due	**Past due**	**Past due over 1 year**	**Total**
Expected credit loss rate	5%	10%	100%	
Gross carrying amount *(HK$'000)*	7,997	6,891	6,766	21,654
Expected credit losses *(HK$'000)*	400	689	6,766	7,855

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision of individually impaired trade receivables of HK$6,718,000 with a carrying amount before provision of HK$9,101,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *HK$'000*
Neither past due nor impaired	2,383
Less than 1 month past due	–
1 to 3 months past due	–
More than 3 months	–
At 31 December 2017	2,383

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

(b) Accounts receivables arising from its Financial Services Business

The settlement terms of account receivables from cash clients are two days after the trade date. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these account receivables.

The account receivables from the margin clients are repayable on demand and interest bearing at the prime lending rate plus 0.1% to 5.5%. The total market value of the securities portfolio of the corresponding margin clients amounted to HK$Nil (2017: HK$22,120,000) as at the end of the reporting period.

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

The movements in the provision for the impairment of accounts receivables arising from its Financial Services Business are as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**88**	–
Impairment losses recognised	**12**	88
At 31 December	**100**	88

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision of individually impaired trade receivables of HK$88,000 with a carrying amount before provision of HK$8,694,000.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	HK$'000	*HK$'000*
Prepayments and deposits	**7,589**	1,384
Other receivables and other assets	**10,040**	5,870
Tax receivables	**116**	111
Convertible bond receivable *(note)*	**4,001**	4,001
	21,746	11,366
Less: Impairment	**(608)**	(600)
	21,138	10,766

At 31 December 2018, an impairment loss of HK$608,000 (2017: HK$600,000) has been provided against the other receivables. Except for such impairment, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Note:

In 2017, the Company subscribed for a convertible bond (the "Convertible Bond A") with a principal amount of HK$4,001,000 issued by an independent third party (the "CB Issuer") which bears interest at 1.5% per annum and is convertible into the 626,742 ordinary shares of the CB Issuer at a conversion price of HK$6.38381 per share.

The conversion right of the Convertible Bond A should be initially recognised as a derivative financial asset and should be stated at its fair value at the end of the reporting period.

The Directors are of the opinion that the fair value of the conversion right was not material to the consolidated financial statements as at 31 December 2017 and 2018 and therefore was not recognised in the consolidated financial statements.

19. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**4,164**	–
Trade payables arising from its Financial Services Business *(note (b))*		
– Margin clients' account	**8**	–
– Cash clients' account	**19**	–
– Clearing house	**7**	238
	4,198	238

Notes:

(a) Trade payables

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

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**–**	–
31 – 60 days	**4,164**	–
	4,164	–

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

(b) Trade payables arising from its Financial Services Business

The trade payables to margin and cash clients are repayable on demand and interest bearing at prevailing market rates.

The trade payable to clearing house is repayable within two business days, unsecured and interest free.

20. OTHER LOAN, OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Other payables and accruals	**39,521**	34,743
Other loan, current portion *(note(a))*	**–**	–
Deposit received in advance for the disposal of Solar Power *(note 16)*	**12,000**	–
	51,521	34,743

Notes:

(a) The movement of the other loan is as follows:

	2018 *HK$'000*	2017 *HK$'000*
At 1 January	**16,225**	13,826
Fair value of loans obtained, fair value	**–**	1,834
Interest expenses *(note 7)*	**677**	565
At 31 December	**16,902**	16,225
Reclassification as a non-current portion	**(16,902)**	(16,225)
Current portion	**–**	–

The relevant shareholders of the Forestry and Agricultural Business will provide a working capital loan of up to HK$51,750,000 for the carrying out of the timber logging activities. Such working capital loans are unsecured, interest-free and have a term of 10 years, of which, HK$22,763,000 (2017: HK$22,763,000) had been provided as at 31 December 2018. The interest-free nature of the working capital loan represented an interest saving to the Group and for the year ended 31 December 2018, HK$nil was credited to profit and loss of the Group (2017: credit of HK$1,113,000) (note 5).

The loans from the relevant shareholders of the Forestry and Agricultural Business are repayable from the profits of the Forestry and Agricultural Business. As such, the Directors consider it appropriate to classify such loans as non-current liabilities as at 31 December 2017 and 2018.

21. OTHER BORROWING

	Effective interest rate *(%)*	**Maturity**	**2018** *HK$'000*	*2017* *HK$'000*
Other borrowing – unsecured	8.5	2019	**8,000**	8,000
Analysed into:				
Other borrowing repayable:				
Within one year			**8,000**	–
Carrying amount of borrowing that is not repayable within one year from the end of the reporting but contains a repayment on demand clause (shown under current liabilities)			**–**	8,000
			8,000	8,000

22. CONVERTIBLE BOND

In October 2017, the Company issued a convertible bond with a principal amount of HK$18,000,904 (the "Convertible Bond") to an independent third party (the "CB Holder"). The Convertible Bond, which is convertible into the 166,060,000 ordinary shares of the Company at a conversion price of HK$0.1084 per share, bears an interest rate at 1% per annum and matures in October 2019. Each of the Company and the CB Holder were granted an early redemption option (the "Derivative") to request the counterparty to redeem the Convertible Bond any time after the first anniversary of the date of the issuance of the Convertible Bond.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount minus the fair value of the Derivative granted to the CB Holder was assigned as the equity component and is included in shareholders' equity.

As at 31 December 2017 and 2018, the movements of the Convertible Bond are as follows:

	2017 *HK$'000*
Nominal value of the Convertible Bond	18,001
Less: the fair value of the Derivative granted to the CB Holder	(913)
Equity component	(3,931)
Liability component at the issuance date*	13,157
Interest expenses *(note 7)*	400
Included in accrued interest – current liabilities	(32)
Liability component at 31 December 2017	13,525

	2018 ***HK$'000***
Liability component as at 1 January 2018	
– included in accrued interest – current portion	**32**
– non-current portion	**13,525**
	13,557
Interest expenses *(note 7)*	**835**
Redemption of convertible bond	**(14,392)**
Liability component at 31 December 2018	**–**

* The fair value of the Derivative granted to the Company of approximately HK$2,310,000 was included in the liability component of the Convertible Bond of HK$15,467,000 (before deducting the Derivative) as the early redemption option granted to the Company is closely related to the host debt contract and the Derivative granted to the Company did not separate from the liability host contract (i.e. Liability component of the Convertible Bond).

In April 2018, the Group entered into a trust deed (the "Trust Deed") with an independent professional trustee (the "Trustee"), pursuant to which the Trustee is engaged by the Group as its trustee for the purpose of its share award scheme (the "Share Award Scheme") to its employees. In May 2018, the Trustee, under the instruction of the Company, bought back the Convertible Bond from the CB Holder at a consideration of HK$14,501,000 pursuant to a sale and purchase agreement (the "Convertible Bond S&P") dated 10 May 2018 entered into with CB holder. The Convertible Bond S&P was completed on 10 May 2018. As at 31 December 2018 and up to the date of these consolidated financial statements, the Convertible Bond has been held by the Trustee for purpose of the Share Award Scheme and no award had been granted under the Share Award Scheme. The buy-back of he Convertible Bond represented an early redemption of the Convertible Bond during the year and the related gain on redemption of the Convertible Bond calculated as follows:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
Consideration for the Buy Back[Θ]	14,149	352	14,501
Less:			
Carrying amount of the liability component	(14,392)	–	(14,392)
Carrying amount of the equity component	–	(3,931)	(3,931)
Carrying amount of the derivative	(913)	–	(913)
Gain on redemption of the Convertible Bond	(1,156)	(3,579)	(4,735)

Θ As at the date of redemption on 10 May 2018, the fair value of the liability component of the Convertible Bond of HK$14,149,000 was determined by the Valuer. The related consideration is allocated to the liability component at its fair value as at the date of redemption, the remaining portion is allocated to equity component and accordingly, the Group recognised a gain on early redemption of the Convertible Bond of HK$4,735,000, in which, as to HK$1,156,000 (note 5) was recognised in the consolidated statement of profit or loss and the remaining balance of HK$3,579,000 was directly recognised in the retained earnings.

23. SHARE CAPITAL

	Notes	**2018** **Number of shares**	**2018** **Nominal value** ***HK$'000***	2017 Number of shares	2017 Nominal value *HK$'000*
Authorised:					
At beginning of year, ordinary shares of HK$0.05 (2017: HK$0.01) each		**4,000,000,000**	**200,000**	20,000,000,000	200,000
Share consolidation	*(a)*	**–**	**–**	(16,000,000,000)	–
At end of year, ordinary shares of HK$0.05		**4,000,000,000**	**200,000**	4,000,000,000	200,000
Issued and fully paid:					
At beginning of year, ordinary shares of HK$0.05 (2017: HK$0.01) each		**831,261,212**	**41,563**	3,463,606,061	34,637
2017 Share Consolidation	*(a)*	**–**	**–**	(2,770,884,849)	–
2017 Placing	*(b)*	**–**	**–**	138,540,000	6,926
At end of year, ordinary shares of HK$0.05		**831,261,212**	**41,563**	831,261,212	41,563

Notes:

(a) On 13 January 2017, the Company completed a share consolidation (the "2017 Share Consolidation") on the basis that every five issued and unissued existing shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each. The 2017 Share Consolidation was approved by independent shareholders at the special meeting held on 12 January 2017.

(b) On 8 February 2017, the Company entered into a placing agreement (the "2017 Placing Agreement") with the placing agent, pursuant to which, the Company placed (the "2017 Placing") a total of 138,540,000 New Shares (the "2017 Placing Shares") of HK$0.05 each to not less than six placees who and whose respective ultimate beneficial owners are independent third parties at a placing price of HK$0.2 per 2017 Placing Share. The 2017 Placing was completed on 23 February 2017, with the net proceeds of approximately HK$26,639,000 for strengthen the working capital of the Group.

24. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$000	*HK$000*
Within 1 year	**889**	1,108
In the second to fifth years, inclusive	**–**	781
	889	1,889

25. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group completed the Solar Power Disposal took place on 31 January 2019 (as detailed in note 16 to this announcement).

26. COMPARATIVE FIGURES

The Group has initially adopted HKFRS 9 and HKFRS 15 as at 1 January 2018. Under the transition methods chosen comparative information is not restated. Further details of changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2018, despite the increase in revenue of the Forestry and Agricultural Business by 9.4% to HK$26.6 million, such increase was off-set by the non-performance of the Cultural Business, which resulted in the revenue of the Group having decreased by 23.7% to HK$28.4 million (2017: HK$37.2 million).

Gross profit

Given the decline in revenue as a result of the non-performance of the Cultural Business, the Group recorded a decrease in its gross profit to HK$5.6 million for the year ended 31 December 2018 (2017: HK$7.3 million). The gross profit margin of the Group maintained at a similar level of 19.7% (2017: 19.5%).

Loss for the year

For the year ended 31 December 2018, the consolidated loss and loss attributable to the ordinary equity holders of the Company amounted to HK$44.9 million (2017: HK$115.9 million) and HK$37.6 million (2017: HK$103.4 million), respectively. The significant decrease in net loss was mainly attributable to the decrease in impairment loss in respect of the Group's intangible assets, property, plant and equipment and available-for-sale investments.

Basic and diluted loss per Share for the year was HK4.5 cents (2017: HK12.7 cents).

RECENT DEVELOPMENT

In November 2017, the Group entered into a sale and purchase agreement relating to the disposal of the Group's entire 17.5% equity interest in the Solar Power Group and shareholder loan to a third party for a consideration of HK$24.0 million. The disposal was completed in January 2019.

REVIEW ON BUSINESS SEGMENTS

Forestry and Agricultural Business

During the year ended 31 December 2018, although the tightening and volatile administrative policies of the government authorities in Cambodia on forestland continued to adversely affect the Forestry and Agricultural Business, the Forestry and Agricultural Business was able to record a slight increase in revenue of 9.4% to HK$26.6 million when compared with the previous year (2017: HK$24.3 million). As the projected selling prices of the agricultural produces are still in a declining trend, the fair value of the exclusive right of the Group's forests and the related property, plant and equipment remained to be Nil as at 31 December 2018 (2017: Nil).

In view of the volatile political environment and the effort made by the subscribers and their contribution to the development of the Forestry and Agricultural Business (such as installation of the new equipment and the contribution of working capital in the past years), the Group has decided not to exercise its right under the share charge and continue to work with the subscribers. Going forward, the Group will continue to monitor and assess the risk and challenges of this business segment from time to time with a view to mitigating any adverse impact of this business segment on the Group's financial results.

Financial Services Business

For the year ended 31 December 2018, the Financial Services Business recorded revenue of HK$1.8 million (2017: HK$2.5 million) and a segment loss of HK$10.7 million (2017: HK$3.9 million). Given the economic downturn and the uncertainties of the Hong Kong financial market, this business segment is undergoing a restructuring process and an impairment loss on goodwill of HK$3.5 million (2017: HK$Nil) was recognised.

Cultural Business

Due to the non-performance of the Cultural Business (no new projects were entered into during the year), this business segment did not record any revenue (2017: HK$10.4 million) and record a segment loss of HK$1.8 million (2017: profit of HK$0.4 million) during the year ended 31 December 2018.

Logistics Business

During the year ended 31 December 2018, the Logistics Business did not record any revenue (2017: Nil) and recorded a segment loss of HK$Nil (2017: loss of HK$0.4 million).

PROSPECTS

The Forestry and Agricultural Business will continue to be affected by the stringent administrative policies of the Cambodia government and the subject of environment protection and forestland preservation concern. Looking forward, the Group anticipates that the worldwide business environment will become more challenging. The sentiment of the Hong Kong and global financial markets will be adversely affected by the ongoing Sino-United States trade tension and the slow down in the Chinese economy. In view of the volatile economic conditions and the challenges ahead, the Company will cautiously monitor the development and performance of its business segments and strive to maintain a balanced business portfolio, whilst it will keep abreast of the investment opportunities available, particularly those with growth potential and possible synergy/collaboration with the Group's businesses.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2018, the Group's net cash used in operating activities amounted to HK$27.0 million (2017: HK$49.1 million). Its net cash inflow from investing activities amounted to HK$12.2 million (2017: net cash used HK$34.5 million) and net cash used in financing activities amounted to HK$14.5 million (2017: net cash inflow HK$55.0 million). As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK$29.3 million (2017: HK$28.6 million).

As at 31 December 2018, the Group had total assets of HK$105.5 million (2017: HK$147.9 million) and total liabilities of HK$84.5 million (2017: HK$77.5 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to the total assets) was 80.1% (2017: 52.4%). As at 31 December 2018, the total borrowings of the Group amounted to HK$24.9 million (2017: HK$37.7 million), comprising borrowing of HK$8 million (2017: HK$8 million), convertible bond of HK$Nil (2017: HK$13.5 million) and other loan of HK$16.9 million (2017: HK$16.2 million).

As at 31 December 2018, the Group's current assets amounted to HK$87.7 million (2017: HK$81.8 million), of which HK$28.2 million (2017: HK$56.9 million) was cash and bank balances, and its current liabilities amounted to HK$67.6 million (2017: HK$61.3 million).

As at 31 December 2018, the net assets of the Group amounted to HK$21.0 million (including non-controlling interests) (2017: HK$70.4 million) and the net asset value per ordinary shares in issue as at the end of the reporting period amounted to HK$0.03 (2017: HK$0.09).

CAPITAL STRUCTURE

As at 31 December 2018, the total number of issued ordinary shares and the issued share capital of the Company were 831,261,212 (2017: 831,261,212) and HK$41,563,060 (2017: HK$41,563,060) respectively.

FUND RAISING ACTIVITIES

During the year ended 31 December 2018, the Group did not conduct any equity fund raising activities.

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

No capital commitment of the Group was outstanding as at 31 December 2018.

Significant Investment and Material Acquisition and Disposal

Details of the Group's significant investments and material acquisitions during the year ended 31 December 2018 were disclosed in the paragraph "Recent Development" above.

Charge on assets of the Group

As at 31 December 2018, no assets of the Group have been pledged.

RISKS FACTORS

Competition

The market of the agricultural produces is highly competitive and challenging, including pressure from rising production costs, volatile product prices and substitution of products, etc. If the Group cannot respond to market conditions and implement appropriate strategies, it will affect the market demand of the Group's products, the reputation and the financial performance of the Group.

Cambodia being a developing country

The Group operates its Forestry and Agricultural Business in Cambodia. Cambodia is a developing country and is subject to political, economic and social development and its administrative policies to be implemented from time to time may potentially adversely affect the operation and hence the profitability of the Group. In addition, Cambodia has underdeveloped wood processing and transportation infrastructure and the Group may potentially incur additional and unexpected costs for transportation of its timber.

Adverse impact from natural hazards

In the event of prolonged and abnormally high level of rain at the location of the forests owned by the Group, the Group's Forestry and Agriculture Business will be adversely affected.

Price of agricultural produces

Agricultural produces are common commodity and their prices are subject to a number of factors including the consumer demand, the supply in the market and the substitution available etc. When there is a continuous decline in the prices of agricultural produces, the profitability of the Group and the recoverable amount of the Group's intangible assets will be adversely affected.

Liquidity risk

The liquidity of the Group refers primarily to its ability to maintain adequate cash inflow to meet its debt obligation and it is the Group's policy is to regularly monitor current and expected liquidity requirements. The Group's liquidity risk was mainly resulted from the Group's significant operating losses in the past years (net loss of the Group amounted to HK$115.9 million and HK$44.9 million for each of the years ended 31 December 2017 and 2018 respectively). As at 31 December 2018, the Group had net current assets of HK$20.1 million (2017: HK$20.5 million) and had cash and bank balances of HK$28.2 million (2017: HK$56.9 million) and therefore is not expected to have any going concern issue in the short term.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and other assets and cash and bank balances. For the year ended 31 December 2018, the Group recorded impairment loss on trade receivables of HK$1.0 million (2017: HK$0.1 million).

Foreign exchange

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. Almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$, United States Dollar ("US$") or Renminbi ("RMB") and accordingly, the Group's foreign currency risk is not material as the exchange rate of HK$ against US$ is quite stable. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

EMPLOYEES' INFORMATION

As at 31 December 2018, the Group had 53 (2017: 70) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance as a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, saved as disclosed below, the Company has complied with the CG Code.

Chairman and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairman of the Board and the chief executive has been set out in writing. The chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interest of the Group. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group.

During the year ended 31 December 2018, the office of the chief executive remained vacated. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has been established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee's primary duties include reviewing the annual reports and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The Audit Committee currently comprises of three independent non-executive Directors, namely, Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Kenneth Hung.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2018 and was of the opinion that the preparation had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

SCOPE OF WORK OF AUDITORS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by Ascenda Cachet 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 HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 will be despatched to its shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.irresources.com.hk) as soon as practicable.

By Order of the Board of
IR RESOURCES LIMITED
Chan Ching Hang
Chairman of the Board

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chan Ching Hang and Mr. Zeng Lingchen; and three independent non-executive Directors, namely, Mr. Hong Bingxian, Mr. Kenneth Hung and Ms. Pang King Sze, Rufina.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication and on the website of the Company at http://www.irresources.com.hk.