遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 0036

ANNUAL REPORT 2013

CONTENTS

The English text of this Annual Report shall prevail over the Chinese text.

CORPORATE INFORMATION

PLACE OF INCORPORATION
Hong Kong

BOARD OF DIRECTORS
Executive Directors
Deacon Te Ken Chiu, J.P. (Chairman)
Mr. Derek Chiu
Mr. Richard Yen (Managing Director and Chief Executive Officer)
Mr. Ip Ngai Sang

Non-Executive Director
Mr. Desmond Chiu

Independent Non-Executive Directors
Dr. Lam Lee G.
Mr. Eugene Yun Hang Wang
Mr. Lee Kwan Hung

COMPANY SECRETARY
Ms. Wong Po Ling Pauline

SOLICITORS
Sit, Fung, Kwong & Shum
King & Wood Mallesons

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES
Mr. Derek Chiu
Ms. Wong Po Ling Pauline

AUDIT COMMITTEE
Dr. Lam Lee G. (Chairman)
Mr. Eugene Yun Hang Wang
Mr. Lee Kwan Hung

REMUNERATION COMMITTEE
Dr. Lam Lee G. (Chairman)
Mr. Derek Chiu
Mr. Eugene Yun Hang Wang

NOMINATION COMMITTEE
Mr. Eugene Yun Hang Wang (Chairman)
Mr. Derek Chiu
Dr. Lam Lee G.

INVESTMENT COMMITTEE
Dr. Lam Lee G. (Chairman)
Mr. Derek Chiu
Mr. Eugene Yun Hang Wang

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE
16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

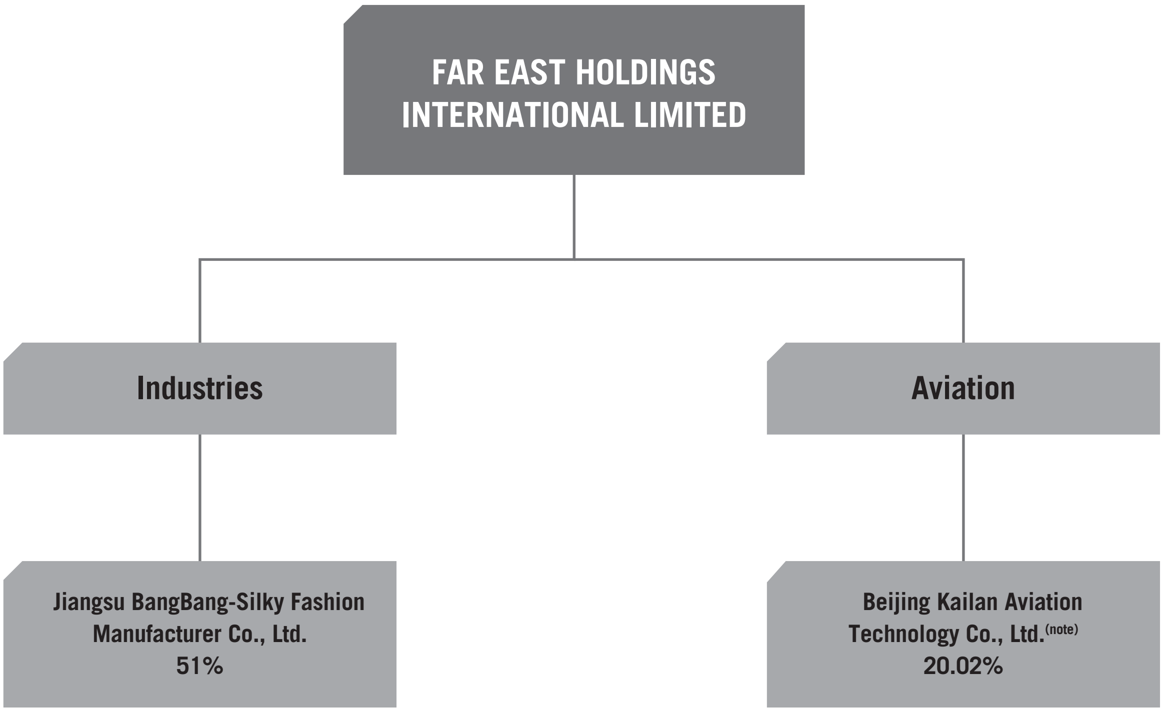
PRINCIPAL OFFICE
Room 2101–2102, 21st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong
Telephone: 3521 3800
Facsimile: 3521 3821
Email: info@feholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION
Stock Code: 36
Board Lot Size: 3000

WEBSITE
http://www.feholdings.com.hk

CORPORATE PROFILE



Note: The Group disposed of approximately 20.02% of the equity interests in 北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd.*) on 30th September, 2013. All conditions precedents were fulfilled on 24th February, 2014. Registration of the change of business has been completed and a new business license was obtained on 17th March, 2014. For details, please refer to the announcement of the Company dated 30th September, 2013.

* *For identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31st December, 2013, Far East Holdings International Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue from operations of approximately HK$15.93 million (2012: HK$17.05 million), representing a decrease of 6.57% as compared to that of last year. The Group's loss attributable to owners of the Company was approximately HK$11.01 million (2012: HK$18.98 million), representing a decrease of 41.99% as compared to that of last year. The total comprehensive income of the Group for the year was approximately HK$46.03 million (2012: total comprehensive expense of approximately HK$57.94 million), which was mainly attributable to a gain on change in fair value of available-for-sale investments of equity securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The loss per share for the year ended 31st December, 2013 was 2.48 HK cents (2012: 5.57 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2013, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$105.44 million (2012: HK$96.00 million). Fundamentally, the Group's funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2013, the Group had no bank and other loans (2012: nil). The Group did not have any financial instruments used for hedging purpose during the year (2012: nil).

GEARING RATIO

As the Group did not have any interest bearing bank loans, the Group was in net cash position during the year ended 31st December, 2013, no gearing ratio information was presented (2012: nil).

CURRENT RATIO

The Group's current ratio (current assets to current liabilities) as at 31st December, 2013 increased to 93.6 (2012: 33.2). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

An open offer was completed and a total of 151,418,943 offer shares were issued on 31st January, 2013. As a result, the total number of issued ordinary shares of the Company increased to 454,256,829 shares. As at 31st December, 2013, the total number of issued ordinary shares of the Company was 454,256,829 shares.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign exchange fluctuation during the year.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2013, the Group and the Company do not have significant contingent liabilities (2012: nil).

Capital Commitments

As at 31st December, 2013, the Group had no significant capital commitments (2012: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

Disposal of Investment in Market Talent

On 24th May, 2013, the Company disposed of approximately 18.10% of the entire issued share capital of Market Talent Limited ("Market Talent") to Mr. Chu Kar Cheong, who holds approximately 81.90% of the entire issued share capital of Market Talent, at a cash consideration of HK$2,800,000. The Group recognised an impairment loss of HK$14,500,000 on the investment in Market Talent during the year ended 31st December, 2012 and its carrying value was HK$2,500,000 as at 31st December, 2012. The Board considered that it was appropriate to exit this investment and to receive a residual value as general working capital of the Group.

Major Transaction in relation to the Disposal of Equity Interest in Beijing Kailan

On 30th September, 2013, Jubilee Star Limited, an indirect wholly-owned subsidiary of the Company disposed of approximately 20.02% of the equity interests in 北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd.*) ("Beijing Kailan") to 中國航空器材集團公司 (China Aviation Supplies Holding Company*) ("China Aviation"), which holds approximately 79.98% of the equity interest in Beijing Kailan, at a consideration of RMB40.50 million (equivalent to approximately HK$51.33 million). All conditions precedents were fulfilled on 24th February, 2014. Registration of the change of business have been completed and a new business licence was obtained on 17th March, 2014. The Company is currently in preparation of the bilateral tax treaty procedures and the set-up of a foreign entity account before receiving payment of consideration from China Aviation.

Discloseable Transaction in relation to Cornerstone Investment in China Binary

On 27th November, 2013, the Company entered into the cornerstone investor agreement with China Binary Sale Technology Limited ("China Binary") and the bookrunner, pursuant to which the Company has agreed to acquire the shares of China Binary up to an aggregate value of HK$10 million. The cornerstone investment was completed and China Binary was listed on the Growth Enterprise Market of the Stock Exchange successfully on 4th December, 2013. A substantial fair value gain on the investment in China Binary was recorded on the consolidated financial statements of the Company for the year ended 31st December, 2013.

DIVIDEND

No interim dividend was paid during the year and the Board does not recommend a final dividend for the year ended 31st December, 2013 (2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2013 the Group had approximately 229 employees in Hong Kong and the PRC (2012: 210 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There was a total of 19.77 million share options (2012: 1.32 million share options) outstanding under the share option scheme as at 31st December, 2013. Following the completion of the open offer on 31st January, 2013, the exercise price and the number of the share options granted on 21st April, 2006 were adjusted pursuant to the terms of the share option to HK$0.5032 per Share and 1.6 million share options respectively. 18,170,270 share options was granted on 16th April, 2013 at the exercise price of HK$0.27 per Share.

BUSINESS REVIEW AND PROSPECTS

2013 was a challenging year for the Company and its operations. Increasing production costs in China and appreciation of RMB/USD has been a major issue working against the Company's business expansion efforts in other countries. However, the Company was able to control sales and operational costs, therefore minimized the financial losses.

Garment Industries

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. ("JBB")

JBB's business continued to be one of Company's key focus areas. JBB increased its effort in reducing total costs while trying to maintain production volume that contributes to the fixed costs. Efforts were made to reduce wastage and shorten time to market. Despite various efforts in expanding Europe and US export sales, pricing pressure pushed down the total revenue. The management expects JBB to face similar challenges in 2014. Therefore management of the Company is looking for ways to structurally change the business model to improve productivity and profitability including domestic business development.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan")

During the year, Beijing Kailan recognized a net profit amounted to HK$10.02 million (2012: HK$7.77 million), representing an increment of 28.96% over that of 2012. The increase of net profit of Beijing Kailan is mainly contributed by the gain on long term equity investment amounted HK$14.54 million (2012: Gain of HK$5.76 million).

Under the current competitive business environment, new competitors are pushing down prices while labour and material costs continue to increase, it is difficult to maintain the profit margin without sacrificing the market share. In view of the difficulty in maintaining a positive operating revenue, on 30th September, 2013, the Company has reached an agreement to sell the 20.02% stake in Beijing Kailan to Beijing Kailan's partner China Aviation Supplies Holding Company for RMB40.5 million.

Outlook

The Company is actively looking for more investment opportunities that can provide recurring income while minimizing the risk exposure. Therefore the Company is actively trying to increase holdings of properties that can provide stable income while capturing long term opportunities. Geographically the PRC and Hong Kong properties still provide the best opportunities given the risks and costs involved. However, other areas such as US and Japan are within the Company's interests.

Although volatility in financial markets also hindered the Company's ability to identify good investment opportunities, some of the information technology related investments were able to generate healthy returns in 2013, and the Company will continue to actively invest in this area.

EVENT AFTER THE REPORTING PERIOD

Major and Connected Transaction relating to Acquisition of Blooming Success and Application for Whitewash Waiver

On 24th January, 2014, the Company entered into the acquisition agreement with Mr. Duncan Chiu, a substantial shareholder who is beneficially interested in approximately 22.20% of the issued share capital of the Company (the "Vendor"), pursuant to which the Company conditionally agreed to acquire the entire issued shares of Blooming Success Limited ("Blooming Success"), at the consideration of HK$36.6 million, in which HK$10 million of the consideration will be satisfied in cash and HK$26.6 million will be satisfied by the issue and allotment of 62,588,235 shares of the Company at an issue price of HK$0.425 per share.

The Vendor and the parties acting in concert with him in aggregate own 181,235,497 shares, representing approximately 39.90% of the issued share capital of the Company. Assuming all the conditions precedent of the acquisition agreement are fulfilled, 62,588,235 shares will be issued to the Vendor upon completion. As such, the interest of the Vendor will increase to 163,417,604 shares, representing approximately 31.62% of the issued share capital of the Company, and the aggregate interest of the Vendor and the parties acting in concert with him will increase to 243,823,732 shares, representing approximately 47.18% of the issued share capital of the Company. In the absence of the whitewash waiver, the Vendor would be obligated to make a mandatory general offer for all the shares pursuant to The Hong Kong Code on Takeovers and Mergers ("Takeovers Code") as a result of the acquisition.

An application to the Corporate Finance Division of the Securities and Futures Commission of Hong Kong for the whitewash waiver has been made by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The whitewash waiver would be subject to, among other things, the approval of the independent shareholders at the extraordinary general meeting by way of poll.

Richard Yen
Managing Director

Hong Kong, 28th March, 2014

* *For identification purpose only*

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Deacon Te Ken Chiu, J.P. (Chairman)

Deacon Chiu, J.P. aged 88, is the founder of the Far East Group and has been the Chairman of the Board since 1981. With effect from 8th September 2011, he has retired as the chairman and the executive director and was appointed as the honorary chairman of Far East Consortium International Limited (stock code: 35). Deacon Chiu, J.P. is also the chairman of the board of directors of Far East Hotels and Entertainment Limited (stock code: 37). He has more than 50 years of business experience in property investment and development, operation of entertainment and tourism related business, hotel ownership and management and financing and banking. Deacon Chiu, J.P. was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th, the founder of Yan Chai Hospital and the vice patron of the Community Chest since 1968, the founder and permanent honorary chairman of The New Territories General Chamber of Commerce, and the founder and chairman of Ju Ching Chu Secondary School since 1966.

Deacon Chiu, J.P. is the father of Messrs. Derek Chiu, the executive Director and Desmond Chiu, the non-executive Director.

Mr. Derek Chiu, BA

Mr. Derek Chiu, aged 48, joined the Group in 1989 and was re-designated as the executive Director in November 2011. He is also appointed as a member of each of the remuneration committee, the nomination committee and the investment committee of the Company. Mr. Chiu is also directors of various subsidiaries and an associated company of the Company. He is the managing director and chief executive of Far East Hotels and Entertainment Limited (stock code: 37). Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business.

He is the son of Deacon Chiu, J.P., the Chairman of the Board and the executive Director, and the brother of Mr. Desmond Chiu, the non-executive Director.

Mr. Richard Yen, MBA (Managing Director and Chief Executive Officer)

Mr. Yen, aged 45, joined the Group in November 2011. He was also appointed as the chief executive officer/managing director and directors of a subsidiary and an associated company of the Company. Mr. Yen leads the management team and is responsible for the Group's business development. Mr. Yen has over 20 years of executive management and mergers and acquisitions experience in the region, working in multinational companies in Japan, the United States and China. He possesses extensive industry knowledge in advanced technology and consumer products, and devises corporate strategies related to technology and regional business development. Mr. Yen holds a Bachelor Degree in Aerospace Engineering and a Master Degree in Business Administration in International Management from Boston University.

Mr. Yen was the executive director and chief operating officer of Golife Concepts Holdings Limited (now known as "China Media and Films Holdings Limited") (stock code: 8172) from 2006 to 2008.

Mr. Ip Ngai Sang, MBA

Mr. Ip, aged 50, firstly joined the Company in April 2009 as a business development manager who is mainly responsible for communicating and managing the portfolio investments of the Group in information, communication and technology companies. In November 2011, he was appointed as an executive Director. Mr. Ip was also a director of a subsidiary of the Company. He received both his Bachelor of Science Degree and Master of Business Administration Degree from the Chinese University of Hong Kong.

NON-EXECUTIVE DIRECTOR

Mr. Desmond Chiu, BA

Mr. Desmond Chiu, aged 47, join the Group since 1991. He is also directors of various subsidiaries of the Company. Mr. Chiu is the executive director and deputy managing director of Far East Hotels and Entertainment Limited (stock code: 37). Graduated from the University of Cambridge, the United Kingdom, Mr. Chiu is the son of Deacon Chiu, J.P., the Chairman of the Board and the executive Director, and brother of Mr. Derek Chiu, the executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Lee G.

Dr. Lam, aged 54, has been an independent non-executive Director since September 2004. He is also appointed as the chairman of each of the audit committee, the remuneration committee and the investment committee and a member of the nomination committee of the Company. Dr. Lam has international experience in general management, management consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates and financial services sectors. Dr. Lam also serves on the board of several publicly-listed companies and investment funds in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms and the Legal Aid Services Council, Dr. Lam is a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a Vice Chairman of Liaoning Chinese Overseas Friendship Association, a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a Member of the Hong Kong Institute of Bankers, a Member of the World Presidents' Organization (WPO), a Member of the Chief Executives Organization (CEO), a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a founding Member of the Hong Kong – Korea Business Council, a founding Board Member and the Honorary Treasurer of the Hong Kong – Vietnam Chamber of Commerce, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong, a visiting professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing, and an adjunct professor at the Department of Management in the Chinese University of Hong Kong.

Dr. Lam was appointed as a non-executive director of Coalbank (ASX:CBQ) with effect from 22 November 2013. He is currently an independent non-executive director of each of Hutchison Harbour Ring Limited (stock code: 715), Imagi International Holdings Limited (stock code: 585), Mei Ah Entertainment Group Limited (stock code: 391), CSI Properties Limited (stock code: 497), Glorious Sun Enterprises Limited (stock code: 393), Vongroup Limited (stock code: 318), and a non-executive director of Sunwah Kingsway Capital Holdings Limited (stock code: 188). He is an independent non-executive director of each of Asia-Pacific Strategic Investment Limited and Rowsley Limited, Next-Generation Satellite Communications Ltd. and Top Global Limited (all of which are listed on the Singapore Exchange). Dr. Lam is also an independent director of Sunwah International Limited (whose shares are Listed on the Toronto Stock Exchange) and an independent non-executive director of Vietnam Equity Holding and Vietnam Property Holding (shares of both companies are listed on the Stuttgart Stock Exchange commencing on 3 April 2013). He resigned as a non-executive director of China Communication Telecom Services Company Limited (stock code: 8206) ("CCTS") on 5 March 2014, and resigned as an independent non-executive director of each of Wai Chun Mining Industry Group Company Limited (stock code: 660) on 23 May 2013, TMC Life Sciences Berhad (listed on Malaysia Stock Exchange) on 27 September 2012, Mingyuan Medicare Development Company Limited (stock code: 233) on 30 May 2012, and CDC Software Corporation (NASDAQ listed) on 16 October 2011.

Dr. Lam holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science Degree in Systems Science, and a Master of Business Administration Degree, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Postgraduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, a Master of Public Administration and a Doctor of Philosophy from the University of Hong Kong.

Mr. Eugene Yun Hang Wang, MBA
Mr. Wang, aged 40, joined the Group in December 2007. He is also a member of each of the audit committee, the investment committee and the remuneration committee and the chairman of the nomination committee of the Company. He holds a Bachelor of Science Degree in Business Administration from the University of Southern California in the United States and a Master of Business Administration Degree from The Hong Kong University of Science and Technology in Hong Kong. He has over 10 years of experience in audit work, accounting and financial management and is currently a CEO of Sterling Products Limited, a garment and textile manufacturing company.

Mr. Lee Kwan Hung, LLB
Mr. Lee, aged 48, joined the Group in March 2012. He is also a member of the audit committee of the Company. He is a practising solicitor and an independent non-executive director of several listed companies in Hong Kong, namely Asia Cassava Resources Holdings Limited (stock code: 841), China BlueChemical Ltd. (stock code: 3983), Embry Holdings Limited (stock code: 1388), Futong Technology Development Holdings Limited (stock code: 465), NetDragon Websoft Inc. (stock code: 777), Newton Resources Ltd (stock code: 1231), Tenfu (Cayman) Holdings Company Limited (stock code: 6868), Walker Group Holdings Limited (stock code: 1386), Landsea Green Properties Co., Ltd. (stock code: 106) and Yuexiu Real Estate Investment Trust (stock code: 405). He was also an independent non-executive Director of New Universe International Group Limited (stock code: 8068). Mr. Lee was a senior manager of the Listing Division of the Stock Exchange from 1993 to 1994.

Mr. Lee received his Bachelor of Laws (Honours) Degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997.

SENIOR MANAGEMENT

Mr. Andrew Chun Wah Fan, BBA, LLB, CPA
Mr. Fan, aged 35, was appointed as the financial controller of the Group after resigned from the office of an independent non-executive Director on 1 March 2012. Mr. Fan is a practicing certified public accountant under the name of C. W. Fan & Co. Limited. Prior to that, he was a vice president of Citigroup and a manager of PricewaterhouseCoopers, Hong Kong. Mr. Fan is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the council member of The Society of Chinese Accountants & Auditors. He is a member of the Tenth and Eleventh Chinese People's Political Consultative Conference of Zhejiang Province (中國人民政治協商會議第十屆及第十一屆浙江省委員會), a member of the 4th and 5th Chinese People's Political Consultative Conference of Shenzhen (中國人民政治協商會議第四屆及第五屆廣東省深圳市委員會), a vice chairman of the Hong Kong United Youth Association.

Mr. Fan holds a Bachelor Degree in Business Administration (accounting and finance) from the University of Hong Kong and a Bachelor Degree in Law from the University of London.

DIRECTORS' REPORT

The directors (the "Directors") of Far East Holdings International Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and joint venture are set out in notes 21 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30 to 31 of the consolidated financial statements.

DIVIDEND

No interim dividend was paid during the year and the Board does not recommend a final dividend for the year ended 31st December, 2013 (2012: nil).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2014 AGM

For determining the entitlement to attend and vote at the 2014 AGM scheduled to be held on Wednesday, 11th June, 2014, the register of members of the Company will be closed from Monday, 9th June, 2014 to Wednesday, 11th June, 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2014 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6th June, 2014.

FIXED ASSETS

Details of movements during the year in fixed assets of the Group and the Company are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 87 of the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the investment properties and property, plant and equipment held by the Group as at 31st December, 2013 are set out in notes 18 and 19 respectively the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There is reserve available for distribution to the shareholders of the Company (the "Shareholders") as at 31st December, 2013 amounted to approximately HK$152.45 million.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, save for the issue of 151,418,943 open offer shares at a issue price of HK$0.20 per share on 31st January, 2013, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities in the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors and Senior Management of the Group are set out on pages 8 to 10.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business during the year.

DIRECTORS

The Directors who held office during the year and upto the date of this annual report were:

Executive Directors

Deacon Te Ken Chiu J.P. (Chairman)
Mr. Derek Chiu
Mr. Richard Yen (Managing Director and Chief Executive Officer)
Mr. Ip Ngai Sang

Non-Executive Director

Mr. Desmond Chiu

Independent Non-Executive Directors

Dr. Lam Lee G.
Mr. Eugene Yun Hang Wang
Mr. Lee Kwan Hung

Pursuant to Articles 79 and 80 of the articles of association of the Company (the "Articles") and the code provision set out in the paragraph A.4.3 of Appendix 14 of the Listing Rules, Mr. Desmond Chiu, Mr. Eugene Yun Hang Wang and Dr. Lam Lee G. shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company (the "AGM").

DIRECTORS' SERVICE AGREEMENTS AND CONTRACT

Mr. Richard Yen ("Mr. Yen") and the Company entered into a service agreement on 2nd November, 2011 pursuant to which Mr. Yen was appointed for a fixed term of 2 years and which expired on 1st November, 2013. During the term of the appointment, Mr. Yen was entitled to annual remuneration of HK$960,000, and a discretionary bonus. Mr. Yen and the Company entered into a new service agreement on 2nd November, 2013 pursuant to which Mr. Yen was appointed for a fixed term of 2 years and which will expire on 1st November, 2015. During the term of the appointment, Mr. Yen is entitled to receive (i) a director's fee of HK$30,000 per calendar month for 12 months, to be payable quarterly on the last day of each quarter, (ii) a salary of HK$62,000 per calendar month from 2nd November, 2013 to 1st November, 2014 and HK$70,000 per calendar month from 2nd November, 2014 to 1st November, 2015, which shall accrue on a daily basis of 365 days per year and be payable on the last business day of each calendar month, and (iii) a discretionary year end bonus payable at the end of each year.

Mr. Ip Ngai Sang ("Mr. Ip") and the Company entered into a service agreement on 2nd November, 2011 pursuant to which Mr. Ip was appointed for a fixed term of 2 years and which expired on 1st November, 2013. During the term of the appointment, Mr. Ip was entitled to annual remuneration of HK$540,000, and a discretionary bonus. Mr. Ip and the Company entered into a new service agreement on 2nd November, 2013 pursuant to which Mr. Ip was appointed for a fixed term of 2 years and which will expire on 1st November, 2015. During the term of the appointment, Mr. Ip is entitled to receive (i) a director's fee of HK$10,000 per calendar month for 12 months, to be payable quarterly on the last day of each quarter, (ii) a salary of HK$40,500 per calendar month from 2nd November, 2013 to 1st November, 2014 and HK$43,000 per calendar month from 2nd November, 2014 to 1st November, 2015, which shall accrue on a daily basis of 365 days per year and be payable on the last business day of each calendar month, and (iii) a discretionary year end bonus payable at the end of each year.

Mr. Lee Kwan Hung ("Mr. Lee") and the Company entered into a service contract for a term of 3 years commencing on 1st March, 2012. He is subject to retirement and re-election in the annual general meeting of the Company in accordance with the Articles. Mr. Lee is entitled to receive a monthly Director's fee of HK$15,000 subject to further adjustment if additional appointments are made.

Save as disclosed above, none of the Directors has services contract with the Company.

None of the Director who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DISCLOSURE OF INFORMATION ON DIRECTOR PURSUANT TO RULE 13.51B OF THE LISTING RULES

During the year, the updated information on Director discloseable under Rule 13.51B of the Listing Rules is as follows:

Dr. Lam Lee G., the independent non-executive Director, was appointed as a non-executive director of Coalbank (ASX: CBQ) with effect from 22nd November, 2013. He resigned as independent non-executive director of Wai Chun Mining Industry Group Company Limited (stock code: 660) with effect from 23rd May, 2013.

Mr. Lee Kwan Hung, the independent non-executive Director, was appointed as independent non-executive director of Landsea Green Properties Co., Ltd (stock code: 106) with effect from 31st July, 2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATIONS

As at 31st December, 2013, the interests and short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name of Director	Number of Shares Personal interests	Family interests	Corporate interests	Equity[3] derivatives (share options)	Total	Approximate[4] percentage of the issued share capital of the Company
Deacon Te Ken Chiu, J.P. ("Deacon Chiu, J.P.")	20,848,664	4,175,160[1]	1,869,366[2]	–	26,893,190	5.920%
Mr. Derek Chiu	88,440	–	–	3,179,797	3,268,237	0.720%
Mr. Richard Yen ("Mr. Yen")	–	–	–	4,542,568	4,542,568	1.000%
Mr. Ip Ngai Sang ("Mr. Ip")	–	–	–	1,817,027	1,817,027	0.400%
Mr. Desmond Chiu	4,000	–	–	–	4,000	0.001%
Dr. Lam Lee G. ("Dr. Lam")	–	–	–	1,817,027	1,817,027	0.400%
Mr. Eugene Yun Hang Wang ("Mr. Wang")	–	–	–	1,817,027	1,817,027	0.400%
Mr. Lee Kwan Hung ("Mr. Lee")	–	–	–	1,817,027	1,817,027	0.400%

Notes:

(1) These Shares were held by Madam Chiu Ju Ching Lan, spouse of Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by Madam Chiu Ju Ching Lan.

(2) These Shares were held by the various companies which were wholly and beneficially owned by Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by the various companies.

(3) The interest of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company.

(4) The percentage is calculated on the basis of 454,256,829 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors had registered an interest and short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31st December, 2013.

(b) Share options

The Company's share option scheme was adopted pursuant to a resolution passed on 23rd May, 2005 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive Directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the Directors may grant options to eligible employees, including Directors and its subsidiaries, to subscribe for shares in the Company.

Particulars of the Company's Share Option Scheme are set out in note 36 to the consolidated financial statements. The following table discloses movements in the Company's share options during the year:

	Number of shares options								
Grantee	(Before open offer adjustment) Outstanding as at 1/1/2013	Adjustment for open offer	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	(After open offer adjustment) Outstanding as at 31/12/2013	(After open offer adjustment) Exercise price	Date of grant	Exercisable period
							HK$		(Both days inclusive)
Directors	–		14,990,473	–	–	14,990,473	0.27	16/4/2013	16/4/2013–15/4/2023
Employees	660,000	138,864	–	–	–	798,864	0.5032	21/4/2006	23/5/2006–22/5/2016
	660,000	138,864	–	–	–	798,864	0.5032	21/4/2006	23/5/2007–22/5/2017
	–		3,179,797	–	–	3,179,797	0.27	16/4/2013	16/4/2013–15/4/2023
	1,320,000	277,728	18,170,270	–	–	19,767,998			

18,170,270 share options of the Company were granted on 16 April 2013. Saves as disclosed above there are no share options of the Company were granted, exercised, cancelled or lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' interests and short positions in shares and underlying shares or any associated corporations", at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2013, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' interests and short positions in shares and underlying shares or any associated corporations", the following Shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

	Number of Shares				Approximate[3] percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total	
Mr. Duncan Chiu	100,829,369	–	–	100,829,369	22.20%
Mr. Daniel Chiu	4,840,000	–	22,880,088[1]	27,720,088	6.10%
Madam Chiu Ju Ching Lan	4,175,160	22,718,030[2]	–	26,893,190	5.92%

Notes:

(1) Out of the 22,880,088 Shares, 4,400,000 Shares were held by Cape York Investments Limited ("Cape York"), 50% of which was owned by Mr. Daniel Tat Jung Chiu, and the remaining 18,480,088 Shares were held by Gorich Holdings Limited ("Gorich"), which was wholly-owned by Mr. Daniel Tat Jung Chiu. By virtue of the SFO, Mr. Daniel Tat Jung Chiu was deemed to be interested in the Shares held by Cape York and Gorich.

(2) These Shares were held by Deacon Chiu, J.P., spouse of Madam Chiu Ju Ching Lan. By virtue of the SFO, Madam Chiu Ju Ching Lan was deemed to be interested in the Shares held by Deacon Chiu, J.P. The interests of Deacon Chiu, J.P. in the Company was stated under the section headed "Disclosure of Interests of Directors and Chief Executive" above.

(3) The percentage is calculated on the basis of 454,256,829 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at 31st December, 2013.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the code provision set out in the paragraph A.4.3 of Appendix 14 of the Listing Rules, any further appointment of independent non-executive director serving more than 9 years should be subject to a separate resolution to be approved by shareholders. Dr. Lam Lee G. is an independent non-executive Director serving on the board for more than 9 years. Separate resolution will be proposed for his re-election at the AGM. (i) The Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in rule 3.13 of the Listing Rules and affirmed that Dr. Lam Lee G. remains independent; (ii) the nomination committee of the Company has assessed and is satisfied of the independence of Dr. Lam Lee G.; and (iii) the Board considers that Dr. Lam Lee G. remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgement. In view of the factors above and the experience and knowledge of Dr. Lam Lee G., the Board would recommend Dr. Lam Lee G. for re-election at the AGM.

Save as disclosed above, the Company has received from each of the independent non-executive Directors an annual confirmation in respect of his independence during the year pursuant to rule 3.13 of the Listing Rules and all the independent non-executive Directors are still being considered to be independent.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$nil.

CONNECTED TRANSACTION

The connected transaction in accordance with the requirements of the Listing Rules was disclosed as "Major and Connected Transaction relating to Acquisition of Blooming Success and Application for Whitewash Waiver" in the section of "Event after the Reporting Period" under Management Discussion and Analysis in this report. The Company has compiled with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

Save as disclosed above, none of the related party transactions entered into by the Group during the year ended 31st December 2013 as disclosed in note 43 to the financial statements constitute a connected transaction of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the Group's largest customer accounted for approximately 97% and 54% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the Group's largest supplier accounted for approximately 68% and 62% of total purchases, respectively.

At no time during the year did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 19 to 27.

AUDIT COMMITTEE

An Audit Committee of the Company (the "Audit Committee") was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code.

During the year ended 31st December, 2013, the Audit Committee met twice considering the financial reporting matters. The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Lam Lee G. (chairman of the Audit Committee), Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

The annual results of the Group for the year ended 31st December, 2013 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2013.

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 12 and 13 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to the Directors and the eligible participants, details of the Share Option Scheme is set out in note 36 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and to all our staff for their dedicated efforts during this year, as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support of our Group.

On behalf of the Board

Richard Yen
Managing Director

Hong Kong, 28th March, 2014

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2013, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviation:

(a) Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive Director is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the CG Code. However, all Directors are subject to retirement by rotation at each annual general meeting under Articles 79 and 80 of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

(b) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting.

The chairman of the Board did not attend the Company's annual general meeting held on Friday, 21st June, 2013 due to other business commitment. However, an executive Director and the chief executive officer of the Company present at the said meeting was elected chairman thereof to ensure an effective communication with the Shareholders thereat.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set of in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board, while the management of the Company is responsible for the daily management and operations of the Group. The Board is directly accountable to the Shareholders and is responsible for preparing the accounts.

Board Composition

The Board comprises eight Directors, whose biographical details are set out in the "Profile of the Directors and Senior Management" of this annual report. Four of the Directors are executive, one is non-executive and three are independent non-executive. The four non-executive Directors bring a broad range of legal, financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

Deacon Te Ken Chiu, J.P., the chairman of the Board and the executive Director, is the father of Mr. Derek Chiu, the executive Director, and Mr. Desmond Chiu, the non-executive Director. Apart from that, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

Appointment, Re-election and Removal of Directors

In accordance with article 84 of the Articles, a director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

In accordance with article 79 of the Articles, at the annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office.

In accordance with article 86 of the Articles, the Company may by an ordinary resolution remove any director (including a managing or other executive Director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the code provision set out in the paragraph A.4.3 of Appendix 14 of the Listing Rules, any further appointment of independent non-executive director serving more than 9 years should be subject to a separate resolution to be approved by shareholders. Dr. Lam Lee G. is an independent non-executive Director serving on the board for more than 9 years. Separate resolution will be proposed for his re-election at the AGM. (i) The Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in rule 3.13 of the Listing Rules and affirmed that Dr. Lam Lee G. remains independent; (ii) the nomination committee of the Company has assessed and is satisfied of the independence of Dr. Lam Lee G.; and (iii) the Board considers that Dr. Lam Lee G. remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgement. In view of the factors above and the experience and knowledge of Dr. Lam Lee G., the Board would recommend Dr. Lam Lee G. for re-election at the AGM.

Save as disclosed above, the Company has received from each of the independent non-executive Directors an annual confirmation in respect of his independence during the year pursuant to rule 3.13 of the Listing Rules and all the independent non-executive Directors are still being considered to be independent.

Board Meetings

The Board meets regularly to review the financial and operating performance of the Company and considers and approves the overall strategies and policies of the Company. An agenda accompanying Board/committee papers are distributed to the Directors/members of the Board committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings with Board committees, which record in sufficient details the matters considered by the Board/ members of the Board committee and decisions reached, including any concerns raised by the Directors/members of the Board committee or dissenting views expressed, are kept by the company secretary of the Company and open for inspection by Directors. Full Board meetings were held for any material transactions instead of by way of written resolutions and the independent non-executive Directors who, and whose associates, have no material interest in the transactions were present at such meetings. All the Directors have separate and independent access to the Company's senior management to fulfill their duties, and to seek independent professional advice in appropriate circumstances upon reasonable request, at the expense of the Company.

13 Board meetings and 2 general meetings were held during the year. The attendance record of each Director at the Board meetings and the general meeting is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Deacon Te Ken Chiu, J.P. (Chairman)	1/13	0/2
Mr. Derek Chiu	9/13	2/2
Mr. Richard Yen (Managing Director and Chief Executive Officer)	13/13	2/2
Mr. Ip Ngai Sang	12/13	1/2
Non-Executive Director		
Mr. Desmond Chiu	0/13	0/2
Independent Non-Executive Directors		
Dr. Lam Lee G.	6/13	0/2
Mr. Eugene Yun Hang Wang	9/13	2/2
Mr. Lee Kwan Hung	12/13	2/2

* The meetings were the annual general meeting held on 21st June, 2013 and the extraordinary general meeting held on 13th November, 2013.

Continuous Professional Development

According to the records maintained by the Company, the Directors have participated in the following continuous professional development to develop and refresh their knowledge and skills in compliance with the new requirement of the CG Code on continuous professional development for the year ended 31st December, 2013:

Directors	Attending in-house briefings	Giving talks	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities	Attending seminars
Executive Directors					
Deacon Te Ken Chiu, J.P.	–	–	–	✓	–
Mr. Derek Chiu	✓	–	–	✓	–
Mr. Richard Yen	–	–	–	✓	–
Mr. Ip Ngai Sang	–	–	–	✓	–
Non-Executive Director					
Mr. Desmond Chiu	–	–	–	✓	–
Independent Non-Executive Directors					
Dr. Lam Lee G.	–	–	–	✓	–
Mr. Eugene Yun Hang Wang	–	–	–	✓	–
Mr. Lee Kwan Hung	✓	✓	✓	✓	–

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and the chief executive officer are held separately by Deacon Te Ken Chiu, J.P. and Mr. Richard Yen respectively and their roles and responsibilities are separate and are set out in writing.

The chairman is responsible for formulating and setting the Group's strategies and policies in conjunction with the Board. The chief executive officer is responsible for managing the Group's strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions and financing.

NON-EXECUTIVE DIRECTORS

The existing non-executive Directors (including all the independent non-executive Directors) are not appointed for a specific term but are subject to retirement and re-election at the annual general meeting of the Company.

During the year, the independent non-executive Directors made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

During the year, the Board has conducted reviews with the external consultants the effectiveness of the internal control system of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide the Shareholders and the public with the necessary information to form their own judgement on the Company.

During the year, the management of the Company provided (i) sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval; and (ii) all the Directors with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2013, the auditor of the Company received approximately HK$1,126,000 for audit service (2012: HK$1,479,000) and nil for non-audit service (2012: nil).

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the financial statements of the Group for the year ended 31st December, 2013 which give a true and fair view of the state of affairs of the Company and of the Group, and are prepared in accordance with the applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

BOARD COMMITTEES

The Board has established the following Board Committees to oversee the particular aspects of the Group's affairs.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the Revised Code and are available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and the auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements, and appointment, re-appointment and removal of external auditor and approving its remuneration and terms of engagement and any questions of resignation or dismissal of that auditor. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. Currently, the Audit Committee comprises all the independent non-executive Directors, namely Dr. Lam Lee G. (chairman of the Audit Committee), Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

During the year, the interim results of the Group for the six months ended 30th June, 2013 and the annual results of the Group for the year ended 31st December, 2013 and the internal control system of the Company have been reviewed by the Audit Committee which is of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosure have been made.

During the year ended 31st December, 2013, three meetings were held. The attendance record of each member of the Audit Committee is as follows:

	Audit Committee meeting attended/ Eligible to attend
Dr. Lam Lee G. (Chairman of the Audit Committee)	3/3
Mr. Eugene Yun Hang Wang	3/3
Mr. Lee Kwan Hung	3/3

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board with written terms of reference. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the Revised Code, and the same are available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management of the Company. No Director is involved in deciding his own remuneration. During the year, the chairman of the Remuneration Committee has been changed from Mr. Derek Chiu, the executive Director, to Dr. Lam Lee G., the independent non-executive Director, in order to comply with rule 3.25 of the Listing Rules that the chairman of the Remuneration Committee should be chaired by an independent Non-Executive Director. Currently, the Remuneration Committee comprises Dr. Lam Lee G. (chairman of the Remuneration Committee), the independent non-executive Director, Mr. Derek Chiu, the Executive Director and Mr. Eugene Yun Hang Wang, the independent Non-Executive Director.

During the year, the Company's policy and the structure of the remuneration of all the Directors and senior management of the Company has been reviewed by the Remuneration Committee and recommendation has been made to the Board for approval.

During the year ended 31st December, 2013, three Remuneration Committee meetings were held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Dr. Lam Lee G. (Chairman of the Remuneration Committee)	2/3
Mr. Derek Chiu	3/3
Mr. Eugene Yun Hang Wang	3/3

Nomination Committee

The nomination committee (the "Nomination Committee") was established by the Board on 28th March, 2012 with written terms of reference. The terms of reference of the Nomination Committee are consistent with the provisions set out in the relevant section of the Revised Code, and the same are available on the website of the Stock Exchange and the Company at www.feholdings.com.hk.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition. Since the date of its establishment, the Nomination Committee comprises Mr. Eugene Yun Hang Wang (chairman of the Nomination Committee) and Dr. Lam Lee G., both are the independent non-executive Directors and Mr. Derek Chiu, the executive Director.

During the year, the structure, size and composition of the Board has been reviewed by the Nomination Committee and the independence of the independent non-executive Directors has been assessed by the Remuneration Committee.

During the year ended 31st December, 2013, two Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is as follows:

	Nomination Committee meeting attended/ Eligible to attend
Dr. Lam Lee G. (Chairman of the Nomination Committee)	2/2
Mr. Derek Chiu	2/2
Mr. Eugene Yun Hang Wang	2/2

Investment Committee

The investment committee of the Company (the "Investment Committee") was established by the Board with written terms of reference.

The Investment Committee is principally responsible for reviewing and evaluating any investment projects proposed by the Company and making recommendation to the Board on such investment projects. It also monitors the investments of the Group. During the year, the Investment Committee comprises Dr. Lam Lee G. (chairman of the Investment Committee), the independent Non-Executive Director, Mr. Derek Chiu, the Executive Director, and Mr. Eugene Yun Hang Wang, the independent Non-Executive Director.

During the year, the Investment Committee provided guidance to the Company on the investment in financial instruments and recommendation made to the Board on the investment projects held by the Company.

Corporate Governance Functions

During the year, the Board is responsible for performing the functions set out in the code provision D.3.1 of the Revised Code. The Board has reviewed, with the professional parties engaged, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Revised Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

During the year, the company secretary of the Company is Ms. Wong Po Ling, Pauline, who is a qualified professional staff provided by an external service provider, and her primary corporate contact person at the Company is Mr. Richard Yen, the managing director, chief executive officer and the Executive Director.

Ms. Wong confirmed that she has received 15 hours professional trainings during the year.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.feholdings.com.hk. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

SHAREHOLDERS' RIGHTS

Procedures for Convening an Extraordinary General Meeting by Shareholders

The procedures for Shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting) can be found in article 48 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

Procedures for Making Enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company by post or by fax at (852) 3521 8321 or by email to info@feholdings.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting Forward Proposals at the General Meetings

The procedures for Shareholders to put forward proposals at the general meetings can be found in article 48 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk. The procedures for Shareholders to propose a Person for Election as a Director are available on the website of the Company at www.feholdings.com.hk.

INVESTOR RELATIONS

Changes in the Articles of Association of the Company

During the Year, the Company has not made any changes to the Articles, which is available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED
遠東控股國際有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 86, which comprise the consolidated and the Company's statements of financial position as at 31st December, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Revenue	6	**15,931**	17,052
Cost of sales		**(14,570)**	(17,626)
Gross profit (loss)		**1,361**	(574)
Dividend income from available-for-sale investments		**311**	122
Dividend income from held-for-trading investments		**253**	478
Other income	8	**1,166**	961
Other gains and losses	9	**6,768**	(4,429)
Selling and distribution costs		**(129)**	(110)
Administrative expenses		**(22,620)**	(17,846)
Finance costs	10	**(38)**	(39)
Loss before tax		**(12,928)**	(21,437)
Income tax expense	11	**–**	–
Loss for the year from continuing operations	14	**(12,928)**	(21,437)
Discontinued operations			
Share of results from discontinued operations	15	**1,501**	1,112
Loss for the year		**(11,427)**	(20,325)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		**1,090**	170
Fair value gain (loss) on available-for-sale investments		**54,933**	(38,040)
Share of exchange difference of a joint venture		**1,430**	258
Other comprehensive income (expense) for the year		**57,453**	(37,612)
Total comprehensive income (expense) for the year		**46,026**	(57,937)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(12,513)**	(20,093)
– from discontinued operations		**1,501**	1,112
		(11,012)	(18,981)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(415)**	(1,344)
– from discontinued operations		**–**	–
		(415)	(1,344)
		(11,427)	(20,325)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**45,907**	(56,676)
Non-controlling interests		**119**	(1,261)
		46,026	(57,937)
Loss per share			
From continuing and discontinued operations			
Basic (HK cents)	17	**(2.48)**	(5.57)
Diluted (HK cents)	17	**(2.48)**	(5.57)
From continuing operations			
Basic (HK cents)	17	**(2.81)**	(5.90)
Diluted (HK cents)	17	**(2.81)**	(5.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**10,140**	8,255
Property, plant and equipment	19	**7,817**	7,648
Prepaid lease payments	20	**765**	843
Interest in a joint venture	22	**–**	44,919
Available-for-sale investments	23	**274,896**	212,329
		293,618	273,994
CURRENT ASSETS			
Prepaid lease payments	20	**28**	29
Held-for-trading investments	24	**12,262**	10,542
Inventories	25	**3,255**	2,630
Trade and other receivables	26	**2,353**	3,133
Amount due from a non-controlling interest	27	**1,158**	3,685
Amount due from a related party	28	**9**	9
Tax recoverable		**10**	70
Deposits held at financial institutions	29	**20,201**	32,742
Pledged bank deposits	30	**6**	5
Bank balances and cash	29	**85,241**	63,257
		124,523	116,102
Assets classified as held for sale	31	**47,850**	–
		172,373	116,102
CURRENT LIABILITIES			
Trade and other payables	32	**1,796**	2,059
Amounts due to related parties	28	**45**	1,151
Obligations under finance leases – due within one year	34	**–**	291
		1,841	3,501
NET CURRENT ASSETS		**170,532**	112,601
TOTAL ASSETS LESS CURRENT LIABILITIES		**464,150**	386,595

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	35	**4,543**	3,028
Share premium and reserves		**442,582**	366,278
Equity attributable to owners of the Company		**447,125**	369,306
Non-controlling interests		**17,025**	16,906
		464,150	386,212
NON-CURRENT LIABILITY			
Obligations under finance leases – due after one year	34	**–**	383
		464,150	386,595

The consolidated financial statements on pages 30 to 86 were approved and authorised for issue by the board of directors on 28th March, 2014 and are signed on its behalf by:

Richard Yen
DIRECTOR

Derek Chiu
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**10,140**	8,255
Property, plant and equipment	19	**62**	183
Investments in subsidiaries	21	**3,134**	3,437
Amounts due from subsidiaries	33	**92,583**	90,967
Available-for-sale investments	23	**267,293**	206,336
		373,212	309,178
CURRENT ASSETS			
Held-for-trading investments	24	**11,862**	10,162
Other receivables		**312**	789
Amount due from a related party	28	**9**	9
Deposits held at financial institutions	29	**20,201**	32,742
Pledged bank deposits	30	**6**	5
Bank balances and cash	29	**20,485**	1,253
		52,875	44,960
CURRENT LIABILITIES			
Other payables		**1,165**	1,341
Amounts due to related parties	28	**45**	1,151
Amounts due to subsidiaries	33	**25,169**	25,203
		26,379	27,695
NET CURRENT ASSETS		**26,496**	17,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**399,708**	326,443
CAPITAL AND RESERVES			
Share capital	35	**4,543**	3,028
Share premium and reserves	37	**395,165**	323,415
		399,708	326,443

Richard Yen
DIRECTOR

Derek Chiu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2012	3,028	176,154	9,773	23,117	568	213,342	425,982	17,602	443,584
Loss for the year	–	–	–	–	–	(18,981)	(18,981)	(1,344)	(20,325)
Other comprehensive income (expense) for the year									
Exchange differences arising from the translation of foreign operations	–	–	87	–	–	–	87	83	170
Fair value loss on available-for-sale investments	–	–	–	(38,040)	–	–	(38,040)	–	(38,040)
Share of exchange difference of a joint venture	–	–	258	–	–	–	258	–	258
	–	–	345	(38,040)	–	–	(37,695)	83	(37,612)
Total comprehensive income (expense) for the year	–	–	345	(38,040)	–	(18,981)	(56,676)	(1,261)	(57,937)
Disposal of subsidiaries	–	–	–	–	–	–	–	565	565
At 31st December, 2012	3,028	176,154	10,118	(14,923)	568	194,361	369,306	16,906	386,212
Loss for the year	–	–	–	–	–	(11,012)	(11,012)	(415)	(11,427)
Other comprehensive income for the year									
Exchange differences arising from the translation of foreign operations	–	–	556	–	–	–	556	534	1,090
Fair value gain on available-for-sale investments	–	–	–	54,933	–	–	54,933	–	54,933
Share of exchange difference of a joint venture	–	–	1,430	–	–	–	1,430	–	1,430
	–	–	1,986	54,933	–	–	56,919	534	57,453
Total comprehensive income (expense) for the year	–	–	1,986	54,933	–	(11,012)	45,907	119	46,026
Issue of shares upon Open Offer (Note 35)	1,515	28,770	–	–	–	–	30,285	–	30,285
Transaction costs attributable to open offer (Note 35)	–	(2,377)	–	–	–	–	(2,377)	–	(2,377)
Recognition of equity-settled share based payments	–	–	–	–	4,004	–	4,004	–	4,004
At 31st December, 2013	4,543	202,547	12,104	40,010	4,572	183,349	447,125	17,025	464,150

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(11,427)**	(20,325)
Adjustments for:			
Amortisation of prepaid lease payments		**105**	103
Share-based payment expense		**4,004**	–
Unrealised loss (gain) in held-for-trading investments		**56**	(1,153)
Impairment loss on available-for-sale investment		**–**	14,500
Depreciation of property, plant and equipment		**1,442**	1,290
Finance costs		**38**	39
Gain on disposal of available-for-sale investments		**(300)**	–
(Gain) loss on disposal of property, plant and equipment		**(251)**	7
Loss on disposal of subsidiaries	39	**–**	250
Gain on deregistration of subsidiaries		**(8)**	–
Increase in fair value of investment properties		**(1,885)**	(995)
Interest income from banks and financial institutions		**(682)**	(589)
Scrip dividend received from available-for-sale investments		**(11)**	(5)
Scrip dividend received from held-for-trading investments		**–**	(187)
Share of results of a joint venture		**(1,501)**	(1,112)
Operating cash flows before movements in working capital		**(10,420)**	(8,177)
(Increase) decrease in inventories		**(542)**	1,485
(Increase) decrease in held-for-trading investments		**(1,776)**	20,888
Decrease in trade and other receivables		**816**	948
Decrease (increase) in amount due from a non-controlling interest		**2,564**	(491)
(Decrease) increase in trade and other payables		**(312)**	671
Cash (used in) generated from operations		**(9,670)**	15,324
PRC Enterprise Income tax refund		**99**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(9,571)**	15,324

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Interest received		**682**	589
Acquisition of property, plant and equipment		**(2,103)**	(21)
Acquisition of available-for-sale investments		**(10,123)**	–
Disposal of subsidiaries	39	**–**	8,500
Proceeds from disposal of available-for-sale investments		**2,800**	–
Proceeds from disposal of property, plant and equipment		**938**	5
Placement of pledged bank deposits		**(3)**	(5)
Withdrawal of pledged bank deposits		**2**	41
Placement of deposits held at financial institutions		**(78,848)**	(43,324)
Withdrawal of deposits held at financial institutions		**91,389**	29,221
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**4,734**	(4,994)
FINANCING ACTIVITIES			
Proceeds from issues of shares upon Open Offer		**30,285**	–
Transaction costs paid upon Open Offer		**(2,377)**	–
Repayment of related parties		**(1,106)**	(1,752)
Repayment of obligations under finance leases		**(674)**	(277)
Interest paid on finance leases		**(25)**	(39)
Interest paid on bank borrowing		**(13)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**26,090**	(2,068)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,253**	8,262
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**63,257**	54,929
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**731**	66
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by bank balances and cash		**85,241**	63,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2013

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is engaged in investment holding and securities trading. The principal activities of its subsidiaries and the joint venture are set out in notes 21 and 22 respectively.

During the year, the Group's aviation segment has been classified as discontinued operations as a result of the disposal as set out in note 15. Accordingly, the comparative figures in the consolidated statement of profit or loss and other comprehensive income and certain explanatory notes have been restated.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made assessments as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its 51% ownership interest in Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. ("JBB") in accordance with the new definition of control and the related guidance set in HKFRS10. The directors of the Company concluded that it has had control over JBB which is consolidated into the consolidated financial statements before the application of HKFRS 10 on the basis of the Group's absolute size of holding in JBB, the relative size and dispersion of the shareholdings owned by the other shareholders. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in these consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investment in the joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in the joint arrangement which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 3 and 21 for details).

However, this new disclosure standard is not applicable to the interest in a joint venture for the Group. According to the application guidance of the HKFRS12, when an entity's interest in a joint venture (or a portion of its interest in a joint venture) is classified as held for sale in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose summarised financial information for that joint venture in accordance with application guidance of HKFRS12.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1st January, 2013. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 5 and 18 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

New or revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014.
2 Effective for annual periods beginning on or after 1st July, 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

The Group is assessing the impact of these amendments, standards and interpretation. The Group will apply those amendments and standards when respective annual periods are effective.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets but not on the Group's financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the joint venture in accordance with HKAS 39 unless the retained interest continues to be a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investment joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Investment properties

Investment properties are properties held for capital appreciation and land held for undetermined future use.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of the share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating leases payment are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment property under fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a non-controlling interest/related parties/subsidiaries, deposits held at financial institutions, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets held for trading or loans and receivables.

Equity securities held by the Group that are classified as available-for-sale investment and are traded in an active market are measured at fair value at the end of the reporting period. Changes in fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those held-for-trading investments, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for the financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments previously recognised in profit or loss, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, amounts due to related parties and subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, new share issues and the issue of new debt or repayment of existing debt.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Financial assets				
Held-for-trading investments	**12,262**	10,542	**11,862**	10,162
Loans and receivables (including cash and cash equivalents)	**108,161**	102,567	**133,596**	125,764
Available-for-sale investments	**274,896**	212,329	**267,293**	206,336
Financial liabilities				
Amortised cost	**122**	1,388	**25,239**	26,378

5b. Financial risk management objectives and policies

Details of the Group's and Company's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Assets				
Japanese Yen ("JPY")	**17,732**	20	**17,732**	20
Renminbi ("RMB")	**9**	9	**9**	9
United States dollars ("US$")	**4,746**	5,577	**2,532**	–

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(i) *Currency risk (continued)*

Sensitivity analysis

The Group mainly exposes to fluctuation against foreign currencies at JPY and US$, whereas the Company mainly exposes to fluctuation against JPY.

The following table details the Group's and the Company's sensitivity to a 10% (2012: 10%) increase and decrease in relevant foreign currencies against functional currency of respective group entities. 10% (2012: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2012: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2012: a decrease in post-tax loss) where the relevant foreign currencies strengthen 10% (2012: 10%) against the functional currencies of relevant group entities. For a 10% (2012: 10%) weakening of the relevant foreign currencies against the functional currencies of relevant group entities, there would be an equal and opposite impact on the post-tax results.

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Effect on post-tax results:				
JPY against HK$	**1,481**	2	**1,481**	2
US$ against RMB	**185**	466	**–**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) *Interest rate risk*

The Group and the Company are exposed to cash flow interest rate risk in relation to bank deposits and deposits held at financial institutions.

The Group and the Company currently do not have an interest rate hedging policy to hedge against their exposures. However, the management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arise.

The directors of the Company consider that the overall cash flow interest rate risk is not significant as interest rates are currently at low level and no significant changes are expected for the foreseeable future, accordingly, no sensitivity analysis is prepared.

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(iii) Price risk

The Group and the Company are exposed to equity price risk through their held-for-trading investments and available-for-sale investments. The Group's and the Company's equity price risk are mainly concentrated on equity instruments quoted on the Stock Exchange and Tokyo Stock Exchange Group, Inc. The Group has concentration of price risk on securities issued by a listed issuer which is involved in the development and provision of information technology solutions as it accounts for 83% of the total equity securities classified as available-for-sale investments held by the Group. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective held-for-trading investments had been 10% (2012: 10%) higher/lower, the post-tax loss of the Group and the Company for the year would decrease/increase by HK$1,024,000 (2012: HK$880,000) and HK$990,000 (2012: HK$849,000) respectively, as a result of the changes in fair value of held-for-trading investments.

If the price of the respective available-for-sale listed equity investments had been 10% (2012: 10%) higher/lower, the investment revaluation reserve of the Group and the Company would increase/decrease by HK$27,490,000 (2012: HK$20,983,000) and HK$26,729,000 (2012: HK$20,384,000), respectively as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st December, 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties are arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk are significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit standings.

The credit risk on deposit is limited because the counterparties are financial institutions with strong financial background.

The Group has concentration of credit risk as 82.7% (2012: 91.1%) and 85.6% (2012: 92.9%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the industrial operating segment.

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents and working capital deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows and working capital. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group and the Company rely on bank loans as a source of funding. As at 31st December, 2013, the Group and the Company has available unutilised short-term bank loan facilities of approximately HK$116,356,000 and HK$116,356,000 (2012: HK$250,165,000 and HK$250,165,000), respectively.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

THE GROUP

	Weighted average interest rate %	Repayable on demand and less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade and other payables	–	77	–	–	–	77	77
Amounts due to related parties	–	45	–	–	–	45	45
		122	–	–	–	122	122

	Weighted average interest rate %	Repayable on demand and less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade and other payables	–	237	–	–	–	237	237
Amounts due to related parties	–	1,151	–	–	–	1,151	1,151
Obligations under finance leases	4.74	26	53	237	394	710	674
		1,414	53	237	394	2,098	2,062

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Liquidity risk *(continued)*

Liquidity tables (continued)

THE COMPANY

	Repayable on demand and less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013			
Non-derivative financial liabilities			
Other payables	**24**	**24**	**24**
Amounts due to related parties	**45**	**45**	**45**
Amounts due to subsidiaries	**25,170**	**25,170**	**25,170**
	25,239	**25,239**	**25,239**

	Repayable on demand and less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012			
Non-derivative financial liabilities			
Other payables	24	24	24
Amounts due to related parties	1,151	1,151	1,151
Amounts due to subsidiaries	25,203	25,203	25,203
	26,378	26,378	26,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2013

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Fair value measurement of financial instruments

Some of the Group's and the Company's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

The Group

Financial assets	Fair value 2013 HK$'000	Fair value 2012 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the statement of financial position	**5,442**	7,243	Level 1	Quoted bid prices in an active market
2. Listed equity securities overseas classified as held-for-trading investments in the statement of financial position	**6,820**	3,299	Level 1	Quoted bid prices in an active market
3. Listed equity securities in Hong Kong classified as available-for-sale investments in the statement of financial position	**274,896**	209,829	Level 1	Quoted bid prices in an active market

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Fair value measurement of financial instruments *(continued)*

The Company

Financial assets	Fair value 2013 HK$'000	Fair value 2012 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the statement of financial position	**5,042**	6,863	Level 1	Quoted bid prices in an active market
2. Listed equity securities overseas classified as held-for-trading investments in the statement of financial position	**6,820**	3,299	Level 1	Quoted bid prices in an active market
3. Listed equity securities in Hong Kong classified as available-for-sale investments in the statement of financial position	**267,293**	203,836	Level 1	Quoted bid prices in an active market

There was no transfer between Level 1 and 2 in the current and prior periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated and the Company's financial statements approximate their fair values.

6. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK$15,931,000 (2012: HK$17,052,000).

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For the year ended 31st December, 2013

7. SEGMENT INFORMATION

Information reported to the Managing Director and Chief Executive Officer of the Group, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, is organised into the following segments which focus on the category of different industries and is consistent with the basis of organisation in the Group.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

1. Industrial – manufacturing and sale of garments
2. Other operation – property investment

During the current year, the Group's aviation segment has been classified as discontinued operations as a result of the disposal transaction as set out in note 15. Accordingly, the comparative information has been re-presented to conform with the current year's presentation.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31st December, 2013
Continuing operations

	Industrial HK$'000	Other operation HK$'000	Consolidated HK$'000
Segment revenue			
External revenue	15,931	–	15,931
Segment results	(1,986)	1,460	(526)
Other income			1,166
Finance costs			(38)
Unallocated expenses			(17,774)
Increase in fair value of held-for-trading investments			2,547
Gain on disposal of derivative financial instruments			1,138
Gain on disposal of available-for-sale investments			300
Gain on disposal of property, plant and equipment			251
Gain on deregistration of subsidiaries			8
Loss before tax			(12,928)

7. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31st December, 2012

Continuing operations

	Industrial HK$'000	Other operation HK$'000	Consolidated HK$'000
Segment revenue			
External revenue	17,052	–	17,052
Segment results	(3,441)	445	(2,996)
Other income			961
Finance costs			(39)
Unallocated expenses			(14,122)
Increase in fair value of held-for-trading investments			9,516
Impairment loss on available-for-sale investments			(14,500)
Loss on disposal of property, plant and equipment			(7)
Loss on disposal of subsidiaries			(250)
Loss before tax			(21,437)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit (loss) from each segment including items disclosed in other segment information below, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other income, corporate expenses, finance costs, gain on disposal of derivative financial instruments, changes in fair value of held-for-trading investments, gain on disposal of available-for-sale investments, property, plant and equipment and deregistration of subsidiaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

The following other segment information is included in the measure of segment profit or loss:

2013

Continuing operations

	Industrial HK$'000	**Other operation HK$'000**	**Unallocated amount HK$'000**	**Consolidated HK$'000**
Depreciation of property, plant and equipment	**945**	**376**	**121**	**1,442**
Increase in fair value of investment properties	**–**	**(1,885)**	**–**	**(1,885)**

7. SEGMENT INFORMATION (continued)

Other segment information (continued)

2012

Continuing operations

	Industrial HK$'000	Other operation HK$'000	Unallocated amount HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	817	370	103	1,290
Increase in fair value of investment properties	–	(995)	–	(995)

Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities for the Group as a whole on a consolidated basis, no assets or liabilities are allocated to the operating segments. Therefore, no analysis of segment assets and liabilities is presented.

Revenue from major products

The Group's revenue from continuing operations is the sale of garments amounting to HK$15,931,000 (2012: HK$17,052,000).

Geographical information

The Group's revenue from continuing operations from external customers analysed by the geographical location of customers and information about its non-current assets (excluding interests in a joint venture, available-for-sale investments and financial instruments), by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**4,693**	4,271	**12,054**	9,422
Japan	**9,335**	12,290	**–**	–
Other regions in the PRC	**1,903**	491	**6,668**	7,324
	15,931	17,052	**18,722**	16,746

Information about major customers

Revenues from two customers individually contributing over 10% of total sales of the Group are as follows:

	2013 HK$'000	2012 HK$'000
Customer A (from industrial segment)	**4,693**	4,271
Customer B (from industrial segment)	**8,609**	9,503
	13,302	13,774

8. OTHER INCOME

Continuing operations

Included in other income are:

	2013 HK$'000	2012 HK$'000
Interest income from banks and financial institutions	**682**	589

9. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Continuing operations		
Exchange loss, net	**(544)**	(183)
Gain (loss) on disposal of property, plant and equipment	**251**	(7)
Increase in fair value of held-for-trading investments	**2,547**	9,516
Increase in fair value of investment properties (note 18)	**1,885**	995
Gain on disposal of derivative financial instruments	**1,138**	–
Impairment loss on available-for-sale investments (note 23)	**–**	(14,500)
Gain on disposal of available-for-sale investments (note 23)	**300**	–
Loss on disposal of subsidiaries (note 39)	**–**	(250)
Gain on deregistration of subsidiaries	**8**	–
Write-back of amount due to a related party	**1,183**	–
	6,768	(4,429)

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest on bank loans wholly repayable within five years	**13**	–
Interest on obligations under finance leases	**25**	39
	38	39

11. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no assessable profit for the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1st January, 2008 onwards.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000 (restated)
Loss before tax from continuing operations	**(12,928)**	(21,437)
Tax at the domestic income tax rate of 16.5%	**(2,133)**	(3,537)
Tax effect of expenses not deductible for tax purposes	**446**	3,553
Tax effect of income not taxable for tax purposes	**(684)**	(651)
Tax effect of tax losses not recognised	**2,394**	820
Tax effect of different tax rates of subsidiaries operating in the PRC	**(124)**	(228)
Others	**101**	43
Tax charge for the year (relating to continuing operations)	**–**	–

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2012: nine) directors including the chief executive officer were as follows:

2013

		Other emoluments			
	Fees HK$'000	**Salaries and other benefits HK$'000**	**Retirement benefits schemes contributions HK$'000**	**Equity-settled share-based payments HK$'000**	**Total emoluments HK$'000**
Directors					
Deacon Te Ken Chiu, J.P.	**15**	**–**	**–**	**–**	**15**
Mr. Derek Chiu	**360**	**–**	**–**	**701**	**1,061**
Mr. Desmond Chiu	**15**	**517**	**15**	**–**	**547**
Dr. Lee G Lam	**180**	**–**	**–**	**401**	**581**
Mr. Eugene Yun Hang Wang	**180**	**–**	**–**	**400**	**580**
Mr. Richard Yen (Chief Executive Officer)	**360**	**735**	**15**	**1,001**	**2,111**
Mr. Johnny Ip	**120**	**481**	**15**	**400**	**1,016**
Mr. Lee Kwan Hung	**180**	**–**	**–**	**400**	**580**
	1,410	**1,733**	**45**	**3,303**	**6,491**

12. DIRECTORS' EMOLUMENTS (continued)

2012

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total emoluments HK$'000
Directors				
Deacon Te Ken Chiu, J.P.	15	–	–	15
Mr. Derek Chiu	360	–	–	360
Mr. Desmond Chiu	15	480	14	509
Dr. Lee G Lam	180	–	–	180
Mr. Eugene Yun Hang Wang	180	–	–	180
Mr. Richard Yen (Chief Executive Officer)	360	664	14	1,038
Mr. Johnny Ip	120	441	14	575
Mr. Lee Kwan Hung (appointed on 1st March, 2012)	150	–	–	150
Mr. Andrew Fan Chun Wah (resigned on 1st March, 2012)	30	–	–	30
	1,410	1,585	42	3,037

There was no arrangement under which a director waived or agreed to waive any remuneration and no payment of inducement fees and compensation for loss of office as director during the current year and previous year.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2012: two) are executive directors and one (2012: one) is a non-executive director whose emoluments are included in note 12 above. The emoluments of the remaining one (2012: two) individuals within the band of HK$1,000,001 to HK$1,500,000 (2012: HK$Nil to HK$1,000,000) are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**503**	1,063
Retirement benefits schemes contributions	**15**	28
Equity-settled share-based payments	**701**	–
	1,219	1,091

14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013 HK$'000	2012 HK$'000
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	**105**	103
Auditor's remuneration		
– current year	**1,000**	1,236
– underprovision in prior year	**126**	243
Cost of inventories recognised as an expense	**14,570**	17,626
Depreciation	**1,442**	1,290
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$2,293,000 (2012: HK$2,280,000) and equity-settled share-based payments of HK$4,004,000 (2012: HK$nil)	**19,659**	14,674
Operating lease rental in respect of rented premises	**760**	689

15. SHARE OF RESULTS FROM DISCONTINUED OPERATIONS

On 30th September, 2013, the Group entered into the disposal agreement (the "Disposal Agreement") with 中國航空器材集團公司 ("中國航空器材"), pursuant to which 中國航空器材 conditionally agreed to acquire and the Group conditionally agreed to sell its approximately 20.02% of the equity interest of Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan") at a consideration of RMB40,500,000 (equivalent to approximately HK$51,330,000).

Details of the disposal were disclosed in the circular dated 23th October, 2013 issued by the Company.

On 13th November 2013, the Disposal Agreement was approved, confirmed and ratified by shareholders of the Company. Thereafter, the Group's interests in Beijing Kailan have been classified as assets held for sale and are presented separately in the consolidated statement of financial position as set out in note 31. As Beijing Kailan is the only entity within the Group which is engaged in the operation of the aviation segment, the aviation operation was classified as discontinued operations of the Group. The directors consider that the Disposal would be completed within twelve months. The comparative figures relating to the discontinued operations have also been re-presented.

The share of results for the year from the discontinued operations is analysed as follows:

	2013 HK$'000	2012 HK$'000
Share of profits from discontinued operations for the year	**1,501**	1,112
Share of tax (credit) expense from discontinued operations for the year	**(156)**	410

The discontinued operations did not have any impact on the cash flows of the Group for both years.

16. DIVIDEND

No dividend was declared, paid or proposed, nor has any dividend been proposed since the end of the reporting period for both years presented.

17. LOSS PER SHARE

From continuing and discontinued operations

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

	2013 **HK$'000**	2012 HK$'000
Loss for the purposes of basic and diluted loss per share	**(11,012)**	(18,981)

	2013	2012
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**444,611,650**	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**444,611,650**	340,692,622

The computation of the diluted loss per share for both years does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share from continuing and discontinued operations.

For the years ended 31st December, 2013 and 2012, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 31st January 2013, details of which are described in note 35.

17. LOSS PER SHARE (continued)

From continuing operations

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

	2013 HK$'000	2012 HK$'000 (restated)
Loss for the year attributable to the owners of the Company	**(11,012)**	(18,981)
Less: Profit for the year from discontinued operations attributable to the owners of the Company	**1,501**	1,112
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	**(12,513)**	(20,093)

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

The computation of the diluted loss per share for both years does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share from continuing operations.

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31st December, 2013 was HK0.33 cents per share (2012: HK0.33 cents per share), based on the profit for the year from discontinued operations of HK$1,501,000 (2012: HK$1,112,000) and the denominators used are detailed below:

	2013	2012
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**444,611,650**	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	**2,404,705**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**447,016,355**	340,692,622

18. INVESTMENT PROPERTIES

	THE GROUP HK$'000	THE COMPANY HK$'000
FAIR VALUE		
At 1st January, 2012	15,760	7,260
Increase in fair value recognised in profit and loss	995	995
Disposals	(8,500)	–
At 31st December, 2012	8,255	8,255
Increase in fair value recognised in profit and loss	1,885	1,885
At 31st December, 2013	10,140	10,140

The fair value of the Group's investment properties as at 31st December 2013 and 31st December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected to the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value was determined based on the market approach. The market approach uses prices and other relevant information generated by market transactions involving comparable properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the sales prices of properties nearby the Group's investment properties, which ranged from HK$20/sq.ft to HK$257/sq.ft where sq. ft. is a common unit of area used in Hong Kong. An increase in the sales prices would result in an increase in fair value measurement of the investment properties, and vice versa.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31st December 2013. There were no transfers into or out of Level 3 during the year.

The carrying value of investment properties shown above are situated on:

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Land in Hong Kong				
Medium-term lease	**10,140**	8,255	**10,140**	8,255

All of the Group's and the Company's investment properties include land elements and are situated in Hong Kong held under medium-term leases.

The investment properties of the Group and the Company include an amount of HK$10,140,000 (2012: HK$8,255,000), the title of which has not been transferred to the Group and the Company and are still registered in the name of the vendor companies which are controlled by a close member of a director's family as trustee for the Company.

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19. PROPERTY, PLANT AND EQUIPMENT

	Building in PRC held under medium term lease HK$'000	Leasehold improvements HK$'000	Lifts, electrical and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st January, 2012	12,879	802	32,288	2,542	48,511
Additions	–	–	21	–	21
Disposals	–	(5)	(291)	–	(296)
Exchange realignment	76	–	186	3	265
At 31st December, 2012	12,955	797	32,204	2,545	48,501
Additions	–	–	16	2,087	2,103
Disposals	–	–	(67)	(1,998)	(2,065)
Exchange realignment	410	–	1,005	17	1,432
At 31st December, 2013	13,365	797	33,158	2,651	49,971
DEPRECIATION					
At 1st January, 2012	7,221	416	31,083	902	39,622
Provided for the year	580	125	165	420	1,290
Eliminated on disposals	–	(1)	(283)	–	(284)
Exchange realignment	44	–	180	1	225
At 31st December, 2012	7,845	540	31,145	1,323	40,853
Provided for the year	593	149	110	590	1,442
Eliminated on disposals	–	–	(61)	(1,317)	(1,378)
Exchange realignment	256	–	973	8	1,237
At 31st December, 2013	8,694	689	32,167	604	42,154
CARRYING VALUES					
At 31st December, 2013	4,671	108	991	2,047	7,817
At 31st December, 2012	5,110	257	1,059	1,222	7,648

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1st January, 2012	650	398	1,048
Additions	–	3	3
At 31st December, 2012	650	401	1,051
Additions	–	–	–
At 31st December, 2013	650	401	1,051
DEPRECIATION			
At 1st January, 2012	374	391	765
Provided for the year	96	7	103
At 31st December, 2012	470	398	868
Provided for the year	120	1	121
At 31st December, 2013	590	399	989
CARRYING VALUES			
At 31st December, 2013	60	2	62
At 31st December, 2012	180	3	183

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Building in the PRC	over the shorter of the lease term of land and estimated useful life of 50 years
Leasehold improvements	10%
Lifts, electrical and office equipment	10%–20%
Motor vehicles	20%–30%

As at 31st December, 2012, the carrying value of motor vehicles of the Group included an amount of HK$908,000 in respect of assets held under finance leases, which was disposed of during the year.

An insignificant portion of the building in the PRC has been leased to a third party under an operating lease, and the remaining portion is occupied by the Group as factory premises.

20. PREPAID LEASE PAYMENTS

	THE GROUP	
	2013 HK$'000	2012 HK$'000
The prepaid lease payments represent the leasehold land held under medium term leases in the PRC	**793**	872
Analysed for reporting purposes as:		
Current	**28**	29
Non-current	**765**	843
	793	872

21. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**21,411**	18,611
Less: Impairment loss recognised	**(18,277)**	(15,174)
	3,134	3,437

The impairment loss is estimated by the directors based on the expected future cash flows generated from the Company's investments in these subsidiaries.

Particulars of the principal subsidiaries of the Company at 31st December, 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2013	2012	**2013**	2012	
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US$200 Ordinary shares	**100%**	100%	**–**	–	Securities investment
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding
Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.	PRC*	US$3,940,000 Paid up registered capital	**–**	–	**51%**	51%	Manufacturing and sales of garment products
Jubilee Star Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100%**	100%	Investment holding
Marvel Star Group Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**100%**	100%	**–**	–	Investment holding
Power Profit Far East Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	**–**	–	Investment holding
River Joy Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	**–**	–	Property investment

* Sino-foreign equity joint venture

Note: The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

21. INVESTMENTS IN SUBSIDIARIES (continued)

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.	PRC	**51%**	51%	**(415)**	(1,315)	**17,025**	16,906

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.

	2013 HK$'000	2012 HK$'000
Current assets	**28,935**	28,839
Non-current assets	**6,668**	7,353
Current liabilities	**(534)**	(1,365)
Equity attributable to owners of the Company	**18,044**	17,921
Non-controlling interests	**17,025**	16,906

21. INVESTMENTS IN SUBSIDIARIES (continued)

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. (continued)

	2013 HK$'000	2012 HK$'000
Revenue	15,931	17,052
Expenses	(16,779)	(19,735)
Loss for the year	(848)	(2,683)
Loss attributable to owners of the Company	(433)	(1,368)
Loss attributable to the non-controlling interests	(415)	(1,315)
Loss for the year	(848)	(2,683)
Other comprehensive income attributable to owners of the Company	556	87
Other comprehensive income attributable to the non-controlling interests	534	83
Other comprehensive income for the year	1,090	170
Total comprehensive income (expense) attributable to owners of the Company	123	(1,281)
Total comprehensive income (expense) attributable to the non-controlling interests	119	(1,232)
Total comprehensive income (expense) for the year	242	(2,513)
Net cash inflow (outflow) from operating activities	2,640	(97)
Net cash inflow from investing activities	405	344
Net cash outflow from financing activities	(27)	–
Net cash inflow	3,018	247

22. INTEREST IN A JOINT VENTURE

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Unlisted investment in a joint venture, at cost less impairment	35,592	35,592
Share of post-acquisition profits and other comprehensive income	12,258	9,327
	47,850	44,919
Transfer to assets classified as held for sale (Note 31)	(47,850)	–
	–	44,919

22. INTEREST IN A JOINT VENTURE (continued)

At 31st December, 2013 and 2012, the Group had interests in the following joint venture:

Name of entity	Forms of entity	Place of establishment/ operation	Proportion of nominal value of registered capital/ issued capital held by the Group		Principal activity
			2013	2012	
Beijing Kailan Aviation Technology Co., Ltd. (Note 31)	Incorporated	PRC	**20.02%**	20.02%	Provision of aviation maintenance services

Note: The Group holds 20.02% interest in Beijing Kailan. Under the joint venture agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partner. During the year ended 31st December, 2013, the Group's interests in Beijing Kailan have been classified as held for sale (Note 31).

23. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities listed in Hong Kong, at fair value at quoted market prices	**274,896**	209,829	**267,293**	203,836
Unlisted equity securities in Hong Kong	**–**	2,500	**–**	2,500
	274,896	212,329	**267,293**	206,336

At 31st December, 2012, the above unlisted investment with a carrying amount of HK$2,500,000 represented an investment in unlisted equity securities issued by Market Talent Limited, an entity incorporated in the Cayman Islands which operated in the business of trading of electronic products and the provision of on-demand video services and solutions. The investment was measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that the fair value cannot be measured reliably.

In 2012, based on a written offer of HK$2,500,000 being received from a shareholder of Market Talent Limited. The directors considered that, the amount of the offer from the shareholder was representative of the recoverable amount of its equity interest. In this regard, the directors considered the fair value of its equity interest to be the recoverable amount and an impairment loss of HK$14,500,000 was recognised in profit or loss during the year ended 31st December, 2012.

During the year ended 31st December, 2013, the Group disposed of the unlisted equity securities with carrying amount of HK$2,500,000 and a gain of HK$300,000 has been recognised in profit or loss.

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24. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities:				
Hong Kong	**5,442**	7,243	**5,042**	6,863
Overseas	**6,820**	3,299	**6,820**	3,299
	12,262	10,542	**11,862**	10,162

The fair values of held-for-trading investments have been determined by reference to the quoted market bid prices available on the relevant exchanges.

25. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Raw materials	**861**	774
Work in progress	**1,809**	1,856
Finished goods	**585**	–
	3,255	2,630

26. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (2012: 30 days) to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Current	**821**	–
Past due:		
0 to 30 days	**219**	114
31 to 60 days	**185**	648
61 to 90 days	**8**	467
Over 90 days	**–**	807
Total trade receivables	**1,233**	2,036
Other receivables	**1,120**	1,097
	2,353	3,133

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$412,000 (2012: HK$2,036,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 73 days (2012: 80 days).

27. AMOUNT DUE FROM A NON-CONTROLLING INTEREST

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

The amount due from a non-controlling interest is trade in nature and the Group has a policy of allowing a credit period of 90 days (2012: 30 days) to the non-controlling interest. The aged analysis of the receivable is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Current	**1,158**	859
Past due:		
31 to 60 days	–	782
61 to 90 days	–	258
Over 90 days	–	1,786
	1,158	3,685

Included in the amount due from the non-controlling interest is a trade balance of HK$nil (2012: HK$2,826,000) which is past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after assessing the past payment history of the non-controlling interests and settlement after the end of the reporting period. The Group does not hold any collateral over this balance.

28. AMOUNTS DUE FROM/TO RELATED PARTIES

The amount due from a related party is unsecured, interest-free and has no fixed repayment terms. The maximum amount outstanding is HK$9,000 for both years. The management expects to realise the amount in the next twelve months from the end of the reporting period.

The amounts due to related parties are unsecured, interest-free and repayable on demand.

The related parties are companies in which a director of the Company has a beneficial interest and certain directors of the Company are close family members of the directors with beneficial interest in the related companies.

29. DEPOSITS HELD AT FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

Bank balances and deposits held at financial institutions carry interest at market rates which range from 0.001% to 3.5% (2012: 0.001% to 3.5%) per annum. The deposits held at financial institutions are in relation to securities trading accounts which the Group maintains with these institutions.

30. PLEDGED BANK DEPOSITS

Bank balances are pledged to a bank for granting general banking facilities to the Company.

31. ASSETS CLASSIFIED AS HELD FOR SALE

As set out in note 15, The Group's interests in Beijing Kailan, which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the carrying amount and accordingly, no impairment loss has been recognised.

32. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2013 **HK$'000**	2012 HK$'000
0 to 30 days	**2**	173
Over 90 days	**50**	40
Total trade payables	**52**	213
Other payables and accruals	**1,744**	1,846
	1,796	2,059

33. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured and interest-free. The Company has agreed that the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current. A fair value adjustment amounting to HK$2,801,000 (2012: HK$1,956,000), based on an original effective interest rate of 2.15% (2012: 2.15%) per annum, was included in investments in subsidiaries.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

34. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	–	316	–	291
In more than one year but not more than two years	–	316	–	305
In more than two years but not more than five years	–	78	–	78
	–	710	–	674
Less: Future finance charges	–	(36)	–	–
Present value of lease obligations	–	674	–	674
Less: Amount due within one year shown under current liabilities			–	(291)
Amount due after one year			–	383

Obligations under finance leases were secured by motor vehicles. For the year ended 31st December, 2012, the lease term was five years. The interest rate was 4.74% per annum. No arrangements were entered into for contingent rental payments.

The Group's obligations under finance leases were fully settled during the year.

35. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2013	2012	**2013**	2012
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1st January and 31st December	**70,000,000,000**	70,000,000,000	**700,000**	700,000
Issued and fully paid:				
At 1st January	**302,837,886**	302,837,886	**3,028**	3,028
Shares issued upon Open Offer	**151,418,943**	–	**1,515**	–
At 31st December	**454,256,829**	302,837,886	**4,543**	3,028

Pursuant to an ordinary resolution passed at a board meeting of the Company on 14th December, 2012, an issue of shares by the Company at a price of HK$0.20 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 151,418,943 new shares were issued on 31st January, 2013, resulting in gross proceeds of approximately HK$30,285,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK$2,377,000.

36. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees and will expire on 20th July, 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The number of shares to be issued in respect of which options had been granted and remained outstanding under the Scheme is 19,767,998 (2012: 1,320,000) shares at the end of the reporting period. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 21st April, 2006, 5,100,000 share options were granted at an initial exercise price of HK$1.34. 50% of the 5,100,000 share options were immediately vested upon grant with an exercisable period from 23rd May, 2006 to 22nd May, 2016 and the remaining 50% of the 5,100,000 share options were vested one year from the date of an grant with exercisable period from 23rd May, 2007 to 22nd May, 2017 respectively. Pursuant to the bonus issue in 2007, the exercise price and number of share options granted were adjusted accordingly from HK$1.34 to HK$1.2182 and from 5,100,000 to 5,610,000 respectively. Furthermore, pursuant to the bonus issue in 2009, the exercise price and the remaining number of share options granted were further adjusted from HK$1.2182 to HK$0.6091 and from 1,150,000 to 2,300,000, respectively. Pursuant to the Open Offer during the period, the exercise price and the remaining number of shares options granted were further adjusted from HK$0.6091 to HK$0.5032 and from 1,320,000 to 1,597,728 respectively.

36. SHARE OPTION SCHEME (continued)

During the year, 18,170,270 share options were granted on 16th April, 2013 at an initial exercise price of HK$0.27 and immediately vested upon grant with exercisable period from 16th April, 2013 to 15th April, 2023.

Details of the share options granted on 16th April, 2013 and outstanding at the year ended 2012 and 2013 are as follows:

				Number of share options			
Capacity of grantee	Grant date	Adjusted exercise price HK$	Exercisable period (both days inclusive)	Balance at 1.1.2013 and before Open Offer	Adjustment for Open Offer	Granted during the period	Balance at 31.12.2013
Directors	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	–	–	14,990,473	14,990,473
Employees	21.4.2006	0.5032	23rd May, 2006 to 22nd May, 2016	660,000	138,864	–	798,864
	21.4.2006	0.5032	23rd May, 2007 to 22nd May, 2017	660,000	138,864	–	798,864
	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	–	–	3,179,797	3,179,797
				1,320,000	277,728	18,170,270	19,767,998

No share option lapsed or was exercised during the period.

The estimated fair values of the options granted on 21st April, 2006 which vested in 2006 and 2007 are HK$0.4964 and HK$0.5613 respectively. The market price of the shares at the date of grant was HK$1.34. These fair values were calculated using the Black-Scholes pricing model.

The estimated fair values of the options granted on 16th April, 2013 are HK$0.2204. The market price of the shares at the date of grant was HK$0.27. The fair value was calculated using the Trinomial Option Pricing model.

The inputs into the model for options granted on 16th April, 2013 were as follows:

Share price	HK$0.27
Exercise price	HK$0.27
Expected volatility	82.03%
Expected life	10 years
Risk-free rate	1.14%
Expected dividend yield	0%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous ten years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$4,004,000 for the year (2012: HK$nil) in relation to share options granted by the Company.

37. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2012	176,154	568	22,694	176,013	375,429
Loss for the year	–	–	–	(11,591)	(11,591)
Fair value loss on available-for-sale investments	–	–	(40,423)	–	(40,423)
At 31st December, 2012	176,154	568	(17,729)	164,422	323,415
Loss for the year	–	–	–	(11,969)	(11,969)
Fair value gain on available-for-sale investments	–	–	53,322	–	53,322
Issue of share upon Open Offer	28,770	–	–	–	28,770
Transactions costs attributable to Open Offer	(2,377)	–	–	–	(2,377)
Recognition of equity-settled share based payments	–	4,004	–	–	4,004
At 31st December, 2013	202,547	4,572	35,593	152,453	395,165

38. DEFERRED TAXATION

The following are the major deferred tax movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January, 2012	56	165	(221)	–
(Credit) charge to profit or loss	(29)	–	29	–
At 31st December, 2012	27	165	(192)	–
Charge (credit) to profit or loss	83	–	(83)	–
At 31st December, 2013	110	165	(275)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$184,598,000 (2012: HK$169,565,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,667,000 (2012: HK$1,164,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$182,931,000 (2012: HK$168,401,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of approximately HK$157,497,000 (2012: HK$140,190,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

39. DISPOSAL OF SUBSIDIARIES

On 13th July, 2012, the Company and Far East Consortium Limited (the "Purchaser"), being a related party of the Company in which a director of the Company has beneficial interest and certain directors of the Company are close family members of the directors with beneficial interest in the Purchaser, entered into a sale and purchase agreement to dispose its entire equity interest of, and assign a receivable due from, a subsidiary of the Company, Cathy Motion Picture Studios Limited, at an aggregate cash consideration of HK$8,500,000. The disposal was completed on 19th July, 2012.

On 12th October, 2012, another subsidiary of the Company, Epoch Sino Investments Limited has transferred 51% equity interest of its subsidiary, Panlong Investments (Holdings) Company Limited at HK$1 cash consideration to an individual, unrelated to the Group. The disposal was completed on 12th October, 2012.

The net assets of the subsidiaries at the dates of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	8,500
Analysis of assets and liabilities over which control was lost:	
Investment properties	8,500
Amount due to non-controlling interest	(297)
Trade and other payables	(19)
Net assets disposed of	8,184
Loss on disposal of subsidiaries:	
Consideration received	8,500
Net assets disposed of	(8,184)
Non-controlling interests	(566)
Loss on disposal of subsidiaries	(250)

40. PLEDGE OF ASSETS

At 31st December, 2013:

(a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK$159.1 million (2012: HK$5.7 million) are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK$74.2 million (2012: HK$16.1 million). None of these facilities has been utilised at the end of the reporting periods. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group;

(b) overdraft and revolving loan facilities to the extent of approximately HK$34,000 (2012: HK$17.1 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK$203,000 (2012: HK$5,000). The listed investments comprise held-for-trading securities held by the Group; and

(c) short term loan and margin facilities in respect of securities transactions of approximately HK$77.5 million (2012: HK$233.1 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposits held at financial institutions of the Group of approximately HK$206 million (2012: HK$213 million). The listed investments comprise held-for-trading securities and available-for sale investments held by the Group.

41. OPERATING LEASES

The Group and the Company as lessee

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

	2013 HK$'000	2012 HK$'000
Leased premises		
Within one year	737	183
In the second to fifth year inclusive	182	8
	919	191

Operating lease payments represent rentals payable by the Group for the use of its office premise. Leases are negotiated for a term of two years.

The Group as lessor

Rental income earned from leasehold land and buildings during the year was HK$191,000 (2012: HK$137,000). The property held has a committed tenant for five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

	2013 HK$'000	2012 HK$'000
Within one year	156	153
In the second to fifth year inclusive	351	497
	507	650

42. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the higher of 5% of the relevant payroll costs or HK$1,250 effective from June 2013 and HK$1,000 for the period from January 2013 to May 2013 (2012: higher of 5% or HK$1,000) for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

	2013 HK$'000	2012 HK$'000
Amount contributed and charged to profit or loss	209	179

In accordance with the relevant PRC rules and regulations, the Company's subsidiary in the PRC is required to establish a defined contribution plan managed by the relevant local government bureau in the PRC and to make contributions calculated according to the rate set by the municipal government for its eligible employees.

	2013 HK$'000	2012 HK$'000
Amount contributed and charged to profit or loss	2,084	2,101

43. RELATED PARTY TRANSACTIONS

Other than those disclosed in elsewhere in these consolidated financial statements, the Group has the following related party transactions during the year:

Compensation of key management personnel

The remuneration of directors and the members of key management during the year was as follows:

	2013 HK$'000	2012 HK$'000
Short-term benefits	**3,646**	3,143
Post-employment benefits	**60**	69
Equity-settled share-based payments	**4,004**	–
	7,710	3,212

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

44. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company announced that on 24th January, 2014, the Company and a substantial shareholder and a connected person of the Company (the "Vendor") entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Blooming Success Limited, a company wholly owned by the Vendor, at the consideration of HK$36.6 million, in which HK$10 million will be satisfied in cash and HK$26.6 million will be satisfied by the issue and allotment of 62,588,235 consideration shares at an issue price of HK$0.425 per consideration share. Details of the transaction are set out in the Company's announcement dated 5th February, 2014.

In respect of the disposal of equity interest in Beijing Kailan as set out in note 15, all conditions precedent to the Disposal Agreement were fulfilled on 24th February, 2014 and the registration of the change of business has been completed and a new business licence was obtained on 17th March, 2014. The Company is currently in preparation of the bilateral tax treaty procedures and the set-up of a foreign entity account before receiving payment of consideration from 中國航空器材.

FIVE YEARS FINANCIAL SUMMARY

At 31st December, 2013

	For the year ended 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS					
Turnover	21,037	29,064	30,539	17,052	**15,931**
(Loss) profit before tax	(43,453)	147,898	1,103	(20,325)	**(11,427)**
Income tax credit (expense)	(108)	(333)	(52)	–	**–**
(Loss) profit for the year	(43,561)	147,565	1,051	(20,325)	**(11,427)**
(Loss) profit for the year attributable to:					
Owners of the Company	(38,700)	152,060	2,489	(18,981)	**(11,012)**
Non-controlling interests	(4,861)	(4,495)	(1,438)	(1,344)	**(415)**
	(43,561)	147,565	1,051	(20,325)	**(11,427)**

	As at 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	339,985	444,191	449,134	390,096	**465,991**
Total liabilities	(44,587)	(25,666)	(5,550)	(3,884)	**(1,841)**
	295,398	418,525	443,584	386,212	**464,150**
Non-controlling interests	(18,769)	(15,997)	(17,602)	(16,906)	**(17,025)**
Equity attributable to owners of the Company	276,629	402,528	425,982	369,306	**447,125**

PARTICULARS OF PROPERTIES HELD BY THE GROUP

At 31st December, 2013

LANDS HELD FOR UNDETERMINED FUTURE USE

Location		Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
1.	Half share in Lots 5, 9, 10, 12 ,14, 15, 17, 18, 19, 20, 33 and 72 in DD 447, Tsuen Wan, New Territories Hong Kong	100%	40,075	Agriculture	Medium
2.	Lots 46, 47, 48, 49, 107, 108, 109 and 110 in DD279, Tuen Mun New Territories Hong Kong	100%	36,155	Agriculture	Medium
3.	Lots 421 and 718 in DD 395, Tin Fu Tsai, Tuen Mun, New Territories Hong Kong	100%	22,216	Agriculture	Medium
4.	Lots 968, 969, 970, 971, 972, 973, 975, 976, 977, 978 R.P., 980 R.P. and 981 R.P. in DD 82, Ta Kwu Ling, Fanling, New Territories Hong Kong	100%	53,070	Agriculture	Medium