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**遠東控股國際有限公司**

**Far East Holdings International Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 36)**

## **FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2014**

### **RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Far East Holdings International Limited (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st December, 2014 together with the comparative figures for the corresponding period in 2013 are set out as follows:

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

*For the year ended 31st December, 2014*

		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	2	16,747	15,931
Cost of sales		(16,337)	(14,570)
Gross profit		410	1,361
Dividend income from available-for-sale investments		355	311
Dividend income from held-for-trading investments		358	253
Other income		901	1,166
Other gains and losses	4	42,305	6,768
Selling and distribution costs		(146)	(129)
Administrative expenses		(25,153)	(22,620)
Finance costs		(1,372)	(38)
Profit (loss) before tax		17,658	(12,928)
Income tax expense	5	–	–
Profit (loss) for the year from continuing operations	6	17,658	(12,928)
<b>Discontinued operations</b>			
Gain on disposal of discontinued operations		7,286	–
Share of results from discontinued operations		–	1,501
Profit for the year from discontinued operations	7	7,286	1,501
Profit (loss) for the year		24,944	(11,427)
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from the translation of foreign operations		(152)	1,090
Fair value gain on available-for-sale investments		7,087	54,933
Reclassification adjustment upon disposal of available-for-sale investments		(38,212)	–
Reclassification adjustment of exchange reserve upon disposal of a joint venture		(4,623)	–
Share of exchange difference of a joint venture		–	1,430
Other comprehensive (expense) income for the year		(35,900)	57,453
<b>Total comprehensive (expense) income for the year</b>		<b>(10,956)</b>	<b>46,026</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME** *(Continued)*

*For the year ended 31st December, 2014*

	<u>Note</u>	<u>2014</u> <u>HK\$'000</u>	<u>2013</u> <u>HK\$'000</u>
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		<b>18,560</b>	(12,513)
– from discontinued operations		<b>7,286</b>	1,501
		<u><b>25,846</b></u>	<u>(11,012)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		<b>(902)</b>	(415)
– from discontinued operations		<u>–</u>	<u>–</u>
		<u><b>(902)</b></u>	<u>(415)</u>
		<u><b>24,944</b></u>	<u>(11,427)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(9,980)</b>	45,907
Non-controlling interests		<b>(976)</b>	119
		<u><b>(10,956)</b></u>	<u>46,026</u>
<b>Earnings (loss) per share</b>			
From continuing and discontinued operations			
Basic (HK cents)	9	<b>5.14</b>	(2.48)
Diluted (HK cents)	9	<b>5.10</b>	(2.48)
From continuing operations			
Basic (HK cents)	9	<b>3.69</b>	(2.81)
Diluted (HK cents)	9	<b>3.66</b>	(2.81)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31st December, 2014*

	<i>Notes</i>	<b>2014</b>	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		220,750	10,140
Property, plant and equipment		6,558	7,817
Prepaid lease payments		659	765
Available-for-sale investments	10	20,951	274,896
		<b>248,918</b>	293,618
<b>CURRENT ASSETS</b>			
Prepaid lease payments		25	28
Held-for-trading investments		1,932	12,262
Inventories		3,370	3,255
Trade and other receivables	11	2,583	2,353
Amount due from a non-controlling interest		3,140	1,158
Amount due from a related party		9	9
Tax recoverable		10	10
Deposits held at financial institutions		198,694	20,201
Pledged bank deposits		7	6
Bank balances and cash		74,170	85,241
		<b>283,940</b>	124,523
Assets classified as held for sale		–	47,850
		<b>283,940</b>	172,373
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	2,414	1,796
Amounts due to related parties		38	45
Secured bank borrowings		–	–
– due within one year	13	87,192	–
		<b>89,644</b>	1,841
<b>NET CURRENT ASSETS</b>		<b>194,296</b>	170,532
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>443,214</b>	464,150

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
*At 31st December, 2014*

	<u>Note</u>	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>14</i>	<b>255,092</b>	4,543
Share premium and reserves		<b>172,073</b>	442,582
Equity attributable to owners of the Company		<b>427,165</b>	447,125
Non-controlling interests		<b>16,049</b>	17,025
		<b>443,214</b>	464,150

Notes:

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### *Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of these amendments to HKFRSs and the new Interpretation 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 the consolidated financial statements.

### *New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>5</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>6</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.

**1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

*New and revised HKFRSs in issue but not yet effective (Continued)*

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

**2. REVENUE**

The Group’s revenue for the year from continuing operations represents sale of goods amounting to HK\$16,747,000 (2013: HK\$15,931,000).

**3. 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. Securities investment | – | short term securities investment   |
| 3. Other operation       | – | property investment                |

During the current year, as the Group intended to develop the short term securities investment business as one of its principal business activities, the CODM considered the short term securities investment as a new reporting segment. Accordingly, the Group’s performance of short term securities investment was reclassified from the unallocated segment to securities investment segment. The comparative information has also 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, 2014***

***Continuing operations***

	<u>Industrial</u>	<u>Securities</u>	<u>Other</u>	<u>Consolidated</u>
	<u>HK\$’000</u>	<u>investment</u>	<u>operation</u>	<u>HK\$’000</u>
	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>
<b>Segment revenue</b>				
External revenue	16,747	–	–	16,747
<b>Segment results</b>	(2,978)	653	3,015	690
Other income				901
Finance costs				(1,372)
Unallocated expenses				(20,219)
Gain on disposal of available-for-sale investments				37,538
Gain on disposal of property, plant and equipment				120
Profit before tax				17,658

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31st December, 2013

*Continuing operations*

	Industrial	Securities investment	Other operation	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Segment revenue</b>				
External revenue	<u>15,931</u>	<u>–</u>	<u>–</u>	<u>15,931</u>
<b>Segment results</b>	<u>(1,986)</u>	<u>2,800</u>	<u>1,460</u>	2,274
Other income				1,166
Finance costs				(38)
Unallocated expenses				(18,027)
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				<u>8</u>
Loss before tax				<u>(12,928)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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, 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.



### 3. SEGMENT INFORMATION (Continued)

#### Other segment information

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

#### 2014

##### *Continuing operations*

	<u>Industrial</u>	<u>Securities</u>	<u>Other</u>	<u>Unallocated</u>	<u>Consolidated</u>
	<i>HK\$'000</i>	<i>investment</i>	<i>operation</i>	<i>amount</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,008	–	317	46	1,371
Increase in fair value of held-for-trading investments	–	(295)	–	–	(295)
Increase in fair value of investment properties	–	–	(3,967)	–	(3,967)
	<u>–</u>	<u>–</u>	<u>(3,967)</u>	<u>–</u>	<u>(3,967)</u>

#### 2013

##### *Continuing operations*

	<u>Industrial</u>	<u>Securities</u>	<u>Other</u>	<u>Unallocated</u>	<u>Consolidated</u>
	<i>HK\$'000</i>	<i>investment</i>	<i>operation</i>	<i>amount</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	945	–	376	121	1,442
Increase in fair value of held-for-trading investments	–	(2,547)	–	–	(2,547)
Increase in fair value of investment properties	–	–	(1,885)	–	(1,885)
	<u>–</u>	<u>–</u>	<u>(1,885)</u>	<u>–</u>	<u>(1,885)</u>

#### Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities for the Group as a whole on a consolidated basis and assets or liabilities are not allocated to the operating segments. Therefore, no analysis of segment assets and liabilities is presented.

#### 4. OTHER GAINS AND LOSSES

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Gain on disposal of available-for-sale investments ( <i>Note 10</i> )	37,538	300
Increase in fair value of investment properties	3,967	1,885
Exchange gain (loss), net	385	(544)
Increase in fair value of held-for-trading investments	295	2,547
Gain on disposal of property, plant and equipment	120	251
Write-back of amount due to a related party	–	1,183
Gain on disposal of derivative financial instruments	–	1,138
Gain on deregistration of subsidiaries	–	8
	<u>42,305</u>	<u>6,768</u>

#### 5. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided for as the Group has no assessable profit for both years.

Under the Law of the People's Republic of China (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.

#### 6. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	106	105
Auditor's remuneration		
– current year	910	1,000
– (over)underprovision in prior year	(20)	126
Cost of inventories recognised as an expense	16,337	14,570
Depreciation	1,371	1,442
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$2,346,000 (2013: HK\$2,293,000) and equity-settled share-based payments of HK\$Nil (2013: HK\$4,004,000)	18,074	19,659
Operating lease rental in respect of rented premises	780	760
	<u>780</u>	<u>760</u>

## 7. DISCONTINUED OPERATIONS

On 30th September, 2013, the Group entered into a 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% equity interest of Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”) at a consideration of RMB40,500,000 (equivalent to approximately HK\$51,204,000).

Details of the disposal were disclosed in the circular dated 23rd 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 were classified as assets held for sale and were presented separately in the consolidated statement of financial position as at 31st December, 2013. 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 disposal was completed on 17th March, 2014, on which date the registration of the change of business has been completed and a new business licence was obtained for Beijing Kailan.

The profit for the year from the discontinued operations is analysed as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Gain on disposal of discontinued operations	7,286	–
Share of results from discontinued operations	<u>–</u>	<u>1,501</u>
	<u>7,286</u>	<u>1,501</u>

During the year ended 31st December, 2014, the discontinued operations contributed HK\$50,513,000 to the Group’s net cash inflows from investing activities.

The discontinued operations did not have any impact on the cash flows of the Group for the year ended 31st December, 2013.

## 8. DIVIDENDS

	<u>2014</u>	<u>2013</u>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Dividends recognised as distributions during the year:		
2014 interim dividend of HK10 cents per share, paid (2013: Nil)	<u>53,661</u>	<u>–</u>

## 9. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

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

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	<u>25,846</u>	<u>(11,012)</u>
<b>Number of shares:</b>	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>503,286,466</b>	444,611,650
Effect of dilutive potential ordinary shares in respect of share options outstanding	<u>3,526,766</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>506,813,232</u>	<u>444,611,650</u>

The computation of the diluted loss per share for the year ended 31st December, 2013 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 year ended 31st December, 2013, 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 14.

## 9. EARNINGS (LOSS) PER SHARE *(Continued)*

### From continuing operations

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

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to the owners of the Company	<b>25,846</b>	(11,012)
Less: Profit for the year from discontinued operations attributable to the owners of the Company	<u>7,286</u>	<u>1,501</u>
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share from continuing operations	<u><b>18,560</b></u>	<u>(12,513)</u>

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

The computation of the diluted loss per share for the year ended 31st December, 2013 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 earnings per share from discontinued operations for the year ended 31st December, 2014 was HK1.45 cents per share (2013: HK0.33 cents per share) and dilutive earnings per share from discontinued operations was HK1.44 cents per share (2013: HK0.33 cents per share), based on the profit for the year from discontinued operations of HK\$7,286,000 (2013: HK\$1,501,000) and the denominators used are detailed below:

<b>Number of shares:</b>	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>503,286,466</b>	444,611,650
Effect of dilutive potential ordinary shares in respect of share options outstanding	<u>3,526,766</u>	<u>2,404,705</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>506,813,232</b></u>	<u>447,016,355</u>

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value at quoted market prices	<u>20,951</u>	<u>274,896</u>

During the year, the Group has disposed its entire equity interest in Chinasoft International Limited with carrying amount of HK\$257,417,000 and a profit of HK\$35,627,000 has been recognised in profit or loss. In addition, the Group has also disposed 2,784,000 shares of China Binary Sale Technology Limited (“China Binary”) with carrying amount of HK\$3,615,000 and a profit of HK\$1,911,000 has been recognised in profit or loss.

During the year ended 31st December, 2013, the Group disposed 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.

## 11. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (2013: 90 days) to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,535	821
Past due:		
0 to 30 days	465	219
31 to 60 days	53	185
61 to 90 days	–	8
Total trade receivables	<u>2,053</u>	1,233
Other receivables	<u>530</u>	1,120
	<u>2,583</u>	<u>2,353</u>

Included in the Group’s trade receivables balance are debtors with an aggregate carrying amount of HK\$518,000 (2013: HK\$412,000) 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 61 days (2013: 73 days).

## 12. 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:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	–	2
Over 90 days	<u>52</u>	<u>50</u>
Total trade payables	52	52
Other payables and accruals	<u>2,362</u>	<u>1,744</u>
	<u><u>2,414</u></u>	<u><u>1,796</u></u>

## 13. SECURED BANK BORROWINGS

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank borrowings comprise the followings:		
Mortgage loans	52,092	–
Term loans	<u>35,100</u>	<u>–</u>
	<u><u>87,192</u></u>	<u><u>–</u></u>
Carrying amount repayable*:		
Within one year	5,706	–
More than one year, but not exceeding two years	5,825	–
More than two years, but not more than five years	46,306	–
More than five years	<u>29,355</u>	<u>–</u>
	87,192	–
Less: Amounts due within one year shown under current liabilities	<u>(87,192)</u>	<u>–</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements that contain a repayment on demand clause.

All of the Group's borrowings are variable-rate borrowings which carry interest at a premium over Hong Kong Interbank Offered Rate. The ranges of effective interest rates on the Group's borrowings are as follows:

	<u>2014</u>	<u>2013</u>
Effective interest rate:		
Variable-rate borrowings	2.64%–2.74%	N/A

#### 14. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2014	2013	2014	2013
			HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>N/A (Note i)</u>	<u>70,000,000,000</u>	<u>N/A (Note i)</u>	<u>700,000</u>
Issued and fully paid:				
At 1st January	<b>454,256,829</b>	302,837,886	<b>4,543</b>	3,028
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance (Note i)	–	–	<b>202,547</b>	–
New shares issued as consideration for the acquisition of subsidiaries (Note iii)	<b>62,588,235</b>	–	<b>37,971</b>	–
Exercise of share options	<b>19,767,998</b>	–	<b>10,031</b>	–
Shares issued upon Open Offer (Note ii)	–	<u>151,418,943</u>	–	<u>1,515</u>
At 31st December	<u><b>536,613,062</b></u>	<u>454,256,829</u>	<u><b>255,092</b></u>	<u>4,543</u>

#### Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3rd March, 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relevant entitlement of any of the shareholders as a result of this transition.
- (ii) 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.
- (iii) On 24th January, 2014, the Company and a substantial shareholder and a connected person of the Company (the "Vendor") entered into an 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. As at 25th April, 2014, the net assets value of Blooming Success Limited and its subsidiary ("Blooming Success") was approximately HK\$48 million, in which HK\$10 million was satisfied in cash and approximately HK\$38 million was satisfied by the issue and allotment of 62,588,235 consideration shares. Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014, and 62,588,235 consideration shares were issued by the Company to the Vendor on the same day.



## 15. PLEDGE OF ASSETS

At 31st December, 2014:

- (a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK\$132.0 million (2013: HK\$159.1 million) are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$5.8 million (2013: HK\$74.2 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\$44,000 (2013: HK\$34,000), 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\$182,000 (2013: HK\$203,000). The listed investments comprise held-for-trading securities held by the Group;
- (c) short term loan and margin facilities in respect of securities transactions of approximately HK\$77.6 million (2013: HK\$77.5 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\$205.5 million (2013: HK\$206.0 million). The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group; and
- (d) bank loan facilities to the extent of approximately HK\$87.2 million (2013: Nil), of which approximately HK\$87.2 million (2013: Nil) were drawn down and fully utilised, are secured by the Group's investment properties with an aggregate carrying value of approximately HK\$206.0 million (2013: Nil).

## 16. 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:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Leased premises</i>		
Within one year	202	737
In the second to fifth years inclusive	<u>66</u>	<u>182</u>
	<u>268</u>	<u>919</u>

Operating lease payments represent rentals payable by the Group and the Company for the use of their 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\$155,000 (2013: HK\$191,000). The property held has a committed tenant for five years.

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

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	165	156
In the second to fifth years inclusive	<u>211</u>	<u>351</u>
	<u>376</u>	<u>507</u>

## 17. RELATED PARTY TRANSACTIONS

Other than those disclosed in elsewhere in the consolidated financial statements, the Group had 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:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	4,829	3,646
Post-employment benefits	67	60
Equity-settled share-based payments	–	4,004
	<u>4,896</u>	<u>7,710</u>

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

## 18. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had contingent liabilities as follows:

	<b>THE COMPANY</b>	
	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in respect of banking facilities granted to subsidiaries	<u>87,192</u>	<u>–</u>

The directors of the Company consider that the fair value of the financial guarantees at the initial date of providing these guarantees is insignificant.

## 19. EVENTS AFTER THE REPORTING PERIOD

On 6th February, 2015, the Company announced that from 29th October, 2014 to 6th February, 2015, the Group has disposed 10,000,000 shares of China Binary at an aggregate consideration of approximately HK\$12.7 million, of which 2,784,000 shares had been disposed of during the year ended 31st December, 2014.

On 12th February, 2015, the Company announced an issue of shares at a price of HK\$0.30 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”). The Open Offer was completed and a total of 268,306,531 new shares were issued on 13th February, 2015, resulting in gross proceeds of approximately HK\$80,492,000 to the Company. The proceeds from the Open Offer will be used to strengthen the Group’s financial position.

On 17th February, 2015, the Company and a substantial shareholder and a connected person of the Company (the “Purchaser”) entered into sale and purchase agreements in which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire (i) the entire equity interest of Blooming Success, a wholly owned subsidiary of the Company which is engaged in property investment; and (ii) all of the land held for undetermined future use of the Group, at an aggregate cash consideration of HK\$134.5 million. The net proceeds of the disposal were expected to exceed the net carrying amount of the relevant assets and liabilities. Details of the transaction are set out in the Company’s announcement dated 18th February, 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Corporate Results

For the year ended 31st December, 2014, Far East Holdings International Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) recorded revenue from operations of approximately HK\$16.75 million (2013: HK\$15.93 million), representing an increase of 5.15% as compared to that of last year. The Group’s profit attributable to owners of the Company was approximately HK\$25.85 million (2013: loss of approximately HK\$11.01 million). The total comprehensive expense of the Group for the year was approximately HK\$10.96 million (2013: total comprehensive income of approximately HK\$46.03 million), which was mainly due to the net effect of reclassification adjustment of fair value gain of available-for-sale investments previously recognized in other comprehensive income and gain from 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 basic earnings per share for the year ended 31st December, 2014 was 5.14 HK cents (2013: basic loss per share of 2.48 HK cents).

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2014, the Group had cash and bank balances and deposits held at financial institutions amounting to approximately HK\$272.86 million (2013: approximately HK\$105.44 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, 2014, the Group had outstanding interest bearing bank loans of approximately HK\$87.19 million (2013: nil). The Group did not have any financial instruments used for hedging purpose during the year (2013: nil).

### GEARING RATIO

The gearing ratio, expressed as a percentage of total debts to equity attributable to owners of the Company was 20.41% as at 31st December, 2014 (31st December, 2013: As the Group did not have any interest bearing bank loans, the Group was in net cash position, no gearing ratio information was presented).

### CURRENT RATIO

The Group’s current ratio (current assets to current liabilities) as at 31st December, 2014 decreased to 3.17 (2013: 93.63). On the whole, the financial position and liquidity of the Group were healthy.

### CAPITAL STRUCTURE

As at 31st December, 2014, the total number of issued ordinary shares of the Company was 536,613,062 shares. During the year, the Company has issued 62,588,235 consideration shares as part of the consideration of the acquisition of Blooming Success Limited (“**Blooming Success**”), details of which are set out in the paragraph headed “Material Acquisitions and Disposals of the Group” below.

In August and September 2014, the aggregate 19,767,998 share options granted in 2006 and 2013 were exercised.

## **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, 2014, the Company had contingent liabilities amounting to HK\$87.19 million (2013: nil). It represents guarantees given to banks in respect of banking facilities granted to subsidiaries.

### **Capital Commitments**

As at 31st December, 2014, the Group had no significant capital commitments (2013: nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP**

### **Major and Connected Transactions relating to Acquisition of Entire Issued Shares in Blooming Success Limited**

On 24th January, 2014, the Company and a substantial shareholder 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, a company wholly-owned by the Vendor, at the consideration of HK\$36.6 million, in which HK\$10 million was satisfied in cash and HK\$26.6 million was satisfied by the issue and allotment of 62,588,235 consideration shares. The acquisition constituted a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014. Blooming Success became a wholly-owned subsidiary of the Company. Details of this transaction are disclosed in the Company’s announcement and circular dated 5th February, 2014 and 1st April, 2014, respectively.

### **Disposal of Shares in Chinasoft International Limited**

On 13th June, 2014, the Company announced to seek approval from the shareholders of the Company (the “**Shareholders**”) to dispose its interest in Chinasoft International Limited (“**CIL**”). Subsequent to the Shareholders’ approval on 16th July, 2014, the Company entered into a sale and purchase agreement on 28th July, 2014 to sell its entire equity interest in CIL to an independent third party. The transaction was completed on 26th August, 2014. Further details of this transaction are disclosed in the announcement of the Company dated 29th July, 2014.

## **DIVIDEND**

For the year ended 31st December, 2014, the Company has paid an interim dividend for the six months ended 30th June, 2014 of HK10 cents per share. The Board does not recommend any final dividend (2013: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

At 31st December, 2014 the Group had approximately 163 employees in Hong Kong and the PRC (2013: 229 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 no outstanding share option (2013: 19.77 million share options) under the share option scheme of the Company as at 31st December, 2014. 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 1,597,728 share options respectively. 18,170,270 share options were granted on 16th April, 2013 at the exercise price of HK\$0.27 per share. The aggregate of 19,767,998 share options were exercised in August and September 2014.

## **BUSINESS REVIEW AND PROSPECTS**

Business operations in China continue to face headwinds caused by unfavorable economic environment worldwide. However, the Company had some success in realizing profits from other business opportunities including securities and property investments.

### **Garment Industries**

For each of the two years ended 31st December, 2013 and 2014, the garment products business of the Group recorded revenue of approximately HK\$15.93 million and HK\$16.75 million respectively, representing an increase of approximately 5.15% as compared to the same period in 2013. This business is facing challenges in terms of the exchange rate risks, increasing material and labour costs, and falling per unit sales price. The market condition in Japan and Europe has yet to improve and demand for children's wear remains low. This business will continue to downsize its production capacity and lease the idle capacity out to other manufacturers to help to spread the fixed costs over a boarder range of revenue sources. This business will look for more effective deployment of its resources and identify investment opportunities to broaden its earning base to enhance the Shareholders' value. Currently, the management of the Group is looking for ways to structurally change the business model of this segment to improve productivity and profitability, including the PRC business development.

## **Investment in Securities**

Referring to the announcement of the Company regarding business update dated 12th December, 2014, given the positive current market environment, the Company takes a more active and opportunistic approach in gaining short term investment profits, the Group intends to concurrently continue its existing business while developing the new short term securities investment business as one of its principal business activities.

During the year, the Group has disposed certain listed equity securities with carrying amount of approximately HK\$261.03 million. As a result, the carrying amount of the Group's available-for-sale investments has decreased substantially as at 31st December, 2014. Fair value gain of the disposed securities amounted to approximately HK\$26.72 million was recorded during the year, therefore the Directors consider that the disposals represent an opportunity to realize the investments so as to raise additional working capital for the Group.

The Group recorded a fair value gain on available-for-sale investments of approximately HK\$7.09 million for the year ended 31st December, 2014 (year ended 31st December, 2013: fair value gain of approximately HK\$54.93 million). The fair value of the Group's held-for-trading investments has also increased by approximately HK\$0.30 million for the year ended 31st December, 2014 (year ended 31st December, 2013: increase in fair value of approximately HK\$2.55 million).

## **Outlook**

The Company is working with business partners in working out a long term and viable strategy for the garment business. Some diversification efforts have been made and the management is working on a more holistic solution. Nonetheless the effort in containing the losses while reduce non-performing assets will be the focus.

While property investment in Hong Kong contributed to the Company's bottom line, the liquidity and sentiment of the property market is not as favorable as before. While the Company will continue to prime opportunities in this segment of the market, the management will also put more resources in securities investment.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Discloseable Transaction relating to Disposal of Shares in China Binary Sale Technology Limited**

From 29th October, 2014 to 6th February, 2015, the Group had disposed 10,000,000 shares in China Binary Sale Technology Limited ("**China Binary**") on the market of the Stock Exchange at an aggregate consideration of approximately HK\$12.70 million (the "**Disposals of Shares in China Binary**").

As the applicable percentage ratio of the Disposals of Shares in China Binary, when aggregated, was more than 5% but less than 25%, the Disposals of Shares in China Binary constituted a discloseable transaction of the Company and were subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.



## **Open Offer of 268,306,531 Offer Shares on the Basis of One Offer Share for Every Two Existing Shares**

On 18th December, 2014, the Company proposed to raise approximately HK\$80.49 million by issuing 268,306,531 offer shares (the “**Offer Share(s)**”) at the subscription price of HK\$0.30 per Offer Share on the basis of one Offer Share for every two shares held on the record date and payable in full upon application (the “**Open Offer**”). No excess Offer Shares will be offered to the qualifying shareholders and any untaken shares will be underwritten by the underwriter.

All of the conditions set out in the underwriting agreement had been fulfilled. Accordingly, the Open Offer became unconditional at 4:00 p.m. on 11th February, 2015.

At the latest time for acceptance of, and payment for the Offer Shares, a total of 113 valid acceptances in respect of 170,683,328 Offer Shares provisionally allotted under the Open Offer were received, representing approximately 63.62% of the total number of the Offer Shares available for subscription under the Open Offer. At the results, the Open Offer was under-subscribed by 97,623,203 Offer Shares. In accordance with the terms of the underwriting agreement, the subscribers, who were the independent third parties, procured by the underwriter subscribed for all the 97,623,203 untaken shares.

## **Major and Connected Transaction relating to Disposal of Interest in the Disposal Group**

On 17th February, 2015, the Company and Mr. Duncan Chiu (the “**Purchaser**”) entered into the sale and purchase agreements pursuant to which the Company had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase: (a) Blooming Success’s shares for a cash consideration of HK\$119,718,323.06; (b) land interest held by Healy Company Limited on trust for the Company for a cash consideration of HK\$14,295,000; and (c) land interest held by Tigris Investment Limited on trust for the Company for a cash consideration of HK\$455,000 respectively (the “**Disposals**”).

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposals under the sale and purchase agreements was more than 25% but less than 75%, the Disposals collectively constituted a major disposal transaction of the Company and accordingly, were subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a substantial Shareholder and hence a connected person of the Company, the Disposals therefore constituted connected transactions of the Company and were subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **ANNUAL GENERAL MEETING**

It is proposed that the 2015 Annual General Meeting of the Company will be held on Wednesday, 3rd June, 2015 (the “**2015 AGM**”). Notice of the 2015 AGM will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.feholdings.com.hk](http://www.feholdings.com.hk)) and despatched to the Shareholders in the manner as required by the Listing Rules in due course.



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2014, 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 Wednesday, 11th June, 2014 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.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31st December, 2014.

## 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, 2014, 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, Mr. Chan Ming Sun, Jonathan (chairman of the Audit Committee), Dr. Wong Yun Kuen and Ms. Kwan Shan.

The annual results of the Group for the year ended 31st December, 2014 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.

## **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of Mr. Chan Ming Sun, Jonathan, Dr. Wong Yun Kuen and Ms. Kwan Shan an annual confirmation of their independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2014 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year under review, the new shares were issued as consideration for the acquisition of Blooming Success in April 2014 as disclosed in the section headed "Material Acquisitions and Disposals of the Group" above, the share options were exercised in August and September 2014 as disclosed in the section headed "Capital Structure" above and the open offer was proposed in December 2014 as disclosed in the section headed "Events after the Reporting Period" above.

Save for the above, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities in the Company.

## **PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.feholdings.com.hk](http://www.feholdings.com.hk)). The annual report of the Company for the year ended 31st December, 2014 containing all the information required by the Listing Rules will be despatched to the Company's Shareholders and published on the above websites in due course.

## **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 continuous and full support to our Group.

By order of the Board  
**Far East Holdings International Limited**  
**Richard Yen**  
*Managing Director*

Hong Kong, 27th March, 2015

*As at the date of this announcement, the Board comprises eight Directors, of which five are executive Directors, namely, Mr. Derek Chiu, Mr. Richard Yen, Mr. Yu Pak Yan, Peter, Mr. Fok Chi Tak and Mr. Ip Ngai Sang; and three are independent non-executive Directors, namely, Mr. Chan Ming Sun, Jonathan, Dr. Wong Yun Kuen and Ms. Kwan Shan.*