



2015
ANNUAL REPORT

遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 0036



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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

Mr. Yu Pak Yan, Peter
Mr. Fok Chi Tak

Independent Non-executive Directors

Mr. Chan Ming Sun, Jonathan
Dr. Wong Yun Kuen
Ms. Kwan Shan

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric (appointed on 3 June 2015)

SOLICITOR

David Norman & Co

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Yu Pak Yan, Peter (appointed on 9 November 2015)
Mr. Chan Kwong Leung, Eric (appointed on 3 June 2015)

AUDIT COMMITTEE

Mr. Chan Ming Sun, Jonathan (Chairman)
Dr. Wong Yun Kuen
Ms. Kwan Shan

REMUNERATION COMMITTEE

Mr. Chan Ming Sun, Jonathan (Chairman)
Dr. Wong Yun Kuen (appointed on 9 November 2015)
Ms. Kwan Shan

NOMINATION COMMITTEE

Ms. Kwan Shan (Chairman)
Dr. Wong Yun Kuen (appointed on 9 November 2015)
Mr. Chan Ming Sun, Jonathan

INVESTMENT COMMITTEE

Mr. Yu Pak Yan, Peter (Chairman)
Mr. Chan Ming Sun, Jonathan
Dr. Wong Yun Kuen

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Unit 904, 9/F
Wings Building
110–116 Queen's Road Central
Central, Hong Kong
Telephone: 3970 4010
Facsimile: 3970 4019
Email: admin@fehholdings.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
Wan Chai
Hong Kong

LISTING INFORMATION

Stock Code: 36
Board Lot Size: 3000

WEBSITE

<http://www.fehholdings.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2015 (the “Year Under Review”), Far East Holdings International Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded revenue of approximately HK\$11.0 million (2014: HK\$16.7 million), representing a decrease of 34.1% as compared to that of last year. The Group’s profit attributable to owners of the Company was approximately HK\$69.1 million (2014: HK\$25.8 million). The total comprehensive income of the Group for the Year Under Review was approximately HK\$51.9 million (2014: total comprehensive expense of approximately HK\$11.0 million), which was mainly due to the net effect of the reclassification adjustment of the fair value gains on available-for-sale investments previously recognised in other comprehensive income and the fair value gains on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The basic earnings per share for the Year Under Review was 7.29 HK cents (2014: 4.34 HK cents (restated)).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had cash and bank balances and deposits held at financial institutions amounting to approximately HK\$177.7 million (2014: approximately HK\$272.9 million). Fundamentally, the Group’s funding policy is to finance the business operations with internally-generated cash, and bank facilities. As at 31 December 2015, the Group did not have any outstanding interest-bearing bank borrowings (2014: HK\$87.2 million). The Group did not have any financial instruments used for hedging purposes during the Year Under Review (2014: Nil).

GEARING RATIO

As at 31 December 2015, the Group did not have any interest-bearing bank borrowings, the Group was in a net cash position and had no gearing (2014: 20.41%, being the percentage of total debts to equity attributable to owners of the Company).

CURRENT RATIO

The Group’s current ratio (current assets to current liabilities) as at 31 December 2015 increased to 218.7 (2014: 3.17). On the whole, the financial position and liquidity of the Group is healthy.

CAPITAL STRUCTURE

The Group has mainly relied on its equity and internally-generated cash flows to finance its operations.

During the Year Under Review, the Company has issued (i) 268,306,531 new ordinary shares in an open offer at HK\$0.30 per share; (ii) 102,999,000 new ordinary shares upon a placement at HK\$0.55 per share; and (iii) 181,200,000 new ordinary shares upon a placement at HK\$1.38 per share. As at 31 December 2015, the total number of issued ordinary shares of the Company was 1,089,118,593 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Company has conducted the following equity fund raising activities during the Year Under Review:

Date of completion of the fund raising activities	Fund raising activities	Net proceeds (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds as at the date of this Annual Report
13 February 2015	Open offer of 268,306,531 shares on the basis of one offer share for every two existing shares (Note i)	HK\$78 million	To be used as to HK\$62 million for short-term investments in securities and HK\$16 million for working capital of the Group	Used as intended
30 April 2015	Placing of 102,999,000 shares (Note ii)	HK\$55 million	For general working capital and/or securities investment of the Group	Entirely used for securities investment of the Group
23 June 2015	Placing of 181,200,000 shares (Note iii)	HK\$244 million	For general working capital and/or securities investment and/or further investment opportunities of the Group	HK\$70 million was utilised to acquire Coast Holdings Limited and the balance of HK\$174 million used for securities investment of the Group

Notes:

- (i) In the open offer, 170,683,328 offer shares and 97,623,203 offer shares were issued to the qualifying shareholders and the underwriter, respectively. The closing market price was HK\$0.73 per share of the Company on the date on which the terms of the issue were fixed. The open offer allowed the Company to strengthen its financial position and enlarge the capital base of the Company. Details of such are disclosed in the Company's announcements dated 18 December 2014, 12 January 2015, 22 January 2015 and 12 February 2015.
- (ii) 102,999,000 shares (the "First Placing Shares") were issued pursuant to the general mandate to not less than six allottees who are independent third parties. The closing market price was HK\$0.68 per share of the Company on the date on which the terms of the issue were fixed. The net proceeds from the First Placing Shares allowed the Company to raise additional working capital while broadening the shareholder and capital base of the Company. Details of such are disclosed in the Company's announcements dated 16 April 2015 and 30 April 2015.
- (iii) 181,200,000 shares (the "Second Placing Shares") were issued pursuant to the general mandate to not less than six allottees who are independent third parties. The closing market price was HK\$1.72 per share of the Company on the date on which the terms of the issue were fixed. The net proceeds from the Second Placing Shares allowed the Company to raise additional working capital while broadening the shareholder and capital base of the Company. Details of such are disclosed in the Company's announcements dated 4 June 2015 and 23 June 2015.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign exchange fluctuations during the Year Under Review.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31 December 2015, the Company had no contingent liabilities (2014: HK\$87.2 million, representing guarantees given to banks in respect of banking facilities granted to subsidiaries).

Capital Commitments

As at 31 December 2015, the Group had no significant capital commitments (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL RISK FACTORS

The Group's held-for-trading investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk due to the fluctuation of fair value of held-for-trading investments. Management closely monitors the market condition of listed securities and regularly reviews the exposure to the equity price risk on held-for-trading investments. Details of the Group's financial risk and analysis are set out in note 5(b) to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

On 17 February 2015, the Company and a connected person ("Person A") of the Company who is a sibling of a director and a shareholder with significant influence over the Company entered into sale and purchase agreements in which the Company conditionally agreed to sell and Person A conditionally agreed to acquire the entire equity interest of Blooming Success Limited ("Blooming Success"), which was then a wholly-owned subsidiary of the Company engaged in property investment, at an aggregate cash consideration of HK\$121.1 million. The disposal was completed on 12 June 2015, on which date the control of Blooming Success passed to Person A. Details of this transaction are disclosed in the Company's announcements dated 18 February 2015, 20 April 2015, 30 April 2015, 18 May 2015 and 12 June 2015 and the circular of the Company dated 31 March 2015.

On 30 June 2015, the Group acquired 100% of the issued share capital of Coast Holdings Limited ("Coast Holdings") for a cash consideration of HK\$70.2 million. Coast Holdings is principally engaged in property investment and its major assets are office units in Hong Kong classified as investment properties, one of which was leased out to the Group. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination. Details of this transaction are disclosed in the Company's announcements dated 15 June 2015 and 30 June 2015.

DIVIDEND

For the year ended 31 December 2015, the board (the "Board") of directors (the "Directors") of the Company does not recommend any final dividend (2014: interim dividend for the six months ended 30 June 2014 of HK10 cents per share).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2015, the Group had approximately 107 employees in Hong Kong and the People's Republic of China (the "PRC") (2014: 163 employees). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees. The Group adopted a share option scheme on 23 May 2005 and discretionary share options may be granted to reward and motivate those employees who performed well. There was no outstanding share options under the share option scheme of the Company as at 31 December 2015 (2014: Nil).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and sustainable development through promoting and adopting green practices in its business activities. Initiatives within the Group include, but are not limited to, encouraging employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing. Management will continue to review the Group's green practices to integrate environmental, health and safety management and compliance considerations into operational processes.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group's core business continues to be in the PRC and Hong Kong. The principal activities include manufacturing and export of garment products, property investment and investment in securities.

Garment Industries

For the two years end 31 December 2015 and 2014, the garment products business of the Group recorded revenue of approximately HK\$11.0 million and HK\$16.7 million, respectively, representing a decrease of approximately 34.1% in 2015 as compared to 2014. This business is facing challenges in terms of the increasing material and labour costs and falling per unit sales price. The market conditions in Japan and Europe have yet to improve and demand for children's wear remains low. Management will continue to down-size and find ways to increase its income to offset its losses. Management is currently looking for ways to structurally change the business model of this segment to improve productivity and profitability, including PRC business development.

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a total carrying amount of approximately HK\$52.5 million (2014: HK\$220.8 million) as at 31 December 2015. The decrease in the Year Under Review due to the completion of the disposal of the entire equity interest of Blooming Success and acquisition of the entire equity interest of Coast Holdings.

Investment in Securities

During the Year Under Review, the Group has focused on short-term securities trading and disposed of its entire available-for-sale investments with a carrying amount of HK\$31.0 million (2014: HK\$261.0 million). A gain on disposal of available-for-sale investments of approximately HK\$18.8 million (2014: HK\$37.5 million) was recorded. The Group has recorded fair value gains on held-for-trading investments of approximately HK\$83.3 million (2014: HK\$0.3 million) which comprised of realised gains and unrealised gains on held-for-trading investments amounting to HK\$6.6 million and HK\$76.7 million, respectively. Dividend income from held-for-trading investments amounting to HK\$4.8 million (2014: HK\$0.4 million) was recorded during the Year Under Review. In view of the unrealised gains of HK\$76.7 million, a deferred tax liability of HK\$12.7 million (2014: Nil) was recognised during the Year Under Review.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2015, held-for-trading investments amounted to HK\$628.0 million (2014: HK\$1.9 million). This value represented an investment portfolio comprising 31 (2014: 16) equity securities listed in Hong Kong of which 26 (2014: 16) equity securities are listed on the Main Board of the Stock Exchange and the remaining 5 (2014: none) equity securities are listed on the Growth Enterprise Market of the Stock Exchange. The Group's held-for-trading investments were represented as follows:

Company Name/Stock Code	Percentage of shareholdings at 31 December 2015 %	Fair value gain/(loss) for the year ended 31 December 2015 HK\$'000	Dividend income for the year ended 31 December 2015 HK\$'000	Fair value as at 31 December 2015 HK\$'000	Percentage of total held-for-trading investments %	Percentage of total assets of the Group as at 31 December 2015 %
Telefield International (Holdings) Limited (1143)	2.02%	75,074	–	99,500	15.84%	11.19%
Hong Kong Exchanges and Clearing Limited (388)	0.02%	(24,107)	827	50,527	8.05%	5.68%
China Information Technology Development Limited (8178)	4.90%	18,773	–	42,750	6.81%	4.81%
China Jiuhaio Health Industry Corporation Limited (419)	0.60%	(2,158)	3,006	42,000	6.69%	4.72%
HengTen Networks Group Limited (formerly known as <i>Mascotte Holdings Limited</i>) (136)	0.07%	18,061	–	29,000	4.62%	3.26%
Lajin Entertainment Network Group Limited (8172)	1.07%	(8,438)	–	27,600	4.39%	3.10%
Hsin Chong Construction Group Ltd. (404)	0.67%	(6,946)	957	26,950	4.29%	3.03%
China Innovative Finance Group Limited (formerly known as <i>Heritage International Holdings Limited</i>) (412)	0.17%	(13,583)	–	26,558	4.23%	2.99%
Cheung Wo International Holdings Limited (9)	1.15%	3,643	–	25,664	4.09%	2.89%
China Smarter Energy Group Holdings Limited (1004)	0.33%	1,737	–	24,960	3.97%	2.81%
OP Financial Investments Limited (1140)	0.81%	(668)	–	24,000	3.82%	2.70%
Sino Haijing Holdings Limited (1106)	3.90%	(3,876)	–	22,960	3.66%	2.58%
Sino Golf Holdings Limited (361)	4.27%	1,355	–	22,800	3.63%	2.56%
Others (Note)		17,841	29	162,757	25.91%	18.31%
		76,708	4,819	628,026	100.00%	70.63%

Note: It represented 18 listed securities and none of these investments represented more than 2.5% of the total assets of the Group as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The Group 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 management is working on a more holistic solution. Meanwhile containing losses and cost control will be the focus.

While investment in securities contributed to the Group's bottom line and accounted for a significant portion of the Group's total assets, management will closely monitor the investment portfolio and capture opportunities arising from held-for-trading investments in a prudent manner. Management will continue to identify other investment opportunities to broaden the investment strategy and balance investment risks.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, due to the decline of share prices in the Hong Kong securities market, the fair values of the Group's held-for-trading investments have decreased significantly and as at 22 March 2016, the fair values were significantly below their carrying amounts as at 31 December 2015 and were below their acquisition costs. As at 22 March 2016, the breakdown of the fair value loss incurred in 2016 in respect of the held-for-trading investments held as at 31 December 2015 are as follows:

	HK\$'000
Unrealised loss on held-for-trading investments	(78,127)
Realised gain on held-for-trading investments	519
	<hr/>
	(77,608)

Yu Pak Yan, Peter

Executive Director

Hong Kong, 22 March 2016

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yu Pak Yan, Peter

Mr. Yu, aged 65, joined the Group in November 2014 and was appointed as an executive Director, the chairman of the investment committee of the Company and a director of certain subsidiaries of the Company. He has extensive experience in real estate and financial services industries. Mr. Yu has a Bachelor Degree in Management from Youngstown State University in Ohio, the United States of America (the "United States") and a Master of Science Degree in Financial Services from American College in Pennsylvania, the United States. He is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980-1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America.

Mr. Yu is currently an independent non-executive director of China Sandi Holdings Limited (stock code: 910), Kingston Financial Group Limited (stock code: 1031) and Noble Century Investment Holdings Limited (stock code: 2322), whose securities are listed on the Main Board of the Stock Exchange.

Mr. Yu was an executive director and the chairman of Kong Sun Holdings Limited (stock code: 295) from August 2008 to September 2014, whose securities are listed on the Main Board of the Stock Exchange; and was also an independent non-executive director of GET Holdings Limited (stock code: 8100) from July 2010 to January 2014, whose securities are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Fok Chi Tak

Mr. Fok, aged 40, joined the Group in November 2014 and was appointed as an executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Fok has over 15 years of experience in corporate finance, corporate governance, mergers and acquisitions, auditing and financial management. Mr. Fok graduated from Oxford Brookes University in the United Kingdom with a bachelor's degree in accounting and finance and The University of Hong Kong with a master's degree in business administration. Mr. Fok is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Fok is also a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Mr. Fok is currently an executive director and the chief financial officer of Hao Tian Development Group Limited (stock code: 474), whose securities are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ming Sun, Jonathan

Mr. Chan, aged 43, joined the Group in November 2014 and was appointed as an independent non-executive Director, the chairman of each of the audit committee and remuneration committee and a member of each of the nomination committee and investment committee of the Company. Mr. Chan is currently an investment manager of Sprint Asset Management Limited and has over 16 years of experience in direct investment, management of private equity fund for investing in Chinese enterprises.

Between July 2002 and December 2014, Mr. Chan was an associate director of Go-To-Asia Investment Limited. Between July 2000 and August 2001, he was an investment manager with Softbank China Venture Investments Limited. Between April 1995 and June 2000, he worked at Ernst & Young in Hong Kong and his last position was a senior associate with the audit and corporate finance department. Mr. Chan obtained a Bachelor of Commerce degree in Accounting and Information Systems from the University of New South Wales, Australia in June 1995. Mr. Chan is a member of Hong Kong Institute of Certified Public Accountants since January 1999, and Certified Practising Accountants, Australia since February 1995 and a fellow of The Hong Kong Institute of Directors since June 2013.

PROFILE OF THE DIRECTORS

Mr. Chan is currently an independent non-executive director of Hao Tian Development Group Limited (stock code: 474) since March 2012, Shenyang Public Utility Holdings Company Limited (stock code: 747) re-appointed since February 2015 and China Dredging Environment Protection Holdings Limited (stock code: 871) since November 2012. The securities of the above companies are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of L & A International Holdings Limited (stock code: 8195) since September 2014 and Changhong Jiahua Holdings Limited (stock code: 8016) since February 2007, whose securities are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Chan was an independent non-executive director of Focus Media Network Limited (stock code: 8112) between April 2015 and November 2015, whose securities are listed on the Growth Enterprise Market of the Stock Exchange; and was also an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706) between March 2013 and February 2014 and Shenyang Public Utility Holdings Company Limited (stock code: 747) between February 2009 and June 2013. The securities of the two companies are listed on the Main Board of the Stock Exchange.

Dr. Wong Yun Kuen

Dr. Wong, aged 58, joined the Group in December 2014 and was appointed as an independent non-executive Director and a member of each of the audit committee and investment committee of the Company. In November 2015, Dr. Wong was further appointed as a member of each of the remuneration committee and the nomination committee of the Company.

Dr. Wong received his Ph.D. degree from Harvard University, and was a “Distinguished Visiting Scholar” at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities and Investment Institute.

Dr. Wong is an executive director and the chairman of UBA Investments Limited (stock code: 768), and an independent non-executive director of Bauhaus International (Holdings) Limited (stock code: 483), China Yunnan Tin Minerals Group Company Limited (now known as “GT Group Holdings Limited”) (stock code: 263), Kingston Financial Group Limited (stock code: 1031), Guocang Group Limited (now known as “DeTai New Energy Group Limited”) (stock code: 559), Sincere Watch (Hong Kong) Limited (stock code: 444) and China Sandi Holdings Limited (stock code: 910). The securities of the above companies are listed on the Main Board of the Stock Exchange. Dr. Wong is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203), whose securities are listed on the Growth Enterprise Market of the Stock Exchange.

Dr. Wong was an independent non-executive director of KuangChi Science Limited (stock code: 439) from June 2007 to August 2014, Kong Sun Holdings Limited (stock code: 295) from April 2007 to November 2014, Huajun Holdings Limited (stock code: 377) from October 2010 to September 2014 and Harmony Asset Limited (now known as “Huge China Holdings Limited”) (stock code: 428) from September 2004 to January 2015. The securities of these companies are listed on the Main Board of the Stock Exchange.

Ms. Kwan Shan

Ms. Kwan, aged 44, joined the Group in December 2014 and was appointed as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. Ms. Kwan has more than 17 years of experience in the accounting and finance field in listed companies. Ms. Kwan holds a Bachelor’s Degree in Accountancy from Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants.

Ms. Kwan is currently a company secretary of Yueshou Environmental Holdings Limited (stock code: 1191), and an independent non-executive director of Good Resources Holdings Limited (stock code: 109). The securities of these companies are listed on the Main Board of the Stock Exchange.



DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 21 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 8 of this Annual Report. This discussion forms part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28 to 29 of the consolidated financial statements.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements and the section headed "Capital Structure" of this Annual Report.

EQUITY-LINKED AGREEMENTS

Details of the open offer and placing of new shares under general mandate are set out in notes 32(iii) and (iv) to the consolidated financial statements, respectively, and in the sections headed "Capital Structure" and "Use of Proceeds" of this Annual Report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years as extracted from the published audited financial statements is set out on page 83 of this Annual Report.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the investment properties and property, plant and equipment held by the Group as at 31 December 2015 are set out in notes 18 and 19 to the consolidated financial statements respectively. Particulars of the properties and property interests of the Group are set out on page 84 of this Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY

Reserves available for distribution to the shareholders of the Company ("Shareholders") as at 31 December 2015 amounted to approximately HK\$149,668,000 (2014: HK\$142,761,000).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year (2014: HK\$5,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 9 to 10 of this Annual Report.



DIRECTORS' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (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 up to the date of this Directors' Report were:

Executive Directors

Mr. Yu Pak Yan, Peter

Mr. Fok Chi Tak

Mr. Ip Ngai Sang (retired with effect from 3 June 2015)

Mr. Derek Chiu (resigned with effect from 9 November 2015)

Mr. Richard Yen (resigned with effect from 31 May 2015)

Non-Executive Director

Mr. Desmond Chiu (resigned with effect from 16 February 2015)

Independent Non-Executive Directors

Mr. Chan Ming Sun, Jonathan

Dr. Wong Yun Kuen

Ms. Kwan Shan

Pursuant to articles 79 and 80 of the articles of association of the Company (the "Articles") and code provision A.4.2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, Mr. Yu Pak Yan, Peter and Mr. Chan Ming Sun, Jonathan shall retire by rotation from office at the forthcoming annual general meeting of the Company (the "AGM"). They, being eligible, have offered themselves for re-election as Directors at the AGM.

Details of the Directors offering themselves for re-election are set out in the circular of the Company dated 28 April 2016.

DIRECTORS OF SUBSIDIARIES

The directors of subsidiary undertakings included in the annual consolidated financial statements of the Company (other than those listed above) were:

Mr. Duncan Chiu

Mr. Chiu Tat Sang, Dick

DIRECTORS' SERVICE AGREEMENTS AND CONTRACT

Each of the executive Directors and independent non-executive Directors was appointed to the Board pursuant to their respective letters of appointment, for a term of one year, and such appointment may be terminated in accordance with its terms.

None of the Directors who is 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2015, none of the Directors or chief executive of the Company and their associates had any interest or short position in the shares, underlying shares or debentures 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")) that was required to be 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company pursuant to a resolution passed on 23 May 2005 for the purpose of providing incentives and rewards to employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and business consultants, agents and legal or financial advisers or other suppliers of goods or services who, in the sole discretion of the Board, will contribute or have contributed to the success and/or growth of the Company or any of its subsidiaries.

The Share Option Scheme expired on 20 July 2015. There was no share option outstanding at the beginning and at the end of the year. No share option was granted, exercised, lapsed or cancelled during the year. Details of the Share Option Scheme are set out in note 33 to the consolidated financial statements.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the year was the 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 or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no person as having a notifiable interest or short position in the shares and underlying shares of the Company as at 31 December 2015.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation in respect of his/her independence during the year pursuant to rule 3.13 of the Listing Rules and all the independent non-executive Directors are still considered to be independent.



DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The connected transactions in accordance with the requirements of the Listing Rules were disclosed in the section headed “Material Acquisitions and Disposals of the Group” under the Management Discussion and Analysis in this Annual Report.

Save as disclosed above, none of the related party transactions entered into by the Group during the year ended 31 December 2015 as disclosed in note 40 to the consolidated financial statements constituted 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 98% and 44% of the total turnover for the year, respectively.

Aggregate purchases of the Group's five largest and the Group's largest supplier accounted for approximately 51% and 20% of the total purchases for the year, respectively.

At no time during the year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Director owns more than 5% of the Company's number of issued shares) 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 16 to 25 of this Annual Report.

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 31 December 2015, the Audit Committee met three times to consider 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 Annual Report, 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 final results of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results was 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 31 December 2015.

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 adopted the Share Option Scheme on 23 May 2005 and discretionary share options may be granted to reward and motivate those well performed employees. The Share Option Scheme expired on 20 July 2015.

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 continuous and full support to our Group.

On behalf of the Board

Yu Pak Yan, Peter

Executive Director

Hong Kong, 22 March 2016

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, the Company has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

- (a) code provision A.1.3 stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

During the Year Under Review, a regular Board meeting was convened with less than 14 days' notice to enable the Board members to react in a timely way and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meeting was held with a shorter notice period than required, with the consent of all the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

- (b) Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company has not had a chairman since the resignation of Mr. Deacon Te Ken Chiu, J.P. as the chairman of the Board with effect from 12 December 2014. After his resignation, the responsibilities of the chairman were taken up by the executive Directors. During the Year Under Review, Mr. Richard Yen was the managing director and chief executive officer of the Company until his resignation with effect from 31 May 2015. Since then, the Company did not have a designated chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a separate chairman and chief executive officer, are necessary.

- (c) Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Mr. Desmond Chiu, a non-executive Director until his resignation with effect from 16 February 2015, was not appointed for a specific term. However, all Directors are subject to retirement by rotation at each annual general meeting of the Company 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.

- (d) Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Mr. Chan Ming Sun, Jonathan, Dr. Wong Yun Kuen and Ms. Kwan Shan, independent non-executive Directors, were appointed to fill the casual vacancies in November and December 2014 respectively and should have retired at the general meeting of the Company held on 20 April 2015. However, they retired and were re-elected at the annual general meeting of the Company held on 3 June 2015 ("2015 AGM").

- (e) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Chan Ming Sun, Jonathan, an independent non-executive Director, was unable to attend the 2015 AGM due to his other business engagement.

- (f) Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting.

As stated above, the Company has not had a chairman since 12 December 2014. A majority of the Directors attended the 2015 AGM and one of the executive Directors was elected chairman of the said meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year Under Review.

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 currently comprises five Directors, whose biographical details are set out in the "Profile of the Directors" on pages 9 to 10 of this Annual Report. Two of the Directors are executive and three are independent non-executive. The three independent non-executive Directors bring a broad range of 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 to devote sufficient 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.

To the best of the knowledge and belief of the Directors, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.



CORPORATE GOVERNANCE REPORT

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 taken out 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

The Company has received from each of the independent non-executive Directors an annual confirmation in respect of his/her independence during the Year Under Review pursuant to rule 3.13 of the Listing Rules. All the independent non-executive Directors are still considered to be independent.

Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and considers and approves the overall strategies and policies of the Group. An agenda accompanying Board/committee papers is distributed to the Directors/members of the Board committees with reasonable notice in advance of the meetings. Minutes of Board meetings and Board committees meetings, which record in sufficient details the matters considered by the Board/members of the Board committees and decisions reached, including any concerns raised by the Directors/members of the Board committees 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 close 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.

CORPORATE GOVERNANCE REPORT

35 Board meetings and 2 general meetings were held during the Year Under Review. The attendance record of each Director at the Board meetings and the general meetings is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Mr. Yu Pak Yan, Peter	33/35	2/2
Mr. Fok Chi Tak	31/35	2/2
Mr. Derek Chiu (resigned with effect from 9 November 2015)	2/32	0/2
Mr. Richard Yen (resigned with effect from 31 May 2015)	16/18	1/1
Mr. Ip Ngai Sang (retired with effect from 3 June 2015)	15/18	1/2
Non-Executive Director		
Mr. Desmond Chiu (resigned with effect from 16 February 2015)	0/6	0/0
Independent Non-Executive Directors		
Mr. Chan Ming Sun, Jonathan	30/35	1/2
Dr. Wong Yun Kuen	34/35	2/2
Ms. Kwan Shan	31/35	2/2

* The meetings were the general meeting held on 20 April 2015 and the annual general meeting held on 3 June 2015 respectively.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development

According to the records maintained by the Company, the Directors have participated in the following forms of continuous professional development to develop and refresh their knowledge and skills in compliance with the requirements of the CG Code on continuous professional development for the year ended 31 December 2015:

Directors	Attending in-house briefings	Giving talks	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors				
Mr. Yu Pak Yan, Peter	✓	✓	✓	✓
Mr. Fok Chi Tak	✓	–	✓	✓
Independent non-executive Directors				
Mr. Chan Ming Sun, Jonathan	–	–	✓	✓
Dr. Wong Yun Kuen	–	✓	✓	✓
Ms. Kwan Shan	–	–	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

The Company has not had a chairman since the resignation of Mr. Deacon Te Ken Chiu, J.P. as the chairman of the Board with effect from 12 December 2014. After his resignation, the responsibilities of the chairman were taken up by the executive Directors. During the Year Under Review, Mr. Richard Yen was the managing director and chief executive officer of the Company until his resignation with effect from 31 May 2015. Since then, the Company has not had a designated chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

NON-EXECUTIVE DIRECTORS

The existing non-executive Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company.

During the Year Under Review, 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 Under Review, the Board has conducted reviews of 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 Under Review, the management of the Company provided (i) sufficient explanation and information to the Board to enable it to make an informed assessment of the 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 31 December 2015, the auditor of the Company received approximately HK\$870,000 for audit services (2014: HK\$890,000) and HK\$418,000 for non-audit services (2014: HK\$475,000).

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 31 December 2015 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 on pages 26 to 27 of this Annual Report.

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

During the Year Under Review, the interim results of the Group for the six months ended 30 June 2015, the final results of the Group for the year ended 31 December 2015 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. The Audit Committee also made a recommendation to the Board for the adoption of the revised Terms of Reference of the Audit Committee.

During the year ended 31 December 2015, three meetings were held. The attendance record of each member of the Audit Committee is as follows:

	Audit Committee meeting attended/ Eligible to attend
Mr. Chan Ming Sun, Jonathan (chairman of the Audit Committee)	3/3
Dr. Wong Yun Kuen	3/3
Ms. Kwan Shan	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 CG 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. Currently, the Remuneration Committee comprises all the independent non-executive Directors, namely, Mr. Chan Ming Sun, Jonathan (chairman of the Remuneration Committee), Dr. Wong Yun Kuen and Ms. Kwan Shan.

During the Year Under Review, the Company’s policy and the structure of the remuneration of all the Directors and senior management of the Company have been reviewed by the Remuneration Committee and recommendations have been made to the Board for approval.

During the year ended 31 December 2015, one Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Mr. Chan Ming Sun, Jonathan (chairman of the Remuneration Committee)	1/1
Ms. Kwan Shan	1/1
Dr. Wong Yun Kuen (appointed with effect from 9 November 2015)	1/1
Mr. Derek Chiu (resigned with effect from 9 November 2015)	0/0

Nomination Committee

The nomination committee (the “Nomination Committee”) was established by the Board 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 CG Code, and the same are available on the websites 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. Currently, the Nomination Committee comprises all the independent non-executive Directors, namely, Ms. Kwan Shan (chairman of the Nomination Committee), Dr. Wong Yun Kuen and Mr. Chan Ming Sun, Jonathan.

The Board approved the adoption of the Board Diversity Policy (the “Policy”) in 2013 which sets out the approach to achieve diversity on the Board to enhance the quality of its performance. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. The Nomination Committee will monitor the implementation of the Policy and review the Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will also discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

During the Year Under Review, 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 Nomination Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, one 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
Ms. Kwan Shan (chairman of the Nomination Committee)	1/1
Mr. Chan Ming Sun, Jonathan	1/1
Dr. Wong Yun Kuen (appointed with effect from 9 November 2015)	1/1
Dr. Derek Chiu (resigned with effect from 9 November 2015)	0/0

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. Currently, the Investment Committee comprises Mr. Yu Pak Yan, Peter (chairman of the Investment Committee), an executive Director, Mr. Chan Ming Sun, Jonathan and Dr. Wong Yun Kuen, both are independent non-executive Directors.

During the Year Under Review, the Investment Committee provided guidance and recommendations to the Board on the investment projects held by the Company.

Corporate Governance Functions

During the Year Under Review, the Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code. The Board has reviewed 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 CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

During the Year Under Review, the company secretary of the Company was Mr. Chan Kwong Leung, Eric (appointed on 3 June 2015), who is a qualified professional provided by an external service provider, and his primary corporate contact person at the Company is Mr. Yu Pak Yan, Peter, an executive Director of the Company. Mr. Chan confirmed that he has received not less than 15 hours professional training during the Year Under Review.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises 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 General Meeting by Shareholders

The procedures for Shareholders to convene a general meeting (including making proposals/moving a resolution at the 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 registered office of the Company by post or by fax at (852) 3970 4019 or by email to admin@feholdings.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting Forward Proposals at 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 Under Review, the Company has not made any change to the Articles, which are available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

INDEPENDENT AUDITOR'S REPORT



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 28 to 82, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 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.



INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Turnover (note)		94,263	17,042
Continuing operations			
Revenue	6	10,970	16,747
Cost of sales		(11,834)	(16,337)
Gross (loss) profit		(864)	410
Dividend income from available-for-sale investments		71	355
Dividend income from held-for-trading investments		4,819	358
Other income	8	2,952	901
Other gains and losses	9	101,771	42,305
Selling and distribution costs		(91)	(146)
Administrative expenses		(32,730)	(25,153)
Finance costs	10	(1,285)	(1,372)
Profit before tax		74,643	17,658
Income tax expense	11	(12,657)	–
Profit for the year from continuing operations	14	61,986	17,658
Discontinued operations			
Gain on disposal of discontinued operations	15	–	7,286
Profit for the year		61,986	24,944
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from the translation of foreign operations		(1,235)	(152)
Fair value gain on available-for-sale investments		10,073	7,087
Reclassification adjustment upon disposal of available-for-sale investments		(18,958)	(38,212)
Reclassification adjustment of exchange reserve upon disposal of a joint venture		–	(4,623)
Other comprehensive expense for the year		(10,120)	(35,900)
Total comprehensive income (expense) for the year		51,866	(10,956)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Profit for the year attributable to owners of the Company			
– from continuing operations		69,100	18,560
– from discontinued operations		–	7,286
		69,100	25,846
Loss for the year attributable to non-controlling interests			
– from continuing operations		(7,114)	(902)
– from discontinued operations		–	–
		(7,114)	(902)
		61,986	24,944
Total comprehensive income (expense) attributable to:			
Owners of the Company		59,585	(9,980)
Non-controlling interests		(7,719)	(976)
		51,866	(10,956)
			(Restated)
Earnings per share			
From continuing and discontinued operations			
Basic (HK cents)	17	7.29	4.34
Diluted (HK cents)	17	N/A	4.32
From continuing operations			
Basic (HK cents)	17	7.29	3.12
Diluted (HK cents)	17	N/A	3.10

note: Turnover represents revenue of the Group and fair value gains on held-for-trading investments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Investment properties	18	52,516	220,750
Property, plant and equipment	19	21,927	6,558
Prepaid lease payments	20	566	659
Available-for-sale investments	22	–	20,951
		75,009	248,918
CURRENT ASSETS			
Prepaid lease payments	20	22	25
Held-for-trading investments	23	628,026	1,932
Inventories	24	2,729	3,370
Trade and other receivables	25	1,500	2,583
Amount due from a non-controlling interest	26	4,009	3,140
Amount due from a related party	27	–	9
Tax recoverable		10	10
Deposits held at financial institutions	28	144,917	198,694
Pledged bank deposits	29	–	7
Bank balances and cash	28	32,755	74,170
		813,968	283,940
CURRENT LIABILITIES			
Trade and other payables	30	3,722	2,414
Amounts due to related parties	27	–	38
Secured bank borrowings – due within one year	31	–	87,192
		3,722	89,644
NET CURRENT ASSETS		810,246	194,296
TOTAL ASSETS LESS CURRENT LIABILITIES		885,255	443,214

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	34	12,657	–
NET ASSETS		872,598	443,214
CAPITAL AND RESERVES			
Share capital	32	632,610	255,092
Share premium and reserves		231,658	172,073
Equity attributable to owners of the Company		864,268	427,165
Non-controlling interests		8,330	16,049
TOTAL EQUITY		872,598	443,214

The consolidated financial statements on pages 28 to 82 were approved and authorised for issue by the Board of Directors on 22 March 2016 and are signed on its behalf by:

Yu Pak Yan, Peter
DIRECTOR

Fok Chi Tak
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Share option reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	4,543	202,547	12,104	40,010	4,572	183,349	447,125	17,025	464,150
Profit (loss) for the year	-	-	-	-	-	25,846	25,846	(902)	24,944
Other comprehensive (expense) income for the year									
Exchange differences arising from									
the translation of foreign operations	-	-	(78)	-	-	-	(78)	(74)	(152)
Fair value gain on available-for-sale investments	-	-	-	7,087	-	-	7,087	-	7,087
Reclassification adjustment upon disposal of available-for-sale investments	-	-	-	(38,212)	-	-	(38,212)	-	(38,212)
Reclassification adjustment of exchange reserve upon disposal of a joint venture	-	-	(4,623)	-	-	-	(4,623)	-	(4,623)
	-	-	(4,701)	(31,125)	-	-	(35,826)	(74)	(35,900)
Total comprehensive (expense) income for the year	-	-	(4,701)	(31,125)	-	25,846	(9,980)	(976)	(10,956)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note 32)	202,547	(202,547)	-	-	-	-	-	-	-
New shares issued as consideration for the acquisition of subsidiaries (Note 35)	37,971	-	-	-	-	-	37,971	-	37,971
Exercise of share options	10,031	-	-	-	(4,321)	-	5,710	-	5,710
Transfer to retained profits upon lapse of share options	-	-	-	-	(251)	251	-	-	-
Dividends paid (Note 16)	-	-	-	-	-	(53,661)	(53,661)	-	(53,661)
At 31 December 2014	255,092	-	7,403	8,885	-	155,785	427,165	16,049	443,214
Profit (loss) for the year	-	-	-	-	-	69,100	69,100	(7,114)	61,986
Other comprehensive (expense) income for the year									
Exchange differences arising from the translation of foreign operations	-	-	(630)	-	-	-	(630)	(605)	(1,235)
Fair value gain on available-for-sale investments	-	-	-	10,073	-	-	10,073	-	10,073
Reclassification adjustment upon disposal of available-for-sale investments	-	-	-	(18,958)	-	-	(18,958)	-	(18,958)
	-	-	(630)	(8,885)	-	-	(9,515)	(605)	(10,120)
Total comprehensive (expense) income for the year	-	-	(630)	(8,885)	-	69,100	59,585	(7,719)	51,866
Placing of shares (Note 32)	306,705	-	-	-	-	-	306,705	-	306,705
Transaction costs on placing of shares (Note 32)	(7,667)	-	-	-	-	-	(7,667)	-	(7,667)
Issue of shares upon Open Offer (Note 32)	80,492	-	-	-	-	-	80,492	-	80,492
Transaction costs attributable to Open Offer (Note 32)	(2,012)	-	-	-	-	-	(2,012)	-	(2,012)
At 31 December 2015	632,610	-	6,773	-	-	224,885	864,268	8,330	872,598

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	74,643	24,944
Adjustments for:		
Scrip dividend received from available-for-sale investments	–	(1)
Scrip dividend received from held-for-trading investments	(827)	(36)
Interest income from banks and financial institutions	(814)	(526)
Gain on disposal of available-for-sale investments	(18,846)	(37,538)
Fair value gains on investment properties	(501)	(3,967)
Unrealised gains on held-for-trading investments	(76,708)	(373)
Loss (gain) on disposal of property, plant and equipment	2	(120)
Gain on disposal of subsidiaries	(527)	–
Impairment loss recognised on property, plant and equipment	778	–
Amortisation of prepaid lease payments	60	106
Depreciation of property, plant and equipment	1,324	1,371
Allowance for inventories	23	–
Gain on disposal of discontinued operations	–	(7,286)
Finance costs	1,285	1,372
Operating cash flows before movements in working capital	(20,108)	(22,054)
Decrease (increase) in inventories	451	(128)
(Increase) decrease in held-for-trading investments	(548,559)	10,739
Decrease (increase) in trade and other receivables	1,010	(241)
Increase in amount due from a non-controlling interest	(1,088)	(1,987)
Decrease in amount due from a related party	9	–
Increase in trade and other payables	1,541	406
NET CASH USED IN OPERATING ACTIVITIES	(566,744)	(13,265)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
INVESTING ACTIVITIES			
Proceeds from disposal of assets classified as held for sale		–	50,513
Withdrawal of deposits held at financial institutions		302,246	47,016
Disposal of subsidiaries	36	120,880	–
Proceeds from disposal of available-for-sale investments		30,912	260,359
Proceeds from disposal of investment properties		14,750	–
Interest received		814	526
Proceeds from disposal of property, plant and equipment		8	120
Withdrawal of pledged bank deposits		7	7
Placement of deposits with financial institutions		(248,469)	(225,509)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	(69,490)	(9,990)
Acquisition of property, plant and equipment		(86)	(137)
Acquisition of investment properties	18	–	(70,557)
Placement of pledged bank deposits		–	(8)
NET CASH FROM INVESTING ACTIVITIES		151,572	52,340
FINANCING ACTIVITIES			
Proceeds from placing of shares		306,705	–
Proceeds from issue of shares upon Open Offer		80,492	–
Transaction costs on placing of shares		(7,667)	–
Transaction costs paid upon Open Offer		(2,012)	–
Repayment of bank borrowings		(1,879)	(2,808)
Interest paid on bank borrowings		(1,285)	(1,372)
New bank borrowings raised		–	35,100
Proceeds from exercise of share options		–	5,710
Repayment to related parties		–	(33,014)
Dividends paid	16	–	(53,661)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		374,354	(50,045)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(40,818)	(10,970)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		74,170	85,241
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(597)	(101)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		32,755	74,170
represented by bank balances and cash			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 are set out in note 21.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

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

Application of new and revised HKFRSs (disclosure of a detailed list of new and revised HKFRSs)

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting period. 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.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s existing business model and financial instruments as at 31 December 2015, the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group’s financial assets measured at amortised costs. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 15 “Revenue from Contracts with Customers” (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provision of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements have been changed to comply with those new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, 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 “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, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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 component 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 in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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.

Sales of goods

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend and interest income

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

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

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

The Group as lessee

Operating leases payments 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 properties 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on 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. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, 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 assets less their residual values 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purposes. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in 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 disposal. 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 profit and loss in the period in which the property is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs and termination benefits

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

A liability for termination benefits is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefits and when it recognises any related restructuring costs.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of share options expected to vest. The impact of the revision of the original estimates, 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 share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

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 items 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 for the year

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

Financial instruments

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), 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 at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

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
- on initial recognition 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 at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 5c.

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 and a related party, deposits held at financial institutions, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets that are 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 (see the accounting policy below).

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of 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 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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties, and secured bank borrowings) are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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 recognised its retained interest in the asset and an associated liability for amounts it may have to pay. 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised 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 year.

The capital structure of the Group consists of net 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 the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Held-for-trading investments	628,026	1,932
Loans and receivables (including cash and cash equivalents)	182,919	278,595
Available-for-sale investments	–	20,951
Financial liabilities		
Amortised cost	2,159	88,052

5b. Financial risk management objectives and policies

Details of the Group'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 foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2015 HK\$'000	2014 HK\$'000
Renminbi ("RMB")	–	51,218
United States dollars ("US\$")	5,448	4,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) *Currency risk* (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in relevant foreign currencies against functional currencies of respective group entities. 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% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the relevant foreign currencies strengthen 10% against the functional currencies of relevant group entities. For a 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.

	2015 HK\$'000	2014 HK\$'000
Effect on post-tax results:		
RMB against HK\$	–	4,277
US\$ against RMB	455	413

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 are exposed to cash flow interest rate risk in relation to bank deposits, deposits held at financial institutions and variable-rate secured bank borrowings.

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(iii) Price risk

The Group are exposed to equity price risk through their held-for-trading investments and available-for-sale investments. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. 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 price of the respective held-for-trading investments had been 10% higher/lower, the post-tax profit of the Group for the year would increase/decrease by HK\$52,440,000 (2014: HK\$161,000), as a result of the changes in fair value of held-for-trading investments.

As at 31 December 2014, if the price of the respective available-for-sale listed equity investments had been 10% higher/lower, the investment revaluation reserve of the Group would increase/decrease by HK\$2,095,000, as a result of the changes in fair value of available-for-sale investments. No sensitivity in respect of available-for-sale investments is presented as at 31 December 2015 as the Group has no such investments at the end of the reporting period.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group 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 reviews 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 credit risk is significantly reduced.

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

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

The Group has concentration of credit risk as 69.4% (2014: 89.7%) and 100% (2014: 89.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the industrial operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

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

The Group has no bank loan facilities as at 31 December 2015. As at 31 December 2014, the Group has available unutilised short-term bank loan facilities of approximately HK\$296,823,000.

The following table details the Group's remaining contractual maturity for its 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 can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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 curve at the end of the reporting period.

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2015 HK\$'000
2015				
Non-derivative financial liabilities				
Trade and other payables	–	2,159	2,159	2,159

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
2014				
Non-derivative financial liabilities				
Trade and other payables	–	822	822	822
Amounts due to related parties	–	38	38	38
Secured bank borrowings				
– Variable rate (Note)	2.7	87,192	87,192	87,192
		88,052	88,052	88,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity tables (continued)

Note: Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$87,192,000. Taking into account the Group’s financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that the principal and interest of such bank loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements as below:

	2014 HK\$'000
Less than 3 months	1,651
3 months to 1 year	6,339
1–5 years	59,330
Over 5 years	31,693
	<hr/>
	99,013

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5c. Fair value measurements of financial instruments

Some of the Group’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 categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (continued)

5c. Fair value measurement of financial instruments (continued)

Financial assets	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	2015 HK\$'000	2014 HK\$'000		
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the consolidated statement of financial position	628,026	1,932	Level 1	Quoted bid prices in an active market
2. Listed equity securities in Hong Kong classified as available-for-sale investments in the consolidated statement of financial position	–	20,951	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 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 financial statements approximate their fair values.

The Group is exposed to equity price risk through its investment in listed equity securities classified as held-for-trading investments. During the year ended 31 December 2015, the appreciation of share prices in the Hong Kong stock market has resulted in unrealised fair value gains recognised in profit or loss.

6. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK\$10,970,000 (2014: HK\$16,747,000).

7. SEGMENT INFORMATION

Information reported to the executive directors 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:

Industrial	–	manufacturing and sale of garments
Securities investment	–	short term securities investment
Other operation	–	property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION (continued)

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 31 December 2015

Continuing operations

	Industrial HK\$'000	Securities investment HK\$'000	Other operation HK\$'000	Consolidated HK\$'000
Segment revenue				
External revenue	10,970	–	–	10,970
Segment results	(15,682)	88,028	20	72,366
Other income				2,952
Finance costs				(1,285)
Unallocated expenses				(18,761)
Loss on disposal of property, plant and equipment				(2)
Net gain on disposal of available-for-sale investments				18,846
Gain on disposal of subsidiaries				527
Profit before tax				74,643

For the year ended 31 December 2014

Continuing operations

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

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 (loss) on disposal of subsidiaries, available-for-sale investments and property, plant and equipment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The segment result of the securities investment segment includes the gain or loss from changes in the fair value of held-for-trading investments, dividend income from held-for-trading investments and administrative expenses directly attributable to the securities investment segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION (continued)

Other segment information

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

2015

Continuing operations

	Industrial HK\$'000	Securities investment HK\$'000	Other operation HK\$'000	Unallocated amount HK\$'000	Consolidated HK\$'000
Depreciation of property, plant and equipment	(470)	–	(464)	(390)	(1,324)
Fair value gains on held-for-trading investments	–	83,293	–	–	83,293
Fair value gains on investment properties	–	–	501	–	501

2014

Continuing operations

	Industrial HK\$'000	Securities investment HK\$'000	Other operation HK\$'000	Unallocated amount HK\$'000	Consolidated HK\$'000
Depreciation of property, plant and equipment	(1,008)	–	(317)	(46)	(1,371)
Fair value gains on held-for-trading investments	–	295	–	–	295
Fair value gains on investment properties	–	–	3,967	–	3,967

Segment assets and liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION (continued)

Revenue from major products

The Group's revenue from continuing operations is the sale of garments amounting to HK\$10,970,000 (2014: HK\$16,747,000).

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 available-for-sale investments and financial instruments), by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	2,987	5,596	70,782	222,162
Japan	7,448	10,295	–	–
Other regions in the PRC	535	856	4,227	5,805
	10,970	16,747	75,009	227,967

Information about major customers

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

	2015 HK\$'000	2014 HK\$'000
Customer A (from industrial segment)	2,987	5,596
Customer B (from industrial segment)	4,772	7,855
	7,759	13,451

8. OTHER INCOME

Included in other income from continuing operations are:

	2015 HK\$'000	2014 HK\$'000
Interest income from banks and financial institutions	814	526
Rental income	960	155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. OTHER GAINS AND LOSSES

Continuing operations

	2015 HK\$'000	2014 HK\$'000
Net gain on disposal of available-for-sale investments (Note 22)	18,846	37,538
Fair value gains on investment properties (Note 18)	501	3,967
Exchange (loss) gain, net	(616)	385
Fair value gains on held-for-trading investments	83,293	295
(Loss) gain on disposal of property, plant and equipment	(2)	120
Gain on disposal of subsidiaries (Note 36)	527	–
Impairment loss recognised on property, plant and equipment	(778)	–
	101,771	42,305

10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Continuing operations		
Interest on bank borrowings	1,285	1,372

11. INCOME TAX EXPENSE

Income tax expense represents the deferred taxation charge for the year (2014: Nil).

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Hong Kong Profits Tax has not been provided for the year ended 31 December 2015 and 2014 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 PRC subsidiaries is 25% for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. INCOME TAX EXPENSE (continued)

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax (from continuing operations)	74,643	17,658
Tax at the domestic income tax rate of 16.5% (2014: 16.5%) (Note)	12,316	2,914
Tax effect of expenses not deductible for tax purposes	911	756
Tax effect of income not taxable for tax purposes	(4,213)	(7,116)
Tax effect of tax losses not recognised	3,800	3,833
Utilisation of tax losses previously not recognised	(91)	–
Tax effect of different tax rates of subsidiaries operating in the PRC	(66)	(168)
Others	–	(219)
Income tax expense (relating to continuing operations)	12,657	–

Note: The domestic tax rate (which is Hong Kong Profit Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2014: thirteen) directors including the chief executive officer were as follows:

2015

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits schemes contributions HK\$'000	Total emoluments HK\$'000
Executive Directors				
Mr. Yu Pak Yan, Peter	616	–	–	616
Mr. Fok Chi Tak	616	–	–	616
Mr. Derek Chiu (resigned on 9 November 2015)	342	–	–	342
Mr. Richard Yen (resigned on 31 May 2015)	167	723	9	899
Mr. Ip Ngai Sang (retired on 3 June 2015)	57	234	9	300
Non-executive Director				
Mr. Desmond Chiu (resigned on 16 February 2015)	2	267	9	278
Independent Non-executive Directors				
Mr. Chan Ming Sun, Jonathan	128	–	–	128
Dr. Wong Yun Kuen	125	–	–	125
Ms. Kwan Shan	125	–	–	125
	2,178	1,224	27	3,429

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12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

2014

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits schemes contributions HK\$'000	Total emoluments HK\$'000
Executive Directors				
Mr. Derek Chiu	400	–	–	400
Mr. Richard Yen (Chief Executive Officer)	400	1,509	17	1,926
Mr. Ip Ngai Sang	135	510	17	662
Mr. Yu Pak Yan, Peter (appointed on 12 November 2014)	82	–	–	82
Mr. Fok Chi Tak (appointed on 14 November 2014)	78	–	–	78
Deacon Te Ken Chiu, J.P. (resigned on 12 December 2014)	14	–	–	14
Non-executive Director				
Mr. Desmond Chiu	15	576	17	608
Independent Non-executive Directors				
Mr. Chan Ming Sun, Jonathan (appointed on 14 November 2014)	16	–	–	16
Dr. Wong Yun Kuen (appointed on 1 December 2014)	10	–	–	10
Ms. Kwan Shan (appointed on 1 December 2014)	10	–	–	10
Dr. Lam Lee G. (resigned on 21 October 2014)	161	–	–	161
Mr. Lee Kwan Hung (resigned on 12 November 2014)	173	–	–	173
Mr. Eugene Yun Hang Wang (resigned on 8 December 2014)	188	–	–	188
	1,682	2,595	51	4,328

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

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For the year ended 31 December 2015

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: three) are executive directors and none (2014: one) is a non-executive director whose emoluments are included in note 12 above. The emoluments of the remaining one (2014: one) individual within the band of HK\$Nil to HK\$1,000,000 (2014: HK\$Nil to HK\$1,000,000) are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	422	551
Retirement benefits schemes contributions	9	17
	431	568

14. PROFIT FOR THE YEAR

	2015 HK\$'000	2014 HK\$'000
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	60	106
Auditor's remuneration		
– current year	1,259	910
– overprovision in prior year	–	(20)
Cost of inventories recognised as an expense	11,834	16,337
Depreciation	1,324	1,371
Staff costs		
– Directors' emoluments (Note 12)	3,429	4,328
– other staff costs, comprising mainly salaries	8,458	11,450
– termination benefits	12,392	–
– retirement benefits schemes contributions excluding those of Directors	1,624	2,296
	25,903	18,074
Operating lease rental in respect of rented premises	423	780
Impairment loss recognised on property, plant and equipment (included in other gains and losses)	778	–
Allowance for inventories	23	–

15. DISCONTINUED OPERATIONS

On 30 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 23 October 2013 issued by the Company.

As Beijing Kailan was the only entity within the Group which was engaged in the operation of the aviation segment, the aviation operation was classified as discontinued operations of the Group. The disposal was completed on 17 March 2014, on which date the registration of the change of business had been completed and a new business licence was obtained for Beijing Kailan.

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For the year ended 31 December 2015

15. DISCONTINUED OPERATIONS (continued)

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

	2015 HK\$'000	2014 HK\$'000
Gain on disposal of discontinued operations	–	7,286

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

16. DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Dividends recognised as distributions during the year:		
2014 interim dividend of HK10 cents per share, paid	–	53,661

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period.

17. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2015 HK\$'000	2014 HK\$'000
Profit for the purposes of basic and diluted earnings per share	69,100	25,846

	2015	2014 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	948,376,042	595,437,508
Effect of dilutive potential ordinary shares in respect of share options outstanding	–	3,526,766
Weighted average number of ordinary shares for the purpose of diluted earnings per share	948,376,042	598,964,274

For the year ended 31 December 2014, 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 13 February 2015, details of which are described in note 32.

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For the year ended 31 December 2015

17. EARNINGS PER SHARE (continued)

From continuing operations

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

	2015 HK\$'000	2014 HK\$'000
Profit for the year attributable to the owners of the Company	69,100	25,846
Less: Profit for the year from discontinued operations attributable to the owners of the Company	–	(7,286)
Profit for the purposes of calculating basic and diluted earnings per share from continuing operations	69,100	18,560

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

From discontinued operations

Basic earnings per share from discontinued operations for the year ended 31 December 2014 was HK1.22 cents (restated) per share and dilutive earnings per share from discontinued operations was HK1.22 cents (restated) per share, based on the profit for the year from discontinued operations of HK\$7,286,000 and the denominators used are the same as those detailed above.

18. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2014	10,140
Acquired on acquisition of assets through acquisition of subsidiaries (note 35(b))	99,000
Additions (Note)	107,643
Fair value gains recognised in profit and loss	3,967
At 31 December 2014	220,750
Acquired on acquisition of assets through acquisition of subsidiaries (note 35(a))	52,015
Fair value gains recognised in profit and loss	501
Disposals	(14,750)
Disposals through disposal of subsidiaries (note 36)	(206,000)
At 31 December 2015	52,516

Note: Subsequent to the completion of construction of the investment properties located at Global Trade Square, 21 Wong Chuk Hang Road, Hong Kong during the year ended 31 December 2014, intangible assets, deposits and prepaid stamp duty in respect of the investment properties with carrying amounts of HK\$12,144,000, HK\$17,571,000 and HK\$7,371,000 respectively were transferred to the cost of investment properties and included in additions of investment properties for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. INVESTMENT PROPERTIES (continued)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2015 and 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs. Roma Appraisals Limited ("Roma Appraisal") and Messrs. DTZ Debenham Tie Leung Limited ("DTZ Debenham Tie Leung"), independent qualified professional surveyors not connected to the Group, respectively. Roma Appraisals and DTZ Debenham Tie Leung are members of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors respectively who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. There has been no change to the valuation technique during the year.

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\$17,016/sq.ft to HK\$19,597/sq.ft (2014: ranged from HK\$172/sq.ft to HK\$36,543/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 31 December 2015. There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties shown above comprise:

	2015 HK\$'000	2014 HK\$'000
Office units in Hong Kong	52,516	–
Office units and carpark lots in Hong Kong	–	121,000
Leasehold land in Hong Kong	–	14,750
Shop units in Hong Kong	–	85,000
	52,516	220,750

During the year ended 31 December 2014, investment properties of the Group with a carrying amount of HK\$206,000,000 have been pledged to secure general banking facilities granted to the Group. The pledge was released upon disposal of the relevant investment properties.

During the year ended 31 December 2014, the investment properties of the Group include an amount of HK\$14,750,000, the title of which has not been transferred to the Group 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 Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in HK HK\$'000	Building in the PRC HK\$'000	Leasehold improvements HK\$'000	Lifts, electrical and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 January 2014	–	13,365	797	33,158	2,651	49,971
Additions	–	–	–	17	120	137
Exchange realignment	–	(56)	–	(137)	(2)	(195)
At 31 December 2014	–	13,309	797	33,038	2,769	49,913
Additions	–	–	–	86	–	86
Acquired through acquisition of a subsidiary (Note 35(a))	17,317	–	254	57	–	17,628
Disposal	–	–	–	–	(104)	(104)
Exchange realignment	–	(736)	–	(1,806)	(27)	(2,569)
At 31 December 2015	17,317	12,573	1,051	31,375	2,638	64,954
DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	–	8,694	689	32,167	604	42,154
Provided for the year	–	597	74	70	630	1,371
Exchange realignment	–	(36)	–	(133)	(1)	(170)
At 31 December 2014	–	9,255	763	32,104	1,233	43,355
Provided for the year	173	340	143	69	599	1,324
Impairment loss recognised in profit and loss	–	–	–	778	–	778
Eliminated on disposal	–	–	–	–	(94)	(94)
Exchange realignment	–	(526)	–	(1,787)	(23)	(2,336)
At 31 December 2015	173	9,069	906	31,164	1,715	43,027
CARRYING VALUES						
At 31 December 2015	17,144	3,504	145	211	923	21,927
At 31 December 2014	–	4,054	34	934	1,536	6,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and building in Hong Kong	Over 50 years or the remaining term of the relevant lease, if shorter
Building in the PRC	Over the shorter of the lease term of land or estimated useful life of 50 years
Leasehold improvements	10% or over the term of the lease, whichever is shorter
Lifts, electrical and office equipment	10%–20%
Motor vehicles	20%–30%

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.

During the year, the directors of the Company conducted a review of the Group's lifts, electrical and office equipment and determined that a number of those assets were impaired due to the continuous net losses incurred by a subsidiary of the Group. Accordingly, impairment losses of HK\$778,000 have been recognised in respect of lifts, electrical and office equipment, which are used in the Group's industrial segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 10.7%.

20. PREPAID LEASE PAYMENTS

	2015 HK\$'000	2014 HK\$'000
Analysed for reporting purposes as:		
Current	22	25
Non-current	566	659
	588	684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2015 and 2014 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		
			2015	2014	2015	2014	
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 sale of garment products
Jubilee Star Limited	Hong Kong	HK\$1 Ordinary share	–	–	100%	100%	Investment holding
Marvel Star Group Limited	British Virgin Islands (the "BVI")/ Hong Kong	US\$1 Ordinary share	100%	100%	–	–	Investment holding
Coast Holdings Limited	Hong Kong	HK\$100,000 Ordinary share	–	–	100% (Note i)	–	Property investment
Gold Sky Investment Limited	Hong Kong	HK\$1 Ordinary share	100% (Note ii)	–	–	–	Securities investment
River Joy Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	–	–	Property investment
Blooming Success Limited	BVI	US\$50,000 Ordinary shares	– (Note iii)	100%	–	–	Property investment
New Continent Development Limited	BVI	US\$2 Ordinary shares	–	–	– (Note iii)	100%	Property investment

* Sino-foreign equity joint venture

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) General information of subsidiaries (continued)

Notes:

- (i) The Group acquired the entire equity interest of the subsidiary during the year ended 31 December 2015 as detailed in note 35(a).
- (ii) The subsidiary was set up during the year ended 31 December 2015.
- (iii) The entire equity interest of the subsidiary was disposed of during the year ended 31 December 2015 as detailed in note 36.
- (iv) 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, result in particulars of excessive length.

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

(b) 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	
		2015	2014	2015	2014	2015	2014
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.	PRC	49%	49%	(7,114)	(902)	8,330	16,049

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.

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21. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(b) **Details of a non-wholly owned subsidiary that has material non-controlling interests** (continued)

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.

	2015	2014
	HK\$'000	HK\$'000
Current assets	15,349	27,843
Non-current assets	4,227	5,805
Current liabilities	(2,255)	(573)
Equity attributable to owners of the Company	8,991	17,026
Non-controlling interests	8,330	16,049
Revenue	10,970	16,747
Expenses	(25,489)	(18,588)
Loss for the year	(14,519)	(1,841)
Loss attributable to owners of the Company	(7,405)	(939)
Loss attributable to the non-controlling interests	(7,114)	(902)
Loss for the year	(14,519)	(1,841)
Other comprehensive expense attributable to owners of the Company	(630)	(78)
Other comprehensive expense attributable to the non-controlling interests	(605)	(74)
Other comprehensive expense for the year	(1,235)	(152)
Total comprehensive expense attributable to owners of the Company	(8,035)	(1,017)
Total comprehensive expense attributable to the non-controlling interests	(7,719)	(976)
Total comprehensive expense for the year	(15,754)	(1,993)
Net cash outflow from operating activities	(11,602)	(4,494)
Net cash inflow from investing activities	717	389
Net cash outflow	(10,885)	(4,105)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value at quoted market prices	–	20,951

During the year ended 31 December 2014, the Group disposed of its entire equity interest in Chinasoft International Limited with carrying amount of HK\$257,417,000 and a profit of HK\$35,627,000 was recognised in profit or loss. In addition, the Group also disposed of 2,784,000 shares of China Binary Sale Technology Limited with a carrying amount of HK\$3,615,000 and a profit of HK\$1,911,000 was also recognised in profit or loss.

During the year ended 31 December 2015, the Group disposed of the equity securities listed in Hong Kong with a carrying amount of HK\$31,024,000 and a gain of HK\$18,846,000 has been recognised in profit or loss.

23. HELD-FOR-TRADING INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Listed equity securities: Hong Kong	628,026	1,932

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

24. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	869	1,252
Work in progress	1,806	2,085
Finished goods	54	33
	2,729	3,370

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For the year ended 31 December 2015

25. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (2014: 90 days) to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Current	1,046	1,535
Past due:		
0 to 30 days	–	465
31 to 60 days	–	53
Total trade receivables	1,046	2,053
Other receivables	454	530
	1,500	2,583

As at 31 December 2014, included in the Group's trade receivables balance were debtors with an aggregate carrying amount of HK\$518,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered that the default risk was low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group did not hold any collateral over these balances. There is no such balance as at 31 December 2015. The average age of these receivables is 45 days (2014: 61 days).

26. 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 (2014: 90 days) to the non-controlling interest. The aged analysis of the receivable is as follows:

	2015 HK\$'000	2014 HK\$'000
Current	664	2,091
Past due:		
0 to 30 days	516	547
31 to 60 days	493	502
61 to 90 days	630	–
91 to 180 days	1,012	–
181 to 270 days	694	–
	4,009	3,140

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26. AMOUNT DUE FROM A NON-CONTROLLING INTEREST (continued)

Included in the amount due from the non-controlling interest is a trade balance of HK\$3,345,000 (2014: HK\$1,049,000) 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 interest and settlement after the end of the reporting period. The Group does not hold any collateral over this balance.

27. AMOUNTS DUE FROM/TO RELATED PARTIES

At 31 December 2014, the amount due from a related party was unsecured, interest-free and had no fixed repayment terms. The maximum amount outstanding is HK\$9,000 for both years. The amount has been settled during the year ended 31 December 2015.

At 31 December 2014, the amounts due to related parties were unsecured, interest-free and repayable on demand.

The related parties were companies in which a director of the Company (who has since resigned in 2015) has a beneficial interest and certain directors of the Company (who have since resigned in 2015) who were close family members of the director also have beneficial interest in the related companies.

28. 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 3.08% (2014: 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.

29. PLEDGED BANK DEPOSITS

Bank balances were pledged to a bank for granting general banking facilities to the Company in the prior year. The pledge was released during the year.

30. 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:

	2015 HK\$'000	2014 HK\$'000
Trade payables – over 90 days	49	52
Other payables and accruals	3,673	2,362
	3,722	2,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

31. SECURED BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Secured bank borrowings comprise the following:		
Mortgage loans	–	52,092
Term loans	–	35,100
	–	87,192
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	–	29,355
	–	87,192
Less: Amounts due within one year shown under current liabilities	–	(87,192)
Amounts shown under non-current liabilities	–	–

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

All of the Group's borrowings as at 31 December 2014 were variable-rate borrowings which carry interest at a premium over the Hong Kong Interbank Offered Rate. The range of effective interest rates on the Group's borrowings were from 2.64% to 2.74% per annum. All the secured bank borrowings were settled upon the disposal of the relevant subsidiary as disclosed in note 36.

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32. SHARE CAPITAL

	Number of shares		Share capital	
	2015	2014	2015 HK\$'000	2014 HK\$'000
Issued and fully paid:				
At 1 January	536,613,062	454,256,829	255,092	4,543
Transfer from share premium upon abolition of par value under the new CO (Note i)	–	–	–	202,547
New shares issued as consideration for the acquisition of subsidiaries (Note ii)	–	62,588,235	–	37,971
Exercise of share options	–	19,767,998	–	10,031
Shares issued upon Open Offer (Note iii)	268,306,531	–	78,480	–
Placing of shares (Note iv)	284,199,000	–	299,038	–
At 31 December	1,089,118,593	536,613,062	632,610	255,092

Notes:

- (i) Under the new CO, with effect from 3 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) On 24 January 2014, the Company and a connected person ("Person A") of the Company who is a sibling of a Director and a shareholder with significant influence over the Company entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and Person A conditionally agreed to sell the entire issued share capital of Blooming Success Limited ("Blooming Success"), a company wholly-owned by Person A. As at 25 April 2014, the net assets value of Blooming Success and its subsidiary was HK\$48 million, which is the consideration of the acquisition. Of the settlement, HK\$10 million was satisfied in cash and 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 25 April 2014, and 62,588,235 consideration shares were issued by the Company to Person A on the same day.
- (iii) Pursuant to an ordinary resolution passed at a board meeting of the Company on 12 February 2015, an issue of shares by the Company 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 acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 268,306,531 new shares were issued on 13 February 2015, resulting in gross proceeds of approximately HK\$80,492,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK\$2,012,000.
- (iv) On 16 April 2015, the Company entered into a placing agreement, pursuant to which 102,999,000 new shares of the Company would be placed to independent investors at the placing price of HK\$0.55 per share, representing a discount of 19.12% to the closing price of the shares on the date of the placing agreement. The completion of the placing took place on 30 April 2015, resulting in gross proceeds of HK\$56,649,000 to the Company. Transaction costs on the placing of the shares amounted to approximately HK\$1,416,000.

On 4 June 2015, the Company entered into another placing agreement, pursuant to which 181,200,000 new shares of the Company would be placed to independent investors at the placing price of HK\$1.38 per share, representing a discount of 19.77% to the closing price of the shares on the date of the placing agreement. The completion of the placing took place on 23 June 2015, resulting in gross proceeds of HK\$250,056,000 to the Company. Transaction costs on the placing of shares amounted to approximately HK\$6,251,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. SHARE OPTION SCHEME

The share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed on 23 May 2005 for the purpose of providing incentives and rewards to employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and business consultants, agents and legal or financial advisers or other suppliers of goods or services who, the sole discretion of the Board of Directors (the "Board"), will contribute or have contributed to the success and/or growth of the Company or any of its subsidiaries.

Details of the share options granted on 21 April 2006 and 16 April 2013 and outstanding at 31 December 2014 are as follows:

Capacity of grantee	Grant date	Adjusted exercise price HK\$	Exercisable period (both days inclusive)	Number of share options		
				Balance at 1.1.2014	Exercised during the year	Balance at 31.12.2014
Directors	16.4.2013	0.27	16 April 2013 to 15 April 2023	14,990,473	(14,990,473)	–
Employees	21.4.2006	0.5032	23 May 2006 to 22 May 2016	798,864	(798,864)	–
	21.4.2006	0.5032	23 May 2007 to 22 May 2017	798,864	(798,864)	–
	16.4.2013	0.27	16 April 2013 to 15 April 2023	3,179,797	(3,179,797)	–
				19,767,998	(19,767,998)	–

No share option was granted, exercised, lapsed or cancelled during the year and the Scheme expired on 20 July 2015.

34. DEFERRED TAXATION

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

	Unrealised gain on held-for-trading investments HK\$'000	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2014	–	110	165	(275)	–
(Credit) charge to profit or loss	–	(40)	–	40	–
At 31 December 2014	–	70	165	(235)	–
(Credit) charge to profit or loss	12,657	(260)	108	152	12,657
At 31 December 2015	12,657	(190)	273	(83)	12,657

At the end of the reporting period, the Group has unused tax losses of approximately HK\$222,814,000 (2014: HK\$206,576,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$497,000 (2014: HK\$1,417,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$222,317,000 (2014: HK\$205,159,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Coast Holdings

On 30 June 2015, the Group acquired 100% of the issued share capital of Coast Holdings Limited (“Coast Holdings”) for a cash consideration of HK\$70,232,000. Coast Holdings is principally engaged in property investment and its major assets are office units in Hong Kong classified as investment properties, one of which was leased out to the Group. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	HK\$'000
Investment properties	52,015
Property, plant and equipment	17,628
Other receivables	17
Bank balances and cash	742
Other payables	(170)
	<hr/>
	70,232
	<hr/>
Satisfied by:	
Cash consideration paid	70,232
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	70,232
Bank balances and cash acquired	(742)
	<hr/>
	69,490
	<hr/>

(b) Acquisition of Blooming Success

On 25 April 2014, the Group acquired a 100% equity interest in Blooming Success from Person A as defined in note 32. The consideration of the acquisition composed of a cash consideration of HK\$10,000,000 and issue and allotment of 62,588,235 consideration shares. Blooming Success is principally engaged in property investment and its major assets are investment properties in Hong Kong. This transaction has been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of Blooming Success (continued)

The net assets acquired in the transaction were as follows:

	HK\$'000
Investment properties	99,000
Deposits	17,571
Intangible assets (Note)	12,144
Other receivables	7,371
Bank balances and cash	10
Other payables	(218)
Amounts due to related parties	(33,007)
Secured bank borrowings	(54,900)
	47,971
Satisfied by:	
Cash consideration paid	10,000
Consideration shares issued	37,971
	47,971
Net cash outflow arising on acquisition:	
Cash consideration paid	10,000
Bank balances and cash acquired	(10)
	9,990

Note: The intangible assets arose from the sale and purchase agreement entered into by Blooming Success in relation to the purchase of properties at a cash consideration HK\$87,856,000 of which HK\$17,571,000 had been paid by Blooming Success as at 25 April 2014. The fair value of these properties to be acquired by Blooming Success as at 25 April 2014 amounted to HK\$100,000,000 was arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung as at 2 January 2014. The fair value of the intangible asset arising from the contractual rights of Blooming Success under the sale and purchase agreement was determined by reference to the excess of the fair value of these properties of HK\$100,000,000 at the valuation date over the consideration sum in the sale and purchase agreement of HK\$87,856,000.

36. DISPOSAL OF SUBSIDIARIES

On 17 February 2015, the Company and Person A (see notes 32 and 35) entered into sale and purchase agreements under which the Company conditionally agreed to sell and Person A conditionally agreed to acquire the entire equity interest of Blooming Success, a wholly owned-subsiary of the Company which is engaged in property investment, at an aggregate cash consideration of HK\$121,101,000. The disposal was completed on 12 June 2015, on which date the control of Blooming Success was passed to Person A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. DISPOSAL OF SUBSIDIARIES (continued)

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

	HK\$'000
Consideration received:	
Cash received	121,101
Analysis of assets and liabilities over which control was lost:	
Investment properties	206,000
Other receivables	4
Bank balances and cash	221
Accruals	(338)
Secured bank borrowings	(85,313)
Net assets disposed of	120,574
Gain on disposal of subsidiaries:	
Consideration received	121,101
Net assets disposed of	(120,574)
Gain on disposal of subsidiaries	527
Net cash inflow arising on disposal:	
Cash consideration	121,101
Less: bank balances and cash disposed of	(221)
	120,880

37. PLEDGE OF ASSETS

As at 31 December 2015, there were no outstanding banking facilities and none of the Group's assets were pledged.

At 31 December 2014:

- (a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK\$132.0 million were secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$5.8 million. None of these facilities had been utilised at the end of the reporting period. 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 (of which none had been utilised at the end of the reporting period) were secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$182,000. The listed investments comprised held-for-trading securities held by the Group;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. PLEDGE OF ASSETS (continued)

- (c) short term loan and margin facilities in respect of securities transactions of approximately HK\$77.6 million (of which none had been utilised at the end of the reporting period) were secured by the listed investments and deposits held at financial institutions of the Group of approximately HK\$205.5 million. The listed investments comprised 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 (of which approximately HK\$87.2 million were drawdown and fully utilised) were secured by the Group's investment properties with an aggregate carrying value of approximately HK\$206.0 million.

The bank loan facilities have been terminated upon the disposal of the respective investment properties during the year ended 31 December 2015.

38. OPERATING LEASES

The Group as lessee

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

	2015 HK\$'000	2014 HK\$'000
Within one year	20	202
In the second to fifth years inclusive	47	66
	67	268

Operating lease payments represent rentals payable by the Group for the use of their office premise and equipment. Leases are negotiated for a term of one to five years (2014: one to five years).

The Group as lessor

Rental income earned from investment properties during the year was HK\$960,000 (2014: HK\$155,000). The properties are expected to generate rental yields of 1.8% (2014: 0.1%) on an ongoing basis. The properties held have committed tenants for one to five years (2014: one to five years).

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

	2015 HK\$'000	2014 HK\$'000
Within one year	559	165
In the second to fifth years inclusive	40	211
	599	376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. 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 at the lower of HK\$1,500 per month (HK\$1,250 per month from 1 January 2014 to 31 May 2014) or 5% of relevant payroll costs for each of the employees every month to the MPF Scheme, which contribution is matched by employees.

	2015 HK\$'000	2014 HK\$'000
Amount contributed and charged to profit or loss	136	239

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.

	2015 HK\$'000	2014 HK\$'000
Amount contributed and charged to profit or loss	1,515	2,107

40. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	3,824	4,829
Post-employment benefits	36	67
	3,860	4,896

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS		
Investment properties	–	14,750
Property, plant and equipment	–	16
Investments in subsidiaries	33,982	47,223
Amounts due from subsidiaries	729,427	136,634
Available-for-sale investments	–	12,205
	763,409	210,828
CURRENT ASSETS		
Held-for-trading investments	–	1,515
Other receivables	305	207
Amount due from a related party	–	9
Deposits held at financial institutions	–	198,694
Pledged bank deposits	–	7
Bank balances and cash	19,743	3,432
	20,048	203,864
CURRENT LIABILITIES		
Other payables	1,179	1,565
Amounts due to related parties	–	38
Amounts due to subsidiaries	–	11,911
	1,179	13,514
NET CURRENT ASSETS	18,869	190,350
TOTAL ASSETS LESS CURRENT LIABILITIES	782,278	401,178
CAPITAL AND RESERVES		
Share capital	632,610	255,092
Share premium and reserves	149,668	146,086
TOTAL EQUITY	782,278	401,178

Approved and authorised for issue by the Board of Directors on 22 March 2016 and signed on its behalf by:

Yu Pak Yan, Peter
DIRECTOR

Fok Chi Tak
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

(a) The reserves of the Company at 31 December 2015 and 2014 are as follows:

	Share premium HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	202,547	4,572	35,593	152,453	395,165
Profit for the year	–	–	–	43,718	43,718
Fair value gain on available-for-sale investments	–	–	5,944	–	5,944
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(38,212)	–	(38,212)
Transfer upon abolition of par value under the new CO	(202,547)	–	–	–	(202,547)
Exercise of share options	–	(4,321)	–	–	(4,321)
Transfer to retained profits upon lapse of share options	–	(251)	–	251	–
Dividends paid (Note 16)	–	–	–	(53,661)	(53,661)
At 31 December 2014	–	–	3,325	142,761	146,086
Profit for the year	–	–	–	6,907	6,907
Fair value gain on available-for-sale investments	–	–	5,016	–	5,016
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(8,341)	–	(8,341)
At 31 December 2015	–	–	–	149,668	149,668

Note: The Company has no authorised share capital and its shares have no par value from the commencement date of the new CO (i.e. 3 March 2014).

42. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, due to the decline of share prices in the Hong Kong securities market, the fair values of the Group's held-for-trading investments have decreased significantly and as at the latest practicable date of 22 March 2016, the fair values were significantly below their carrying amounts as at 31 December 2015 and were below their total acquisition costs. As at 22 March 2016, the breakdown of the fair value loss incurred in 2016 in respect of the held-for-trading investments held as at 31 December 2015 are as follows:

	HK\$'000
Unrealised loss on held-for-trading investments	(78,127)
Realised gains on held-for-trading investments	519
	(77,608)

FIVE YEARS FINANCIAL SUMMARY

At 31 December 2015

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Revenue	10,970	16,747	15,931	17,052	30,539
Profit/(loss) before tax	74,643	24,944	(11,427)	(20,325)	1,103
Income tax expense	(12,657)	–	–	–	(52)
Profit/(loss) for the year	61,986	24,944	(11,427)	(20,325)	1,051
Profit/(loss) for the year attributable to:					
Owners of the Company	69,100	25,846	(11,012)	(18,981)	2,489
Non-controlling interests	(7,114)	(902)	(415)	(1,344)	(1,438)
	61,986	24,944	(11,427)	(20,325)	1,051

	As at 31 December				
	2015	2014	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Total assets	888,977	532,858	465,991	390,096	449,134
Total liabilities	(16,379)	(89,644)	(1,841)	(3,884)	(5,550)
	872,598	443,214	464,150	386,212	443,584
Non-controlling interests	(8,330)	(16,049)	(17,025)	(16,906)	(17,602)
Equity attributable to owners of the Company	864,268	427,165	447,125	369,306	425,982

PARTICULARS OF PROPERTIES HELD BY THE GROUP

At 31 December 2015

Location	Group's interests	Approximate site area (sq.ft.)	Existing use
Units 901, 902, 903 and 906, 9/F Wings Building 110-116 Queen's Road Central Central, Hong Kong	100%	2,546	Rental
Unit 904, 9/F Wings Building 110-116 Queen's Road Central Central, Hong Kong	100%	848	Office