遠東控股國際有限公司
FAR EAST HOLDINGS INTERNATIONAL LIMITED
Stock Code: 36

ANNUAL REPORT 2016

Contents

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

This annual report is printed on environmentally friendly paper

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. Sheung Kwong Cho *(appointed on 6 June 2016)*

SOLICITOR

David Norman & Co

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Yu Pak Yan, Peter
Mr. Sheung Kwong Cho *(appointed on 6 June 2016)*

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
Ms. Kwan Shan

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

PRINCIPAL BANKER

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@feholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LISTING INFORMATION

Stock Code: 36
Board Lot Size: 3000

WEBSITE

http://www.feholdings.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2016 (the "Year Under Review"), Far East Holdings International Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue of approximately HK$11.7 million (2015: HK$11.9 million (restated)), representing a decrease of approximately 1.7% as compared to that of last year. The Group's loss attributable to owners of the Company was approximately HK$53.9 million (2015: profit attributable to owners of the Company of approximately HK$69.1 million). The total comprehensive expense of the Group for the Year Under Review was approximately HK$55.6 million (2015: total comprehensive income of approximately HK$51.9 million), which was mainly due to the fair value loss on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The basic loss per share for the Year Under Review was 4.95 HK cents (2015: earnings per share of 7.29 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had cash and bank balances and deposits held at financial institutions amounting to approximately HK$60.5 million (2015: approximately HK$177.7 million). Fundamentally, the Group's funding policy is to finance the business operations with internally-generated cash, and bank facilities. As at 31 December 2016, the Group did not have any outstanding interest-bearing bank borrowings (2015: nil). The Group did not have any financial instruments used for hedging purposes during the Year Under Review (2015: nil).

GEARING RATIO

As at 31 December 2016, the Group did not have any interest-bearing bank borrowings, the Group was in a net cash position and had no gearing (2015: nil).

CURRENT RATIO

The Group's current ratio (current assets to current liabilities) as at 31 December 2016 decreased to 193.1 (2015: 218.7). 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, there was no change to the share capital of the Company. As at 31 December 2016, the total number of issued ordinary shares of the Company was 1,089,118,593 (2015: 1,089,118,593) shares.

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 2016, the Company had no contingent liabilities (2015: nil).

Capital Commitments

As at 31 December 2016, the Group had a capital commitment amounting to HK$53 million in relation to the acquisition of a subsidiary (2015: nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK$678.2 million as at 31 December 2016 (2015: HK$628.0 million), representing 82.5% (2015: 70.6%) of the total assets of the Group.

During the Year Under Review, the Group recorded fair value loss on held-for-trading investments of approximately HK$62.2 million (2015: fair value gain on held-for-trading investments of approximately HK$83.3 million). Details of the held-for-trading investments are set out in note 18 to the consolidated financial statements and pages 5 to 6 of this Annual Report.

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 29(b) to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

On 28 December 2016, the Group and an independent third party (the "Vendor") entered into a sale and purchase agreement in which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest of Lead Power Investments Limited ("Lead Power"), a company engaged in property investment in Hong Kong, at a cash consideration of HK$53 million. Details of the transaction are set out in the Company's announcement dated 28 December 2016 and note 36 to the consolidated financial statements. Subsequent to the end of the reporting period, the transaction was completed on 19 January 2017 and Lead Power became a wholly owned subsidiary of the Company.

DIVIDEND

For the year ended 31 December 2016, the board (the "Board") of directors (the "Directors") of the Company does not recommend any final dividend (2015: nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2016, the Group had approximately 91 employees in Hong Kong and the People's Republic of China (the "PRC") (2015: 107 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.

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. Information on the environmental policies and performance of the Company is set out in the "Environmental, Social and Governance Report" on pages 16 to 25 of this Annual Report.

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.

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 ended 31 December 2016 and 2015, the garment products business of the Group recorded revenue of approximately HK$9.8 million and HK$11.0 million, respectively, representing a decrease of approximately 10.9% in 2016 as compared to 2015.

As this business is facing challenges in terms of increasing material and labour costs and falling per unit sales prices, management has implemented cost controls during the Year Under Review which led to an operational improvement from gross loss in 2015 to gross profit in 2016. Management will continue to down-size this business and seek to 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 (2015: HK$52.5 million) as at 31 December 2016. For the two years ended 31 December 2016 and 2015, the Group recorded rental income of approximately HK$1.9 million and HK$1.0 million, respectively.

Following completion of acquisition of Lead Power in January 2017, it is expected an additional rental income of approximately HK$1.7 million will be recorded in the forthcoming financial year. Management will seek to identify further property investment opportunities in order to enhance and generate stable income stream to the Group.

Investment in Securities

During the Year Under Review, the Group continues to focus on short-term securities trading and has recorded fair value loss on held-for-trading investments of approximately HK$62.2 million (2015: fair value gain of approximately HK$83.3 million) attributable to realised loss of approximately HK$51.5 million and unrealised loss of approximately HK$10.7 million. Dividend income from held-for-trading investments amounting to approximately HK$2.2 million (2015: HK$4.8 million) was recorded during the Year Under Review.

As at 31 December 2016, held-for-trading investments amounted to approximately HK$678.2 million (2015: HK$628.0 million). This value represented an investment portfolio comprising 56 (2015: 31) equity securities listed in Hong Kong of which 47 (2015: 26) equity securities are listed on the Main Board of the Stock Exchange and the remaining 9 (2015: 5) 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 2016	Carrying amount at 31 December 2015	Unrealised fair value (loss)/gain for the year ended 31 December 2016	Dividend income for the year ended 31 December 2016	Fair value at 31 December 2016	Percentage of total held-for-trading investments at 31 December 2016	Percentage of total assets of the Group at 31 December 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	%	%
Hong Kong Exchanges and Clearing Limited (388)	0.02	50,527	(3,850)	1,302	47,979	7.1	5.8
OP Financial Investments Limited (1140)	0.81	24,000	9,300	373	33,300	4.9	4.1
SkyNet Group Limited (8176)	0.77	–	11,842	–	32,947	4.9	4.0
Sino Golf Holdings Limited (361)	1.92	22,800	8,200	–	31,000	4.6	3.8
Ding He Mining Holdings Limited (705)	4.03	–	12,372	–	29,082	4.3	3.5
Wang On Properties Limited (1243)	0.16	–	26,198	–	28,500	4.2	3.5
China Information Technology Development Limited (8178)	3.33	42,750	(15,770)	–	26,980	4.0	3.3
O Luxe Holdings Limited (860)	1.44	–	15,823	–	26,081	3.8	3.2
Sino Haijing Holdings Limited (1106)	1.35	22,960	3,080	–	26,040	3.8	3.2
China Agri-Products Exchange Limited (149)	1.72	–	16,800	–	25,200	3.7	3.1
HMV Digital China Group Limited (8078) *(formerly known as China 3D Digital Entertainment Limited)*	0.58	14,378	9,954	–	24,332	3.6	3.0
Evergrande Health Industry Group Limited (708)	0.17	–	(3,240)	–	22,050	3.3	2.7
Hong Kong Education (Int'l) Investments Limited (1082)	3.65	–	13,575	–	22,000	3.2	2.7
HengTen Networks Group Limited (136)	0.07	29,000	(9,500)	–	19,500	2.9	2.4
Lajin Entertainment Network Group Limited (8172)	1.07	27,600	(8,100)	–	19,500	2.9	2.4
Huayi Tencent Entertainment Company Limited (419) *(formerly known as China Jiuhao Health Industry Corporation Limited)*	0.30	42,000	(23,200)	–	18,800	2.8	2.3
China Innovative Finance Group Limited (412)	0.17	26,558	(8,639)	–	17,919	2.6	2.2
KuangChi Science Limited (439)	0.10	19,768	(2,264)	–	17,504	2.6	2.1
Newton Resources Ltd (1231)	0.47	14,165	1,133	–	15,298	2.3	1.9
Town Health International Medical Group Limited (3886)	0.15	19,200	(4,200)	117	15,000	2.2	1.8
Global Mastermind Holdings Limited (8063)	2.56	3,150	4,875	–	14,085	2.1	1.7
Hsin Chong Group Holdings Limited (404) *(formerly known as Hsin Chong Construction Group Ltd.)*	0.61	26,950	(14,525)	–	12,425	1.8	1.5
Solartech International Holdings Limited (1166)	1.06	7,250	4,375	–	11,625	1.7	1.4
Convoy Global Holdings Limited (1019) *(formerly known as Convoy Financial Holdings Limited)*	0.33	21,741	(10,196)	–	11,545	1.7	1.4
Yunfeng Financial Group Limited (376) *(formerly known as Reorient Group Limited)*	0.08	–	(2,710)	–	11,140	1.6	1.4
Others		213,229	(42,064)	425	118,358	17.4	14.1
		628,026	(10,731)	2,217	678,190	100.0	82.5

Outlook

As investment in securities accounts 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 and balance investment risks. Notwithstanding the overall operating result of investment in securities for the Year Under Review was in a loss position, the Group believes that following the implementation of the favorable financial policies in Hong Kong, such as the Shanghai-Hong Kong Stock Connect, mutual recognition of funds and the Shenzhen-Hong Kong Stock Connect, the Group is optimistic about the future equity securities markets in Hong Kong.

Meanwhile, the Company has been exploring suitable opportunities to acquire investment properties in Hong Kong in order to generate more stable and recurrent rental income to the Group. Nonetheless, cost controls continue to be the focus of the garment industries.

EVENTS AFTER THE REPORTING PERIOD

On 28 December 2016, the Group and the Vendor entered into a sale and purchase agreement in which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest of Lead Power, a company engaged in property investment in Hong Kong, at a cash consideration of HK$53 million. Details of the transaction are set out in the Company's announcement dated 28 December 2016. Subsequent to the end of the reporting period, the transaction was completed on 19 January 2017 and Lead Power became a wholly owned subsidiary of the Company.

Yu Pak Yan, Peter
Executive Director

Hong Kong, 21 March 2017

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yu Pak Yan, Peter

Mr. Yu, aged 66, 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) 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 and independent non-executive director of Kingston Financial Group Limited (stock code: 1031) from September 2008 to September 2016. The securities of these companies are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of GET Holdings Limited (stock code: 8100), whose securities are listed on the Growth Enterprise Market of the Stock Exchange from July 2010 to January 2014.

Mr. Fok Chi Tak

Mr. Fok, aged 41, 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 16 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 of Hao Tian Development Group Limited (stock code: 474) and Clear Lift Holdings Limited (stock code: 1341). The securities of these companies are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ming Sun, Jonathan

Mr. Chan, aged 44, 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 17 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. 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.

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 Changhong Jiahua Holdings Limited (stock code: 8016) since February 2007 and Dining Concepts Holdings Limited (stock code: 8056) since July 2016. The securities of these companies 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 and L&A International Holdings Limited (stock code: 8195) between September 2014 and March 2017, the securities of these companies are listed on the Growth Enterprise Market of the Stock Exchange. He was also an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), whose securities are listed on the Main Board of the Stock Exchange between March 2013 and February 2014.

Dr. Wong Yun Kuen

Dr. Wong, aged 59, joined the Group in December 2014 and was appointed as an independent non-executive Director and a member of each of the audit committee, investment committee, remuneration committee and 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), an executive director of Ngai Shun Holdings Limited (stock code: 1246), and an independent non-executive director of GT Group Holdings Limited (stock code: 263), Kingston Financial Group Limited (stock code: 1031), DeTai New Energy Group Limited (stock code: 559) and Sincere Watch (Hong Kong) Limited (stock code: 444). Dr. Wong was an independent non-executive director of China Sandi Holdings Limited (stock code: 910) since April 2009 and re-designated as non-executive director in September 2016. 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, Huge China Holdings Limited (stock code: 428) from September 2004 to January 2016 and Bauhaus International (Holdings) Limited (stock code: 483) from October 2014 to December 2016. The securities of these companies are listed on the Main Board of the Stock Exchange.

Ms. Kwan Shan

Ms. Kwan, aged 45, 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 18 years of experience in the accounting and finance field in listed companies. Ms. Kwan graduated from Hong Kong Polytechnic University with a bachelor's degree in accountancy and a master's degree in corporate governance. Ms. Kwan is a fellow member of the Association of Chartered Certified Accountants.

Ms. Kwan is currently an executive director and 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 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year. 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 7 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 2016 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 39 to 41.

DIVIDEND

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

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 91 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 2016 are set out in notes 15 and 16 to the consolidated financial statements respectively. Particulars of the properties and property interests of the Group are set out on page 92 of this Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY

Reserves available for distribution to the shareholders of the Company ("Shareholders") as at 31 December 2016 amounted to approximately HK$141,634,000 (2015: HK$149,668,000).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year (2015: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, 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 8 to 10 of this Annual 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

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. Fok Chi Tak and Ms. Kwan Shan 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 2017.

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. Derek Chiu

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 2016, 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.

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

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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and 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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or only substantial part of the business of the Company was entered into or existed 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 discloses no person as having a notifiable interest or short position in the share capital of the Company as at 31 December 2016.

APPOINTMENT 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. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales to the Group's five largest and the Group's largest customer accounted for approximately 89% and 36% of the total turnover for the year, respectively.

Aggregate purchases from the Group's five largest and the Group's largest supplier accounted for approximately 43% and 17% 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 Directors 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 26 to 33 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 2016, the Audit Committee met two 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, risk management and internal control system, 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 2016 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 2016.

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 10 and 11 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 a share option scheme on 23 May 2005 under which discretionary share options could 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, 21 March 2017

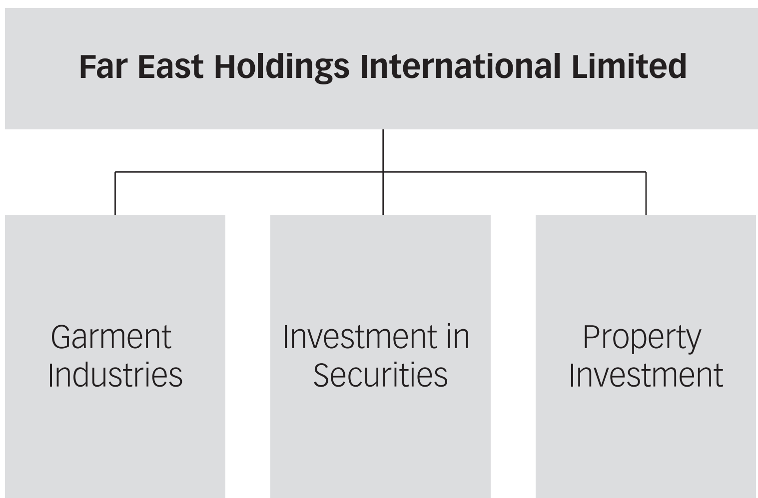
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT US

The Group has been listed on the Main Board of the Stock Exchange since 1973. Operating actively in the PRC and Hong Kong, the Group has established diversified business activities including manufacturing and export of garment products, property investment and investment in securities.

In recent years, management has been exploring ways to change the business model of its garment products business as well as seeking to identify further property investment opportunities. Investment in securities accounts for a significant portion of the Group's total assets. The Group is strategically repositioning itself to become more investment-focused, particularly in short-term securities trading. With this new focus, the Group strives to realize the full potential of its portfolio and create value for the Shareholders through its professionalism and dynamism.

Group Organization



ABOUT THIS REPORT

This report is the first Environmental, Social and Governance Report ("ESG Report") issued by the Company to disclose the Group's performance on sustainability issues in a transparent and open manner with the intention of increasing stakeholders' confidence in and understanding of the Group.

Reporting Year

Information in this ESG Report reflects the performance of the Group in environmental stewardship and social responsibility for the Year Under Review subject as mentioned in "Reporting Boundary" below. In future, the Group will publish ESG Reports on an annual basis and make them available to the public to enhance transparency and accountability.

Reporting Boundary

This ESG Report focuses on investment in securities, one of the most significant business segments of the Group. It covers the operations of the Group's registered office located in Hong Kong[1]. The Group will expand the scope of disclosures and eventually extend it to all its operations when the data collection system is better established and the environmental, social and governance work is strengthened. This ESG Report excludes the disclosure of environmental Key Performance Indicators ("KPIs"). The Group will conduct carbon assessment in the next reporting year to further refine and standardize the indicators for reporting.

Reporting Guideline

This ESG Report is published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") issued by Hong Kong Exchanges and Clearing Limited ("HKEX"). This ESG Report outlines the environmental, social and governance performance of the Group in a streamlined format. Information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated with the monitoring, management and operational information provided by the subsidiaries of the Company in accordance with the relevant rules of the Group. A complete index is set out in the section headed "ESG Reporting Guide Content Index" on page 25 of this Annual Report for reference. This ESG Report is written in English with a Chinese translation. Both versions are presented as information in the Group's Annual Report, and uploaded onto the Group's website at www.feholdings.com.hk. In case of any conflict or inconsistency between the Chinese text and English text, the English text shall prevail.

We Value Your Feedback

Our continuous improvement relies on your valuable feedback on both the content and the form of this report. If you have any questions or comments, please send us your views via admin@feholdings.com.hk to help with our continued improvement in environmental, social and governance performance.

1 This scope and boundary of this ESG report covers the operation of Gold Sky Investments Limited, River Joy Limited and Coast Holdings Limited.

STAKEHOLDER ENGAGEMENT

HKEX sets forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency. These principles should form the basis for preparing the ESG Report. As the HKEX emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include not only employees, but also customers, business partners, investors, regulatory authorities and various types of community groups. In the past year, the Group communicated with key stakeholders through a variety of methods. While preparing the report, the Group commissioned a professional consultancy firm to conduct materiality analysis through a management interview. With expert advice, the Group identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

Methods of Stakeholder Engagement in the Year Under Review

Internal Stakeholders	External Stakeholders
• The Board • Management • Administration executives • General staff	• Shareholders • Investors • Banks • The Government • Service vendors
Engagement methods: Meetings, teleconferences, direct mail, interviews, induction trainings, regular staff activities, the annual general meeting, company website, phone calls	

The business of the Group affects different stakeholders, and these stakeholders have various expectations of the Group. To enhance the materiality analysis, the Group will continue to expand the scope of stakeholder engagement and collect a diverse range of stakeholders' views through various activities in the future. At the same time, the Group will consider advancing the reporting principles of Quantitative, Balance and Consistency in order to present the report in a way that continues to improve alignment with stakeholder expectation.

MESSAGE FROM THE MANAGEMENT

In recent years, the Group has increased its investment in securities. With keen market insights, we have been identifying prospective companies for investment in Hong Kong and the PRC. To date, our investment portfolio covers a diverse spectrum of sectors including manufacturing, retailing and financial services.

However, this also means that the influence of our operation is not only confined to ourselves, but also extends to other investee companies as well as external stakeholders. Hence, the Group believes sustainability involves managing our impact not only within but also beyond the boundary of the Group. This is one of our key missions going forward.

We strive to improve the well-being and development of our employees. Apart from a comprehensive human resources and welfare system, the Group also gives full support to employees in their professional development. Management believes people are the driving force of a successful and sustainable business.

Sustainability is embedded in our corporate culture. Double-sided printing, paper recycling and indoor greening are some of the green office practices initiated by our staff. Management also demonstrates community caring through activities such as supporting business meals offered by social enterprises. By minimizing our indirect environmental impacts and engaging the community in a positive way day-to-day, we hope to make a difference to both the community and the environment.

To realise the potential of the Group's investment portfolio, the Group's Board members formed the Investment Committee to exercise due diligence. Not only does this align with the Shareholders' interests, but it also demonstrates our credibility as a responsible investor.

This is the first non-financial report of the Group, and represents a milestone on an important path. It marks the start of formalizing our environmental, social and governance initiatives and extending our current efforts in this area. In the future, sustainability will be given more consideration when we make investment decisions. We endeavour to work hand-in-hand with all stakeholders to strive for a continual improvement in sustainability.

Yu Pak Yan, Peter
Executive Director
Far East Holdings International Limited

PROTECTING THE ENVIRONMENT

Climate change poses unprecedented challenges to global economic development. Extreme weather brought about by climate change directly or indirectly affects the ability of different institutions to access resources and sustain operations. At the United Nations ("UN") Sustainable Development Summit in 2015, 17 Sustainable Development Goals (SDGs) were adopted by all UN members. "Taking urgent action to address climate change and its impacts" is one of these goals.

The Paris Agreement entered into force in November in 2016, aiming to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

The Environment and Natural Resources

The Group recognizes the risks posed by climate change, and is committed to minimize its environmental impact. Given the nature of the securities investment business, the Group's operation in Hong Kong does not involve industrial production with significant direct impact on the environment and natural resources. Nevertheless, the Group realizes that office operations continuously consume resources including energy, paper and different office supplies, which ultimately have impact to the environment. Therefore, the Group has established a "Green Office Policy" practising what it preaches regarding the need to improve the environmental performance of daily business operations.

Use of Resources

In view of the fact that electricity is the major resource consumption in the Group's office, the Group has initiated different efficiency measures targeting the air-conditioning system, lighting and office equipment. Timers are installed in air-conditioners to automatically control their hours of operation. Lights are being replaced with energy-saving compact fluorescent lamps. Eco-friendly options are set as default on printers so they automatically change to power saving mode when idling. To further control electricity demand, guidelines are provided for employees to program their electronic devices to energy-saving modes. Employees are also encouraged to dress suitably for the temperature in the office.

The Group recognizes the carbon footprint arising from business meetings and mainly use teleconferencing. When a meeting cannot be arranged in the form of teleconference, the Group prioritizes green meeting venues with high walking accessibility or proximity to public transportation. A "Green Meeting Checklist" has been established to provide employees with clear instructions on efficient travel and meetings.

FEHIL's Green Meeting Checklist

RECOGNIZE	the importance of meeting partners' support
SHARE	our Green Policy with meeting partners
CHOOSE	green venues
	local and seasonal food
FIND	green hotels
PLAN	to avoid excess orders
FAVOUR	bulk-packaged items
EMAIL	meeting materials
DELIVER	handouts using recycled paper
ENCOURAGE	the use of water pitchers
	energy saving habits

Apart from energy conservation, the Group also strives to reduce paper consumption and reduce waste at source. Paperless meeting and narrowing printing margins have become the standard practice in our office. For unavoidable waste, the Group prioritizes recycling over disposal. Recycling bins are provided in common areas of the office as well as conference rooms, offering convenience to encourage employees' recycling behavior. The Group has also set aside designated areas for collecting office supplies and food that are in useable condition to promote resource sharing.

Emissions

Although the Group has not yet fully quantified the reduction in greenhouse gases emission as a result of the above measures, the Group understands that a carbon audit can serve as a baseline for carbon reduction. Therefore, the Group has included a carbon audit in its working plan for 2017. The Group will record the greenhouse gas emissions annually to guide the determination of carbon reduction targets, measures and priorities to enhance the efficiency of its mitigation actions. The Group strictly abides by all environmental protection laws and regulations applicable to its operation. During the Year Under Review, the Group did not find any non-compliance with laws and regulations related to emissions.

EMPOWERING THE PEOPLE

Development and Training

The Group believes that nurturing and retaining talent is indispensable for strengthening the competitiveness of enterprises. The Group views its employees as strategic partners and plans their development in a systematic way. From new recruits to working employees, the Group provides different types of training and development opportunities to cater for the actual needs at work and to promote long-term personal growth.

The Group has established a mentoring program to help new employees better adapt themselves to specific job functions. On the day of induction, every newcomer is assigned a mentor, who will not only offer support on work issues, but also help the new staff realize their strengths and weaknesses. The Group also actively encourages mentors and mentees to keep in touch and learn from each other, promoting a corporate culture of mutual help and peer learning.

The Group endeavours to continually identify opportunities for employees' career advancement. With the performance appraisal system in place, the Group can fairly evaluate employees' strengths and weaknesses from the aspects of work attitude, work quality, technical knowledge and so forth. Appraisal results are not merely applied to remuneration and promotion decisions, but also enable the Group to identify the training needs and long-term career goals for employees in a constructive and communicative manner. The Group encourages employees to proactively articulate their training needs.

Training and development key performance indicators

		Senior Managerial level	Managerial level	General staff	Overall
Trained Directors and employees	Male	4	1	0	100% Directors and employees received training
	Female	1	0	1	
Average training hours	Male	8	30	0	Each employee received an average of 11 hours of training
	Female	30	0	6	

Employment

Upholding equal employment opportunities, the Group treats every employee equally. All employment arrangements are based on personal capabilities and qualifications regardless of race, colour, religion, sex, age, national origin, citizenship, disability or any other form of wrongful discrimination. The Group practices zero tolerance towards any form of discrimination or sexual harassment at work. In addition, the Group has established a Board Diversity Policy since 2013, striving for a diverse composition of Board members in terms of race, gender, professional experience and other qualities. The Group's employment policies are set out in the employee handbook (the "Employee Handbook"). The Group embraces open communication and will continue to encourage all employees to express their opinions freely regardless of their place in the management hierarchy. During the Year Under Review, the Group did not find any violation or offences relating to employment and labour practices, nor did it receive any complaints about discrimination or sexual harassment.

Employment key performance indicators

Number of Directors and employees		Age below 30	Age 30–50	Age over 50	Total number	Ratio of male to female employees	Ratio of salaries of male to female employees
	Male	0	3	2	5	2.5:1	1.34:1
	Female	0	2	0	2		

Health and Safety

The Group believes that occupational health and safety are an important part of an ideal work environment. The Group not only strictly complies with the Occupational Safety and Health Ordinance, but also actively develops internal policies and practices that exceed statutory requirements. The Employee Handbook states clearly that safety and health is a shared responsibility for the Company and all its employees. From identifying potential hazards, reporting accidents to handling emergencies such as fires or the outbreak of pandemic diseases, the Group has established various guidelines for its employees. During the Year Under Review, the Group did not encounter any health and safety related non-compliance, nor any work injury, cases.

Labour Standards

The Group is well aware that child labour and forced labour violate fundamental human rights and International Labour Conventions and also pose threats to sustainable social and economic development. Therefore, the Group strictly complies with the relevant laws and regulations. The Group prohibits the use of child labour and reviews the actual age of the applicants in the recruitment process, which includes the examination of identity documents and maintaining detailed records. The Group only executes the requirements stipulated in the standard labour contract and will not use any unlawful or unfair means to restrict the employment relationship between the employee and the enterprise. Alteration of labour contracts, payroll deduction and overtime work are only acceptable with the employee's consent and adherence to related labour laws. During the Year Under Review, the Group did not find any cases related to child labour or forced labour.

The International Labour Organization (ILO) is the United Nations specialized agency that promotes working and living standards around the world through the promulgation of labour standards in a range of International Labour Conventions and Recommendations. China is a founding member of the ILO and a permanent member. Hong Kong has currently adopted 41 International Labour Conventions which therefore apply to working conditions and employment policies.

PRACTISING RESPONSIBLE OPERATION

With investment in securities as its core business, the Group is responsible to the Shareholders and investors for every investment decision it makes. Therefore, the Group has established a transparent internal control policy (the "Internal Control Policy") to ensure the highest level of corporate ethics in corporate governance, fulfilling the Shareholders' and investors' expectations for their trust and support.

Supply Chain Management

Even though the Group's operation does not involve a large quantity of purchases, the Group is still concerned about these aspects of environmental and social impact arising from its business operations. Therefore, whenever practicable, the Group will promote its ESG policies to external stakeholders along its value chain. For instance, the Group will continue to identify and procure from suppliers that offer eco-friendly products, such as office paper with at least 30% recycled content and biodegradable disposables. Moreover, the Group actively encourages business partners to choose from its recommended list of restaurants that serve local organic food and adopt low-carbon cooking methods. All these efforts aim to reduce carbon emissions from sourcing to production in the supply chain. Joining hands with external stakeholders, the Group's efforts in this area can become a greater driving force towards a sustainable society.

Product Responsibility

It is the Group's responsibility to grasp market opportunities effectively and safeguard the fundamental interests of the Shareholders. Hence, the Group's Board members have formed an Investment Committee to conclude every investment decision, and to authorize a Director to execute it with the administrative support by the management. The Group upholds a responsible investment approach focusing on transparency, accountability and financial strength. Only companies that fulfill the established criteria will be invested in.

Recognizing that investment return and risk management are closely related, the Group exercises a well-rounded risk identification, assessment and control process. The Group's Audit Committee assesses and reports key operational, financial, compliance and environmental risks on a regular and ongoing basis as well as developing adequate risk management strategies. Based on market analysis, the Investment Committee reviews the Group's investment portfolio on a weekly basis, ensuring timely response to changes in economic, industry, regulatory and operating conditions to realize the best potential of investment decisions.

Anticorruption

The Group is committed to preventing all kinds of corruption and market misconduct defined in relevant laws and regulations. Hence, the Group strictly implements various operating procedures and codes of conduct to regulate the work ethic of the Group's senior management and general staff. The Group's Internal Control Policy clearly sets out the declaration and/or handling of connected transactions, price-sensitive information, inside information and other confidential information which could have potential to give rise to conflict of interest or fraud. All income and expenses, such as capital gains from investments, are handled in the name of the Group and are carefully managed through a set of transparent, documented procedures to eradicate any misappropriation. All internal or external complaints or allegations will be documented and directed to the executive Director for independent and confidential investigation. No actions will be taken against an informant even if the concern is not subsequently confirmed by the investigation. During the Year Under Review, the Group did not find any cases of non-compliance related to customer privacy, corruption, bribery, blackmail, fraud or money laundering.

CARING THE COMMUNITY

Although the Group has not established and documented a specific community policy, social care is deep-seated in the Group's corporate culture. For example, when arranging business meals, events and meetings, employees always favour vendors who take social initiatives, such as restaurants and hotels that support food donation. The Group's Board members are also enthusiastic in community service, and one Director regularly provides volunteer teaching for children in Evangel Children's Home, setting a role model for all employees.

The Group understands that its investment decisions have an indirect impact on the environment and society. The Group will explore the feasibility of incorporating environmental and social considerations into its investment decisions and operational management, with reference to best practices in the industry and internationally recognized standards such as the Principles of Responsible Investment issued by the United Nations.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspects	Content	Page index
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	21
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	20–21
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	20
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	22
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	23
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	21–22
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	23
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	23
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	24
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	24
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	24

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in this Annual Report for the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, 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.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 did not officially have chairman and chief executive. The responsibilities of the chairman and the daily 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. 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 chairman and chief executive officer, are necessary.

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

As stated above, the Company did not officially have a chairman. All Directors have attended the annual general meeting on 6 June 2016 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.

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 timely 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.

Board Composition

The Board currently comprises five Directors, whose biographical details are set out in the "Profile of the Directors" on pages 8 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.

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 independent professional advice in appropriate circumstances upon reasonable request, at the expense of the Company.

16 Board meetings and 1 general meeting were held during the Year Under Review. The attendance record of each Director at the Board meetings and the general meeting is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Mr. Yu Pak Yan, Peter	16/16	1/1
Mr. Fok Chi Tak	16/16	1/1
Independent Non-Executive Directors		
Mr. Chan Ming Sun, Jonathan	16/16	1/1
Dr. Wong Yun Kuen	16/16	1/1
Ms. Kwan Shan	16/16	1/1

* The meeting was annual general meeting held on 6 June 2016.

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 2016:

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 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and internal control system of the Group. The Group's risk management and internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, detailed risk identification procedures and risk management process, 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 through the Audit Committee had conducted an annual review on the risk management of the Group. The review covered risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement.

The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. During the Year Under Review, the Board, through the Audit Committee and an independent accounting firm, has conducted a review of the effectiveness of the internal control system of the Company and is satisfied that the internal control systems within the Group are effective.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the auditor of the Company received approximately HK$730,000 for audit services (2015: HK$870,000) and HK$121,000 for non-audit services (2015: HK$418,000).

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 2016 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 34 to 38 of this Annual 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, risk management and internal control system, 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.

The works performed by the Audit Committee during the Year Under Review are as follows:

(i) reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2016 and the related interim results announcement and made recommendations to the Board that the same be approved;

(ii) reviewed the consolidated financial statements of the Group for the year ended 31 December 2016 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;

(iii) reviewed external auditor's reports to the Audit Committee for the year ended 31 December 2016;

(iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 6 June 2016;

(v) reviewed corporate governance internal control systems, internal audit report and effectiveness of risk management system;

(vi) reviewed the terms of reference of the Audit Committee and concluded that no revision was required;

(vii) reviewed the fees for audit and non-audit services provided by the external auditor; and

(viii) met with the external auditor in the absence of management.

During the year ended 31 December 2016, two 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)	2/2
Dr. Wong Yun Kuen	2/2
Ms. Kwan Shan	2/2

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 2016, 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	1/1

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. It 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.

During the year ended 31 December 2016, two Nomination Committee meetings were 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)	2/2
Mr. Chan Ming Sun, Jonathan	2/2
Dr. Wong Yun Kuen	2/2

Investment Committee

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

The Investment Committee is principally responsible for reviewing and evaluating any investment projects proposed by the Group and making recommendations 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 of whom are independent non-executive Directors.

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

Corporate Governance Functions

During the Year Under Review, the Board was 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. Sheung Kwong Cho ("Mr. Sheung") (appointed on 6 June 2016). Mr. Sheung joined the Group in May 2015 as the financial controller. Mr. Sheung holds a Bachelor of Commerce degree in Accounting from Macquarie University in Australia and is a member of the Hong Kong Institute of Certified Public Accountants. He has over 11 years of experience in auditing, accounting and financial management. Mr. Sheung 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 clear, timely and effective communications 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

Deloitte.

德勤

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

OPINION

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 39 to 90, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER (continued)

Key audit matter	**How our audit addressed the key audit matter**
Recording of held-for-trading investments	
We identified the recording of held-for-trading investments as a key audit matter due to the significance to the consolidated financial statements, and that the held-for-trading investments may not be recorded correctly given the high volume of securities trading transactions recorded throughout the year as set out in note 29(b)(iii) to the consolidated financial statements. The carrying values of held-for-trading investments amounted to approximately HK$678.2 million as at 31 December 2016 as set out in note 18 to the consolidated financial statements, which represent 82.5% of total assets of the Group as at 31 December 2016. Moreover, fair value loss on held-for-trading investments amounted to approximately HK$62.2 million for the year ended 31 December 2016 as set out in note 7 to the consolidated financial statements.	Our procedures in relation to the recording of held-for-trading investments included: • Obtaining an understanding of the key controls over recording of held-for-trading investments; • Agreeing the carrying values of held-for-trading investments as at 31 December 2016 to the quoted market bid prices available on The Stock Exchange of Hong Kong Limited; • Agreeing the Group's investment portfolio as at 31 December 2016 to confirmations received directly from the securities brokers; and • In respect of the acquisitions and disposals of held-for-trading investments during the year ended 31 December 2016, agreeing to the contract notes and securities broker's statements, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chiu Mei Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000* (Restated)
Revenue	4	**11,683**	11,930
Cost of sales		**(9,342)**	(11,884)
Gross profit		**2,341**	46
Dividend income from available-for-sale investments		**–**	71
Dividend income from held-for-trading investments		**2,217**	4,819
Other income	6	**867**	1,992
Other gains and losses	7	**(62,197)**	101,771
Selling and distribution costs		**(102)**	(91)
Administrative expenses		**(9,420)**	(32,680)
Finance costs	8	**–**	(1,285)
(Loss) profit before tax		**(66,294)**	74,643
Income tax credit (expense)	9	**11,780**	(12,657)
(Loss) profit for the year	12	**(54,514)**	61,986
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,059)**	(1,235)
Fair value gain on available-for-sale investments		**–**	10,073
Reclassification adjustment upon disposal of available-for-sale investments		**–**	(18,958)
Other comprehensive expense for the year		**(1,059)**	(10,120)
Total comprehensive (expense) income for the year		**(55,573)**	51,866
(Loss) profit for the year attributable to:			
Owners of the Company		**(53,887)**	69,100
Non-controlling interests		**(627)**	(7,114)
		(54,514)	61,986
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(54,427)**	59,585
Non-controlling interests		**(1,146)**	(7,719)
		(55,573)	51,866
(Loss) earnings per share — Basic (HK cents)	14	**(4.95)**	7.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties	15	**52,516**	52,516
Property, plant and equipment	16	**20,612**	21,927
Prepaid lease payments	17	**481**	566
		73,609	75,009
CURRENT ASSETS			
Prepaid lease payments	17	**19**	22
Held-for-trading investments	18	**678,190**	628,026
Inventories	19	**1,984**	2,729
Trade and other receivables	20	**1,844**	1,500
Amount due from a non-controlling interest	21	**5,542**	4,009
Tax recoverable		**8**	10
Deposits held at financial institutions	22	**48,758**	144,917
Bank balances and cash	22	**11,726**	32,755
		748,071	813,968
CURRENT LIABILITIES			
Trade and other payables	23	**3,778**	3,722
Tax payable		**97**	–
		3,875	3,722
NET CURRENT ASSETS		**744,196**	810,246
TOTAL ASSETS LESS CURRENT LIABILITIES		**817,805**	885,255
NON-CURRENT LIABILITY			
Deferred tax liabilities	24	**780**	12,657
NET ASSETS		**817,025**	872,598

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
CAPITAL AND RESERVES			
Share capital	25	**632,610**	632,610
Reserves		**177,231**	231,658
Equity attributable to owners of the Company		**809,841**	864,268
Non-controlling interests		**7,184**	8,330
TOTAL EQUITY		**817,025**	872,598

The consolidated financial statements on pages 39 to 90 were approved and authorised for issue by the Board of Directors on 21 March 2017 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 2016

	Attributable to owners of the Company						
	Share capital *HK$'000*	Exchange reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2015	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 on 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 25)	306,705	–	–	–	306,705	–	306,705
Transaction costs on placing of shares (note 25)	(7,667)	–	–	–	(7,667)	–	(7,667)
Issue of shares upon Open Offer (note 25)	80,492	–	–	–	80,492	–	80,492
Transaction costs attributable to Open Offer (note 25)	(2,012)	–	–	–	(2,012)	–	(2,012)
At 31 December 2015	632,610	6,773	–	224,885	864,268	8,330	872,598
Loss for the year	–	–	–	(53,887)	(53,887)	(627)	(54,514)
Other comprehensive expense for the year							
Exchange differences arising on translation of foreign operations	–	(540)	–	–	(540)	(519)	(1,059)
Total comprehensive expense for the year	–	(540)	–	(53,887)	(54,427)	(1,146)	(55,573)
At 31 December 2016	632,610	6,233	–	170,998	809,841	7,184	817,025

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(66,294)**	74,643
Adjustments for:		
Scrip dividend received from held-for-trading investments	**(1,334)**	(827)
Interest income from banks and financial institutions	**(55)**	(814)
Gain on disposal of available-for-sale investments	**–**	(18,846)
Fair value gain on investment properties	**–**	(501)
Unrealised loss (gain) on held-for-trading investments	**10,731**	(76,708)
Loss on disposal of property, plant and equipment	**–**	2
Gain on disposal of subsidiaries	**–**	(527)
Impairment loss recognised on property, plant and equipment	**–**	778
Amortisation of prepaid lease payments	**52**	60
Depreciation of property, plant and equipment	**1,255**	1,324
Write-down of inventories	**–**	23
Reversal of write-off of trade receivables	**(52)**	–
Finance costs	**–**	1,285
Operating cash flows before movements in working capital	**(55,697)**	(20,108)
Increase in held-for-trading investments	**(59,561)**	(548,559)
Decrease in inventories	**595**	451
(Increase) decrease in trade and other receivables	**(394)**	1,010
Increase in amount due from a non-controlling interest	**(1,874)**	(1,088)
Decrease in amount due from a related party	**–**	9
Increase in trade and other payables	**196**	1,541
NET CASH USED IN OPERATING ACTIVITIES	**(116,735)**	(566,744)

	Notes	**2016** **HK$'000**	2015 HK$'000
INVESTING ACTIVITIES			
Withdrawal of deposits held at financial institutions		**257,308**	302,246
Interest received		**55**	814
Placement of deposits with financial institutions		**(161,149)**	(248,469)
Acquisition of property, plant and equipment		**(166)**	(86)
Disposal of subsidiaries	27	**–**	120,880
Proceeds from disposal of available-for-sale investments		**–**	30,912
Proceeds from disposal of investment properties		**–**	14,750
Proceeds from disposal of property, plant and equipment		**–**	8
Withdrawal of pledged bank deposits		**–**	7
Acquisition of assets through acquisition of a subsidiary (net of cash and cash equivalents acquired)	26	**–**	(69,490)
NET CASH FROM INVESTING ACTIVITIES		**96,048**	151,572
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)
Interest paid		**–**	(1,285)
NET CASH FROM FINANCING ACTIVITIES		**–**	374,354
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20,687)**	(40,818)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**32,755**	74,170
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(342)**	(597)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		**11,726**	32,755

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 an investment holding company. The principal activities of its subsidiaries are set out in note 34.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 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.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share- based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments" (continued)

- 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 "Financial Instruments: Recognition and Measurement". 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 financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact of the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

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

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 15 "Revenue from Contracts with Customers" (continued)

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.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 "Leases" (continued)

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$47,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as described above, the directors of the Company anticipate that the application of other amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and 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".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

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 relevant components of equity including reserves 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 after re-attribution of the relevant equity component, 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 terms of the relevant lease.

The Group as lessee

Operating leases payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight line basis over the lease terms, 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 terms 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.

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 on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 items 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), 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 and leasehold land (classified as finance leases) 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on tangible assets

At the end of the 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 differences 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.

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 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 taxes 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 are recognised in profit or loss.

Financial instruments

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

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

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") and loans and receivables. 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;

- 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 assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 29c.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a non-controlling interest, deposits held at financial institutions 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.

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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- 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.

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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 the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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, 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. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Sales of goods	**9,820**	10,970
Property rental income	**1,863**	960
	11,683	11,930

5. SEGMENT INFORMATION

During the current year, the directors of the Company revisited the Group's business and considered property investment to now be one of the principal activities of the Group. Accordingly, property rental income which was previously included in other income has been reclassified to revenue in the consolidated statement of profit or loss and other comprehensive income. Direct operating expenses incurred to generate rental income have also been reclassified from administrative expenses to cost of sales. The relevant comparative figures have been restated to conform with the current year's presentation.

Information reported to the executive directors of the Company, being the chief operating decision makers (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
Property investment	–	property investment

Segment revenues and results

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

For the year ended 31 December 2016

	Industrial *HK$'000*	Securities investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External revenue	**9,820**	**–**	**1,863**	**11,683**
Segment results	**(1,748)**	**(60,046)**	**1,337**	**(60,457)**
Other income				**867**
Unallocated expenses				**(6,704)**
Loss before tax				**(66,294)**

5. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2015

	Industrial *HK$'000*	Securities investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
			(Restated)	(Restated)
Segment revenue				
External revenue	10,970	–	960	11,930
Segment results	(15,682)	88,028	980	73,326
Other income				1,992
Finance costs				(1,285)
Unallocated expenses				(18,761)
Gain on disposal of available-for-sale investments				18,846
Loss on disposal of property, plant and equipment				(2)
Gain on disposal of subsidiaries				527
Profit before tax				74,643

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the (loss) profit 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 results of the securities investment segment include the fair value gain or loss on held-for-trading investments, dividend income from held-for-trading investments and administrative expenses directly attributable to the securities investment segment.

5. SEGMENT INFORMATION (continued)

Other segment information

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

For the year ended 31 December 2016

	Industrial *HK$'000*	**Securities investment** *HK$'000*	**Property investment** *HK$'000*	**Unallocated amount** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	**(332)**	**–**	**(174)**	**(749)**	**(1,255)**
Fair value loss on held-for-trading investments	**–**	**(62,211)**	**–**	**–**	**(62,211)**

For the year ended 31 December 2015

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

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.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Sales of garments	**9,820**	10,970
Office building rental	**1,863**	960
	11,683	11,930

5. SEGMENT INFORMATION (continued)

Geographical information

The Group's revenue from external customers analysed by the geographical location of the customers and information about its non-current assets, by the geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Hong Kong	**5,583**	3,947	**69,936**	70,782
Japan	**5,761**	7,448	**–**	–
Other regions in the People's Republic of China (the "PRC")	**339**	535	**3,673**	4,227
	11,683	11,930	**73,609**	75,009

Information about major customers

Revenues from three (2015: two) customers individually contributing over 10% of total sales of the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A (from industrial segment)	**3,720**	2,987
Customer B (from industrial segment)	**4,156**	4,772
Customer C (from industrial segment)	**1,180**	*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. OTHER INCOME

Included in other income is:

	2016	2015
	HK$'000	*HK$'000*
Interest income from banks and financial institutions	**55**	814

7. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Fair value (loss) gain on held-for-trading investments	**(62,211)**	83,293
Exchange gain (loss), net	**14**	(616)
Gain on disposal of available-for-sale investments	**–**	18,846
Gain on disposal of subsidiaries (note 27)	**–**	527
Fair value gain on investment properties (note 15)	**–**	501
Impairment loss recognised on property, plant and equipment	**–**	(778)
Loss on disposal of property, plant and equipment	**–**	(2)
	(62,197)	101,771

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings	**–**	1,285

9. INCOME TAX (CREDIT) EXPENSE

	2016 HK$'000	2015 HK$'000
The income tax (credit) expense comprises:		
Current tax:		
Hong Kong Profits Tax	**97**	–
Deferred tax (credit) expense (note 24)	**(11,877)**	12,657
	(11,780)	12,657

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. INCOME TAX (CREDIT) EXPENSE (continued)

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

	2016 HK$'000	2015 HK$'000
(Loss) profit before tax	**(66,294)**	74,643
Tax at the domestic income tax rate of 16.5% (2015: 16.5%) (note)	**(10,939)**	12,316
Tax effect of expenses not deductible for tax purposes	**666**	911
Tax effect of income not taxable for tax purposes	**(492)**	(4,213)
Tax effect of tax losses not recognised	**554**	3,800
Utilisation of tax losses previously not recognised	**(1,569)**	(91)
Tax effect of different tax rates of subsidiaries operating in the PRC	**–**	(66)
Income tax (credit) expense	**(11,780)**	12,657

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

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five directors (2015: nine directors including the chief executive officer), disclosed pursuant to the Listing Rules and the CO, are as follows:

2016

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Mr. Yu Pak Yan, Peter	780	–	–	780
Mr. Fok Chi Tak	720	–	–	720
Independent non-executive directors				
Mr. Chan Ming Sun, Jonathan	180	–	–	180
Dr. Wong Yun Kuen	180	–	–	180
Ms. Kwan Shan	180	–	–	180
	2,040	–	–	2,040

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

2015

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefit scheme 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

Mr. Richard Yen was the chief executive officer of the Company until his resignation on 31 May 2015, and his emoluments disclosed above include those for services rendered by him as the chief executive officer. Since the resignation of Mr. Richard Yen, the Group did not have a designated chief executive officer.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The non-executive director's and independent non-executive directors' emoluments shown above were 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 during the year. No emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included two (2015: four) executive directors, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2015: one) highest paid employees who are neither a director nor chief executive of the Company within the band of nil to HK$1,000,000 (2015: nil to HK$1,000,000) are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other benefits	**1,425**	422
Retirement benefit scheme contributions	**70**	9
	1,495	431

12. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,255**	1,324
Amortisation of prepaid lease payments	**52**	60
Auditor's remuneration (including remuneration for non-audit services)	**851**	1,259
Cost of inventories recognised as an expense	**9,262**	11,834
Staff costs		
— directors' emoluments (note 10)	**2,040**	3,429
— other staff costs, comprising mainly salaries	**5,386**	8,458
— termination benefits	**152**	12,392
— retirement benefit scheme contributions, excluding those of directors	**1,352**	1,624
	8,930	25,903
Operating lease rental in respect of rented premises and office equipment	**18**	423
Impairment loss recognised on property, plant and equipment (included in other gains and losses)	**–**	778
Write-down of inventories	**–**	23
Reversal of write-off of trade receivables	**(52)**	–

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings:

	2016 ***HK$'000***	2015 *HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(53,887)**	69,100

Number of shares:

	2016	2015
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,089,118,593**	948,376,042

No diluted (loss) earnings per share is presented for the current and prior years as there were no potential ordinary shares in issue.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2015	220,750
Acquired on acquisition of assets through acquisition of a subsidiary (note 26)	52,015
Fair value gain recognised in profit and loss	501
Disposals	(14,750)
Disposals through disposal of subsidiaries (note 27)	(206,000)
At 31 December 2015 and 31 December 2016	52,516

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.

15. INVESTMENT PROPERTIES (continued)

The fair values of the Group's investment properties as at 31 December 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out on the respective dates by Messrs. Roma Appraisals Limited ("Roma Appraisals"), independent qualified professional valuer not connected to the Group. Roma Appraisals is a member of the Hong Kong Institute of Surveyors, and has 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 values were 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 values 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 is the sales prices of properties nearby the Group's investment properties, which ranged from HK$17,907/sq.ft to HK$23,269/sq.ft (2015: HK$17,016/sq.ft to HK$19,597/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 2016. There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties shown above comprise:

	2016 ***HK$'000***	2015 *HK$'000*
Commercial property units located in Hong Kong	**52,516**	52,516

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong	Building in the PRC	Leasehold improvements	Lifts, electrical and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2015	–	13,309	797	33,038	2,769	49,913
Additions	–	–	–	86	–	86
Acquired through acquisition of a subsidiary (note 26)	17,317	–	254	57	–	17,628
Disposals	–	–	–	–	(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
Additions	–	–	–	166	–	166
Disposals	–	–	(650)	(402)	–	(1,052)
Exchange realignment	–	(809)	–	(1,989)	(28)	(2,826)
At 31 December 2016	17,317	11,764	401	29,150	2,610	61,242
DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	–	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 disposals	–	–	–	–	(94)	(94)
Exchange realignment	–	(526)	–	(1,787)	(23)	(2,336)
At 31 December 2015	173	9,069	906	31,164	1,715	43,027
Provided for the year	346	296	125	66	422	1,255
Eliminated on disposals	–	–	(650)	(402)	–	(1,052)
Exchange realignment	–	(597)	–	(1,978)	(25)	(2,600)
At 31 December 2016	519	8,768	381	28,850	2,112	40,630
CARRYING VALUES						
At 31 December 2016	16,798	2,996	20	300	498	20,612
At 31 December 2015	17,144	3,504	145	211	923	21,927

16. 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 terms of the relevant lease, if shorter
Building in the PRC	Over the shorter of the lease terms of land or estimated useful life of 50 years
Leasehold improvements	10% or over the terms 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.

As at 31 December 2016, the directors of the Company conducted a review of the Group's lifts, electrical and office equipment and determined that no further impairment loss needs to be recognised in respect of the Group's property, plant and equipment.

As at 31 December 2015, 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 located in the PRC were impaired due to the continuous net losses incurred by a subsidiary of the Company. Accordingly, an impairment loss of HK$778,000 was recognised in respect of lifts, electrical and office equipment, which were used in the Group's industrial segment. The recoverable amount of the relevant assets had been determined on the basis of their value in use. The discount rate in measuring the amount of value in use was 10.7% per annum.

17. PREPAID LEASE PAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current	**19**	22
Non-current	**481**	566
	500	588

18. HELD-FOR-TRADING INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Listed equity securities:		
Hong Kong	**678,190**	628,026

As at 31 December 2016, held-for-trading investments represent an investment portfolio comprising 56 (2015: 31) equity securities listed in Hong Kong of which 47 (2015: 26) equity securities are listed on the Main Board of the Stock Exchange and the remaining 9 (2015: 5) equity securities are listed on the Growth Enterprise Market of the Stock Exchange.

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

19. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**699**	869
Work in progress	**1,109**	1,806
Finished goods	**176**	54
	1,984	2,729

20. TRADE AND OTHER RECEIVABLES

For sale of goods, the Group allows an average credit period of 90 days (2015: 90 days) to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Current	**711**	1,046
Past due:		
1 to 30 days	**180**	–
31 to 60 days	**175**	–
61 to 90 days	**380**	–
Total trade receivables	**1,446**	1,046
Prepayments, deposits and other receivables	**398**	454
	1,844	1,500

As at 31 December 2016, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$735,000 (2015: nil) which are past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considers that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 143 days.

21. AMOUNT DUE FROM A NON-CONTROLLING INTEREST

The amount is unsecured and interest-free.

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 (2015: 90 days) to the non-controlling interest. The aged analysis of the receivable is as follows:

	2016	2015
	HK$'000	*HK$'000*
Current	**1,255**	664
Past due:		
1 to 30 days	**721**	516
31 to 60 days	**129**	493
61 to 90 days	**488**	630
91 to 180 days	**731**	1,012
181 to 270 days	**1,020**	694
271 to 365 days	**621**	–
Over 365 days	**577**	–
	5,542	4,009

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

Included in the amount due from the non-controlling interest is a trade balance of HK$4,287,000 (2015: HK$3,345,000) 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. The average age of this balance is 274 days (2015: 201 days).

22. 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% (2015: 0.001% to 3.08%) per annum. The deposits held at financial institutions are in relation to securities trading accounts which the Group maintains with these institutions.

23. 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:

	2016 ***HK$'000***	2015 *HK$'000*
Trade payables — over 90 days	**46**	49
Other payables and accruals	**3,732**	3,673
	3,778	3,722

24. 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 2015	–	70	165	(235)	–
Charge (credit) to profit or loss	12,657	(260)	108	152	12,657
At 31 December 2015	12,657	(190)	273	(83)	12,657
Charge (credit) to profit or loss	17,195	190	(273)	(28,989)	(11,877)
At 31 December 2016	29,852	–	–	(29,072)	780

At the end of the reporting period, the Group has unused tax losses of HK$391,548,000 (2015: HK$222,814,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$176,188,000 (2015: HK$497,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$215,360,000 (2015: HK$222,317,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are tax losses of HK$17,491,000 which will lapse in 2017 to 2021 (2015: tax losses of HK$15,296,000 which will lapse in 2016 to 2020), the remaining tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	**2016**	2015
			HK$'000	*HK$'000*
Issued and fully paid:				
At 1 January	**1,089,118,593**	536,613,062	**632,610**	255,092
Shares issued upon Open Offer (note i)	**–**	268,306,531	**–**	78,480
Placing of shares (note ii)	**–**	284,199,000	**–**	299,038
At 31 December	**1,089,118,593**	1,089,118,593	**632,610**	632,610

Notes:

(i) 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.

(ii) 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.

26. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

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 was principally engaged in property investment and its major assets were 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.

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)
	70,232
Satisfied by:	
Cash consideration paid	70,232
Net cash outflow arising on acquisition:	
Cash consideration paid	70,232
Bank balances and cash acquired	(742)
	69,490

27. DISPOSAL OF SUBSIDIARIES

On 17 February 2015, the Company and a connected person of the Company who was a sibling of a director and a shareholder with significant influence over the Company ("Person A") 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 Limited ("Blooming Success"), a wholly owned-subsidiary of the Company which was 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.

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
Other payables	(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

28. 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 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 the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

29. FINANCIAL INSTRUMENTS

29a. Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading investments	**678,190**	628,026
Loans and receivables (including cash and cash equivalents)	**67,658**	182,919
Financial liabilities		
Amortised cost	**2,037**	2,159

29b. 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 (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. 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, 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:

	2016	2015
	HK$'000	*HK$'000*
United States dollars ("US$")	**7,402**	5,448

29. FINANCIAL INSTRUMENTS (continued)

29b. 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% (2015: 10%) increase and decrease in the relevant foreign currency against the functional currency of respective group entity. 10% (2015: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and 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% (2015: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2015: an increase in post-tax profit) where the relevant foreign currency strengthens 10% (2015: 10%) against the functional currency of respective group entity. For a 10% (2015: 10%) weakening of the relevant foreign currency against the functional currency of respective group entity, there would be an equal and opposite impact on the post-tax results and the balances below would be negative.

	2016	2015
	HK$'000	*HK$'000*
Effect on post-tax results:		
US$ against Renminbi	**618**	455

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 is exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits held at financial institutions (see note 22 for details).

The Group currently do not have an interest rate hedging policy to hedge against their exposures. However, 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.

29. FINANCIAL INSTRUMENTS (continued)

29b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Price risk

The Group is principally engaged in short-term securities investment with high volume of securities trading transactions recorded throughout the year. The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. Management manages the exposure to price risk by maintaining a portfolio of investments with different risks and return profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective held-for-trading investments had been 10% (2015: 10%) higher/lower, the post-tax loss of the Group for the year would decrease/increase by HK$56,629,000 (2015: post-tax profit would increase/decrease by HK$52,440,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 31 December 2016, 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, 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 100% (2015: 69.4%) and 100% (2015: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the industrial operating segment.

29. FINANCIAL INSTRUMENTS (continued)

29b. Financial risk management objectives and policies (continued)

Liquidity risk

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

The Group has no bank loan facilities as at 31 December 2016 and 31 December 2015.

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.

Liquidity tables

	Weighted average interest rate	**On demand or less than 1 month**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2016**
	%	*HK$'000*	*HK$'000*	*HK$'000*
2016				
Non-derivative financial liabilities				
Trade and other payables	**–**	**2,037**	**2,037**	**2,037**

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

29. FINANCIAL INSTRUMENTS (continued)

29c. Fair value measurements of financial instruments

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

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).

Financial assets	Fair value 2016 HK$'000	Fair value 2015 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities in Hong Kong classified as held-for-trading investments in the consolidated statement of financial position	**678,190**	628,026	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 in the current and prior years.

The Group is exposed to equity price risk through its investments in listed equity securities classified as held-for-trading investments. During the year ended 31 December 2016, the depreciation of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss.

(ii) Financial instruments that are recorded at amortised cost

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.

30. 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 fall due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**20**	20
In the second to fifth year inclusive	**27**	47
	47	67

Operating lease payments represent rentals payable by the Group for the use of its office equipment. Leases are negotiated for a term of five years (2015: one to five years).

The Group as lessor

Rental income earned from investment properties during the year was HK$1,863,000 (2015: HK$960,000). Direct operating expenses incurred for investment properties that generated rental income during the year amounted to HK$80,000 (2015: HK$50,000). The properties are expected to generate rental yields of 3.6% (2015: 1.8%) on an ongoing basis. The properties held have committed tenants for one to five years (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**637**	559
In the second to fifth year inclusive	**–**	40
	637	599

31. RETIREMENT BENEFIT 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 or 5% of relevant payroll costs for each of the employees every month to the MPF Scheme, which contribution is matched by employees.

	2016	2015
	HK$'000	*HK$'000*
Amount contributed and charged to profit or loss	**36**	136

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 rates set by the municipal government for its eligible employees.

	2016	2015
	HK$'000	*HK$'000*
Amount contributed and charged to profit or loss	**1,316**	1,515

32. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of a subsidiary contracted for but not provided in the consolidated financial statements (note 36)	**53,000**	–

33. 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 is as follows:

	2016	2015
	HK$'000	*HK$'000*
Short-term benefits	**2,834**	3,824
Post-employment benefits	**18**	36
	2,852	3,860

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

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2016	2015	**2016**	2015	
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding
Jiangsu BangBang–Silky Fashion Manufacturer Co., Ltd.	The PRC*	US$3,940,000 Paid up registered capital	**–**	–	**51%**	51%	Manufacturing and sale of garment products
Marvel Star Group Limited	British Virgin Islands (the "BVI")/ Hong Kong	US$1 Ordinary share	**100%**	100%	**–**	–	Investment holding
Coast Holdings	Hong Kong	HK$100,000 Ordinary shares	**–**	–	**100%**	100% (note i)	Property investment
Gold Sky Investments Limited	Hong Kong	HK$1 Ordinary share	**100%**	100% (note ii)	**–**	–	Securities investment

* Sino-foreign equity joint venture

Notes:

(i) The Group acquired the entire equity interest of the subsidiary during the year ended 31 December 2015 as detailed in note 26.

(ii) The subsidiary was incorporated during the year ended 31 December 2015.

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

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

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(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 establishment 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	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.	The PRC	**49%**	49%	**(627)**	(7,114)	**(7,184)**	8,330

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

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.

	2016	2015
	HK$'000	*HK$'000*
Current assets	**13,348**	15,349
Non-current assets	**3,673**	4,227
Current liabilities	**(2,039)**	(2,255)
Equity attributable to owners of the Company	**7,798**	8,991
Non-controlling interests	**7,184**	8,330

34. PARTICULARS 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. (continued)

	2016	2015
	HK$'000	*HK$'000*
Revenue	**9,820**	10,970
Expenses	**(11,100)**	(25,489)
Loss for the year	**(1,280)**	(14,519)
Loss attributable to owners of the Company	**(653)**	(7,405)
Loss attributable to the non-controlling interests	**(627)**	(7,114)
Loss for the year	**(1,280)**	(14,519)
Other comprehensive expense attributable to owners of the Company	**(540)**	(630)
Other comprehensive expense attributable to the non-controlling interests	**(519)**	(605)
Other comprehensive expense for the year	**(1,059)**	(1,235)
Total comprehensive expense attributable to owners of the Company	**(1,193)**	(8,035)
Total comprehensive expense attributable to the non-controlling interests	**(1,146)**	(7,719)
Total comprehensive expense for the year	**(2,339)**	(15,754)
Net cash outflow from operating activities	**(3,004)**	(11,602)
Net cash (outflow) inflow from investing activities	**(49)**	717
Net cash outflow	**(3,053)**	(10,885)

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**42,633**	33,982
Amounts due from subsidiaries	**729,166**	729,427
	771,799	763,409
CURRENT ASSETS		
Other receivables	**80**	305
Bank balances and cash	**3,672**	19,743
	3,752	20,048
CURRENT LIABILITY		
Other payables	**1,307**	1,179
NET CURRENT ASSETS	**2,445**	18,869
NET ASSETS	**774,244**	782,278
CAPITAL AND RESERVES		
Share capital (see note 25)	**632,610**	632,610
Reserves	**141,634**	149,668
TOTAL EQUITY	**774,244**	782,278

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 21 March 2017 and are signed on its behalf by:

Yu Pak Yan, Peter
DIRECTOR

Fok Chi Tak
DIRECTOR

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2015	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
Loss for the year	–	(8,034)	(8,034)
At 31 December 2016	–	141,634	141,634

36. EVENTS AFTER THE REPORTING PERIOD

On 28 December 2016, the Group and an independent third party (the "Vendor") entered into a sale and purchase agreement in which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest of Lead Power Investments Limited ("Lead Power"), at a cash consideration of HK$53 million. Details of the transaction are set out in the Company's announcement dated 28 December 2016.

Lead Power is principally engaged in property investment and its major assets are office units in Hong Kong classified as investment properties. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

Subsequent to the end of the reporting period, the transaction was completed on 19 January 2017 and Lead Power became a wholly owned subsidiary of the Company.

FIVE YEARS FINANCIAL SUMMARY

At 31 December 2016

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
RESULTS					
Revenue	**11,683**	11,930	16,747	15,931	17,052
(Loss)/profit before tax	**(66,294)**	74,643	24,944	(11,427)	(20,325)
Income tax credit/(expense)	**11,780**	(12,657)	–	–	–
(Loss)/profit for the year	**(54,514)**	61,986	24,944	(11,427)	(20,325)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(53,887)**	69,100	25,846	(11,012)	(18,981)
Non-controlling interests	**(627)**	(7,114)	(902)	(415)	(1,344)
	(54,514)	61,986	24,944	(11,427)	(20,325)

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**821,680**	888,977	532,858	465,991	390,096
Total liabilities	**(4,655)**	(16,379)	(89,644)	(1,841)	(3,884)
	817,025	872,598	443,214	464,150	386,212
Non-controlling interests	**(7,184)**	(8,330)	(16,049)	(17,025)	(16,906)
Equity attributable to owners of the Company	**809,841**	864,268	427,165	447,125	369,306

PARTICULARS OF PROPERTIES HELD BY THE GROUP

At 31 December 2016

Location	Group's interests	Approximate site area (sq.ft.)	Existing use
Units 901, 902, 903, 905 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