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遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Far East Holdings International Limited (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 are set out as follows:

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

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Revenue	3	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		867	1,992
Other gains and losses	5	(62,197)	101,771
Selling and distribution costs		(102)	(91)
Administrative expenses		(9,420)	(32,680)
Finance costs		–	(1,285)
(Loss) profit before tax		(66,294)	74,643
Income tax credit (expense)	6	11,780	(12,657)
(Loss) profit for the year	7	(54,514)	61,986
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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

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

For the year ended 31 December 2016

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
(Loss) profit for the year attributable to:			
Owners of the Company		(53,887)	69,100
Non-controlling interests		(627)	(7,114)
		<u>(54,514)</u>	<u>61,986</u>
 Total comprehensive (expense) income attributable to:			
Owners of the Company		(54,427)	59,585
Non-controlling interests		(1,146)	(7,719)
		<u>(55,573)</u>	<u>51,866</u>
 (Loss) earnings per share — Basic (HK cents)	<i>9</i>	<u>(4.95)</u>	<u>7.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		52,516	52,516
Property, plant and equipment		20,612	21,927
Prepaid lease payments		481	566
		<u>73,609</u>	<u>75,009</u>
CURRENT ASSETS			
Prepaid lease payments		19	22
Held-for-trading investments	<i>10</i>	678,190	628,026
Inventories		1,984	2,729
Trade and other receivables	<i>11</i>	1,844	1,500
Amount due from a non-controlling interest		5,542	4,009
Tax recoverable		8	10
Deposits held at financial institutions		48,758	144,917
Bank balances and cash		11,726	32,755
		<u>748,071</u>	<u>813,968</u>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	3,778	3,722
Tax payable		97	–
		<u>3,875</u>	<u>3,722</u>
NET CURRENT ASSETS		<u>744,196</u>	<u>810,246</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		817,805	885,255
NON-CURRENT LIABILITY			
Deferred tax liabilities		780	12,657
NET ASSETS		<u>817,025</u>	<u>872,598</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	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		<u>817,025</u>	<u>872,598</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance. 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by 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 the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO 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.
- 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 9 “Financial Instruments” (Continued)

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.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 16 “Leases” (Continued)

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.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$47,000 as disclosed in note 16. 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. REVENUE

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

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

4. SEGMENT INFORMATION

During the current year, the directors of the Company revisited the Group's business and considered the 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 <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External revenue	<u>9,820</u>	<u>–</u>	<u>1,863</u>	<u>11,683</u>
Segment results	<u>(1,748)</u>	<u>(60,046)</u>	<u>1,337</u>	<u>(60,457)</u>
Other income				867
Unallocated expenses				<u>(6,704)</u>
Loss before tax				<u><u>(66,294)</u></u>

4. 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 (Restated)	Consolidated HK\$'000 (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. 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.

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)

4. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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
	<u>–</u>	<u>–</u>	<u>501</u>	<u>–</u>	<u>501</u>

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
	<u>11,683</u>	<u>11,930</u>

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 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
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
	<u>11,683</u>	<u>11,930</u>	<u>73,609</u>	<u>75,009</u>

4. SEGMENT INFORMATION (Continued)

Information about major customers

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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.

5. OTHER GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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 15)	–	527
Fair value gain on investment properties	–	501
Impairment loss recognised on property, plant and equipment	–	(778)
Loss on disposal of property, plant and equipment	–	(2)
	<u>(62,197)</u>	<u>101,771</u>

6. INCOME TAX (CREDIT) EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The income tax (credit) expense comprises:		
Current tax:		
Hong Kong Profits Tax	97	–
Deferred tax (credit) expense	(11,877)	12,657
	<u>(11,780)</u>	<u>12,657</u>

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.

6. 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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit before tax	<u>(66,294)</u>	<u>74,643</u>
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	<u>–</u>	<u>(66)</u>
Income tax (credit) expense	<u>(11,780)</u>	<u>12,657</u>

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).

7. (LOSS) PROFIT FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(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	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	<u>1,352</u>	<u>1,624</u>
	<u>8,930</u>	<u>25,903</u>
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	<u>(52)</u>	<u>–</u>

8. 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).

9. (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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company	<u>(53,887)</u>	<u>69,100</u>

Number of shares:

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

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

10. HELD-FOR-TRADING INVESTMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed equity securities: Hong Kong	<u>678,190</u>	<u>628,026</u>

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.

11. 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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	711	1,046
Past due:		
1 to 30 days	180	–
31 to 60 days	175	–
61 to 90 days	380	–
	<hr/>	<hr/>
Total trade receivables	1,446	1,046
Prepayments, deposits and other receivables	398	454
	<hr/>	<hr/>
	1,844	1,500
	<hr/> <hr/>	<hr/> <hr/>

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.

12. TRADE AND OTHER PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables — over 90 days	46	49
Other payables and accruals	3,732	3,673
	<hr/>	<hr/>
	3,778	3,722
	<hr/> <hr/>	<hr/> <hr/>

13. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	2016 HK\$'000	2015 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
	<u>1,089,118,593</u>	<u>1,089,118,593</u>	<u>632,610</u>	<u>632,610</u>
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.

14. 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:

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

15. 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:

	<i>HK\$'000</i>
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

16. 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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	637	559
In the second to fifth year inclusive	–	40
	637	599

17. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short-term benefits	2,834	3,824
Post-employment benefits	18	36
	<u>2,852</u>	<u>3,860</u>

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

18. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Results

For the year ended 31 December 2016 (the “**Year Under Review**”), 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. 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 shares (2015: 1,089,118,593).

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 on pages 24 to 25 of this announcement.

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.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

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.

DIVIDEND

For the year ended 31 December 2016, the Board 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 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.

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 HK\$'000	Unrealised fair value (loss)/gain for the year ended 31 December 2016 HK\$'000	Dividend income for the year ended 31 December 2016 HK\$'000	Fair value at 31 December 2016 HK\$'000	Percentage of total held-for-trading investments at 31 December 2016 %	Percentage of total assets of the Group at 31 December 2016 %
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 Hajijing 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) <i>(formerly known as China 3D Digital Entertainment Limited)</i>	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) <i>(formerly known as China Jiu hao Health Industry Corporation Limited)</i>	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) <i>(formerly known as Hsin Chong Construction Group Ltd.)</i>	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) <i>(formerly known as Convoy Financial Holdings Limited)</i>	0.33	21,741	(10,196)	-	11,545	1.7	1.4
Yunfeng Financial Group Limited (376) <i>(formerly known as Reorient Group Limited)</i>	0.08	-	(2,710)	-	11,140	1.6	1.4
Others		213,229	(42,064)	425	118,358	17.4	14.1
		<u>628,026</u>	<u>(10,731)</u>	<u>2,217</u>	<u>678,190</u>	<u>100.0</u>	<u>82.5</u>

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.

ANNUAL GENERAL MEETING

It is proposed that the 2017 Annual General Meeting of the Company will be held on Monday, 5 June 2017 (the "**2017 AGM**"). Notice of the 2017 AGM will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.feholdings.com.hk) and despatched to the shareholders of the Company ("**Shareholders**") in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from 31 May 2017 to 5 June 2017 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the 2017 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's 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 not later than 4:30 p.m. on 29 May 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, the Company has complied with all the Code provisions of the Corporate Governance Code (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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) 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.

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 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.

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.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION 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.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.feholdings.com.hk). The annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

APPRECIATION

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

By Order of the Board
Far East Holdings International Limited
Yu Pak Yan, Peter
Executive Director

Hong Kong, 21 March 2017

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