THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Far East Holdings International Limited (the "**Company**"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

FEH

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)

(1) MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF BLOOMING SUCCESS; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF EGM

Financial Adviser to the Company

ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser to the Independent Board Committee and to the Independent Shareholders

Quam CAPITAL 華富嘉洛企業融資

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 38 of this circular.

A notice convening the EGM of the Company to be held at The Penthouse, 24/F., Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong on Tuesday, 22 April, 2014 at 4:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

1 April 2014

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 24 January 2014 entered into between the Company and the Vendor in relation to the Acquisition
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 5 February 2014 in relation to the Acquisition and the Whitewash Waiver
"Blooming Success"	Blooming Success Limited, a company incorporated in British Virgin Islands with limited liability and wholly-owned by the Vendor as at the Latest Practicable Date
"Blooming Success Group" or "Target Group"	Blooming Success and New Continent collectively
"Board"	the board of Directors
"Business Day(s)"	any day (excluding Saturday and Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business in Hong Kong
"Chiu Family"	members of Chiu Family who are persons acting in concert with the Vendor, namely Deacon Te Ken Chiu, J.P., Madam Chiu Ju Ching Lan, Mr. David Chiu, Ms. Margaret Chiu, Mr. Dennis Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu and Mr. Desmond Chiu
"Company" or "Purchaser"	Far East Holdings International Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 36)
"Completion"	the completion of the Acquisition pursuant to the terms and conditions contained in the Acquisition Agreement
"Completion Date"	3 Business Days immediately following the date on which all conditions are satisfied or waived

"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration"	HK$36.6 million, being the total consideration payable by the Company to the Vendor for the Acquisition pursuant to the Acquisition Agreement
"Consideration Shares"	a total of 62,588,235 Shares to be allotted and issued by the Company to the Vendor pursuant to the Acquisition Agreement as part of the Consideration at a price of HK$0.425 per Share
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on Tuesday, 22 April 2014 at 4:00 p.m. for, among other things, the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement (including the issue and allotment of the Consideration Shares) and the Whitewash Waiver
"Enlarged Group"	the Group immediately after the Completion (which includes Blooming Success Group)
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising Independent Shareholders on the terms of the Acquisition Agreement (including the issue of the Consideration Shares) and the transactions contemplated therein and also the Whitewash Waiver
"Independent Financial Adviser"	Quam Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the Acquisition Agreement (including the issue of the Consideration Shares) and the Whitewash Waiver

"Independent Shareholders"	Shareholders, other than (i) the Vendor and parties acting in concert with him; and (ii) all parties involved in or interested in the Acquisition and/or the Whitewash Waiver
"Last Trading Day"	22 January 2014, being the last full trading day on which the Shares were traded on the Stock Exchange prior to the publishing of the Announcement
"Latest Practicable Date"	28 March 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	22 April 2014
"New Continent"	New Continent Development Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Blooming Success as at the Latest Practicable Date
"Outstanding Share Options"	the options granted by the Company to subscribe for an aggregate of 19,767,998 new Shares under the share option scheme of the Company currently in force and adopted by the Company on 23 May 2005
"PRC"	the People's Republic of China, which for the purpose of this circular excludes, Hong Kong, the Macau Special Administrative Region and Taiwan
"Properties"	Property A and Uncompleted Property B collectively
"Property A"	the shops B, C, D and E on ground floor of On Fung Building located at Nos. 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong wholly-owned by Blooming Success
"Relevant Period"	the period commencing six months preceding the Announcement up to and including the Latest Practicable Date
"Sale Shares"	50,000 ordinary shares of US$1 each, representing the entire issued share capital of Blooming Success to be acquired by the Company from the Vendor pursuant to the Acquisition Agreement

"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Uncompleted Property B"	an office and two parking lots located at Global Trade Square, 21 Wong Chuk Hang Road, which are still under construction by the developer, and are wholly-owned by New Continent
"Valuer"	DTZ Debenham Tie Leung Limited, an independent valuer qualified under The Hong Kong Institute of Surveyors
"Vendor" or "Mr. Duncan Chiu"	Mr. Duncan Chiu, a substantial Shareholder who is beneficially interested in approximately 22.20% of the issued share capital of the Company as at the Latest Practicable Date
"Whitewash Waiver"	the waiver by the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Vendor to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Vendor as a result of the Acquisition
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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)

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

Non-executive Director:
Mr. Desmond Chiu

Independent non-executive Directors:
Dr. Lam Lee G.
Mr. Eugene Yun Hang Wang
Mr. Lee Kwan Hung

Registered office:
16th Floor
Far East Consortium Building
121 Des Voeux Road Central
Central, Hong Kong

Principal office:
Room 2101–2102, 21st Floor
Far East Consortium Building
121 Des Voeux Road Central
Central, Hong Kong

1 April 2014

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF BLOOMING SUCCESS; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF EGM

INTRODUCTION

Reference is made to the Announcement dated 5 February 2014, in which the Board announced that the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares at the Consideration of HK$36.6 million, in which HK$10 million will be satisfied in cash and HK$26.6 million will be satisfied by the issue and allotment of 62,588,235 Consideration Shares at an issue price of HK$0.425 per Consideration Share.

The purpose of this circular is to provide the Shareholders with (i) further information of the Acquisition and the Whitewash Waiver; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the valuation report of the Properties; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules and the Takeovers Code.

THE ACQUISITION AGREEMENT

Date

24 January 2014

Parties

(i) the Company, as the Purchaser

(ii) Mr. Duncan Chiu, as the Vendor

As at the Latest Practicable Date, the Vendor is beneficially interested in 100,829,369 Shares, which represent approximately 22.20% of the issued share capital of the Company, and is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules.

Assets to be acquired

The Sale Shares represent the entire issued share capital of Blooming Success as at the Latest Practicable Date. Upon Completion, Blooming Success will become a wholly-owned subsidiary of the Company.

Basis of the Consideration

Pursuant to the Acquisition Agreement, the Consideration of HK$36.6 million shall be satisfied by the Company at Completion in the following manner:

(i) HK$10 million to be satisfied in cash; and

(ii) HK$26.6 million, to be satisfied by the issue and allotment of 62,588,235 Consideration Shares at an issue price of HK$0.425 per Consideration Share credited as fully paid by the Company to the Vendor (or its nominee (s) as notified to the Company in writing), unless conditions precedent set out in paragraphs (ix) and (x) under the section headed "Condition Precedent" in this circular are waived by the Company (in which case this portion of the Consideration will be satisfied in cash instead).

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor and was determined after having taken into account various relevant factors including (i) the audited net asset value of Blooming Success Group as at 31 December 2013; and (ii) the valuations of Property A and Uncompleted Property B in accordance with the valuation report prepared by the Valuer as set out in Appendix IV of this circular.

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange. The Consideration Shares, upon issue, shall rank pari passu in all aspects with the existing Shares save that the Consideration Shares will not rank for any dividend or other distribution of the Company declared by reference to a record date prior to the issue date of the Consideration Shares.

The Consideration Shares represent approximately (i) 13.78% of the Company's existing issued share capital as at the Latest Practicable Date; and (ii) 12.11% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Acquisition will not result in a change of control of the Company.

The issue price of the Consideration Shares at HK$0.425 per Consideration Share was determined with reference to the prevailing market price of the Shares and represents:

(a) the same price as the closing price of HK$0.425 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 7.21% to the average closing price of HK$0.458 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 8.60% to the average closing price of HK$0.465 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and

(d) a discount of approximately 15.00% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors are of the view that the issue price of the Consideration Shares is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The Acquisition shall be subject to and conditional upon the fulfillment of the following material conditions:

(i) the warranties given by the Vendor remaining true and accurate and not misleading at the Completion as if repeated at the Completion and at all times between the date of the Acquisition Agreement and the Completion Date;

(ii) the Company notifying the Vendor in writing that it is satisfied, in its sole discretion, upon conducting due diligence on each member of Blooming Success Group as to (a) the respective financial, contractual, taxation and trading positions of each member of Blooming Success Group; (b) the title of the members of Blooming Success Group to their respective assets; and (c) the results of the Company's searches and the replies to the Company's enquiries in regard to the Properties;

(iii) the Vendor having complied fully with the pre-completion obligations as set out in the Acquisition Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed under the Acquisition Agreement;

(iv) the amounts due by Blooming Success to a member of Chiu Family (who is a Shareholder) and a company jointly owned by the Vendor and two members of Chiu Family (who are also Shareholders) be assigned to the Vendor such that the entire amount will be due from Blooming Success to the Vendor;

(v) no bona fide investigation, action, suit, injunction, order or proceedings being in effect, pending or genuinely threatened as of the Completion Date before any court of competent jurisdiction or by any relevant governmental body which seeks to restrain, prohibit, impose limitations or conditions or otherwise challenge the transactions contemplated by the Acquisition Agreement;

(vi) during the period from the date of the Acquisition Agreement to the Completion Date, there not having occurred, and there not being in existence on the Completion Date, any material adverse effect on the assets, liabilities, financial results of or operations, financial condition, business or prospects of Blooming Success Group;

(vii) the giving of a written notice by the Vendor to the mortgagee of the existing secured bank loan of Blooming Success regarding the change in shareholding of Blooming Success as contemplated by the transfer of Sale Shares as set out in the Acquisition Agreement;

(viii) the approval of the Independent Shareholders approving the entering into by the Company of the Acquisition Agreement and the transactions contemplated thereunder having been obtained in accordance with the Listing Rules or any other applicable laws or regulations;

(ix) the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares; and

(x) the granting of the Whitewash Waiver by the Executive to the Vendor and the parties acting in concert with him pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation to make a mandatory general offer, and if so required by the Executive as a condition to his granting of the Whitewash Waiver, the approval of the Independent Shareholders at the EGM by way of poll approving the Whitewash Waiver.

The Company may, in its absolute discretion, waive all or any of the conditions precedent set out in paragraphs (i) to (vii) above at any time by notice in writing to the Vendor. Condition precedent set out in (viii) above cannot be waived in any circumstance.

In the event that all the conditions precedent other than conditions precedent set out in paragraphs (ix) and (x) above are fulfilled, satisfied or being waived on or before the Long Stop Date, the Company may waive conditions precedent set out in paragraphs (ix) and (x) above by notice in writing to the Vendor, following which no Consideration Shares shall be issued and allotted by the Company and the Consideration to be paid by the Company shall be satisfied solely in cash to the Vendor (or its nominee as notified to the Company in writing). As such, no mandatory general offer will be made by the Vendor in such circumstance.

In the event that the aforementioned conditions precedent are not fulfilled, satisfied or being waived on or before the Long Stop Date and such non-fulfilment causes a material adverse effect on the assets, liabilities, financial results of or operations, financial condition, business or prospects of Blooming Success Group or a material adverse effect on the ability of a party to perform the obligations of the Acquisition Agreement, the Company shall not be bound to proceed with the Acquisition and the Acquisition Agreement shall cease to be of any effect (save in respect of claims arising out of any antecedent breach of the Acquisition Agreement).

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table summarised the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion (assuming no Outstanding Share Options of the Company are exercised at all); and (iii) immediately after the Completion (assuming full exercise of Outstanding Share Options of the Company):

	As at the Latest Practicable Date	%	Immediately after the Completion (assuming no Outstanding Share Options are exercised at all)	%	Immediately after the Completion (assuming full exercise of Outstanding Share Options)	%
Mr. Duncan Chiu and parties acting in concert with him						
Mr. Duncan Chiu	100,829,369	22.20	163,417,604	31.62	163,417,604	30.45
Chiu Family and companies controlled by Chiu Family						
– Deacon Te Ken Chiu, J.P. ("**Deacon Chiu, J.P.**") *(Note 1)*	22,718,030 *(Note 2)*	5.00	22,718,030	4.40	22,718,030	4.23
– Madam Chiu Ju Ching Lan	4,175,160	0.92	4,175,160	0.81	4,175,160	0.78
– Mr. David Chiu	16,077,600 *(Note 3)*	3.54	16,077,600	3.11	16,077,600	3.00
– Ms. Margaret Chiu	2,200,000	0.48	2,200,000	0.42	2,200,000	0.41
– Mr. Dennis Chiu	7,422,810	1.64	7,422,810	1.44	7,422,810	1.38
– Mr. Daniel Tat Jung Chiu ("**Mr. Daniel Chiu**")	23,320,088 *(Note 4)*	5.13	23,320,088	4.51	23,320,088	4.35
– Mr. Derek Chiu *(Note 1)*	88,440	0.02	88,440	0.02	3,268,237	0.61
– Mr. Desmond Chiu *(Note 1)*	4,000	0.00	4,000	0.00	4,000	0.00
– Cape York Investments Limited *(Note 5)*	4,400,000	0.97	4,400,000	0.85	4,400,000	0.82
	80,406,128	17.70	80,406,128	15.56	83,585,925	15.58
Sub-total	181,235,497	39.90	243,823,732	47.18	247,003,529	46.03

	As at the Latest Practicable Date	%	Immediately after the Completion (assuming no Outstanding Share Options are exercised at all)	%	Immediately after the Completion (assuming full exercise of Outstanding Share Options)	%
The Directors (other than members of Chiu Family)						
Mr. Richard Yen	–	–	–	–	4,542,568	0.84
Mr. Ip Ngai Sang	–	–	–	–	1,817,027	0.34
Dr. Lam Lee G.	–	–	–	–	1,817,027	0.34
Mr. Eugene Yun Hang Wang	–	–	–	–	1,817,027	0.34
Mr. Lee Kwan Hung	–	–	–	–	1,817,027	0.34
Sub-total	–	–	–	–	11,810,676	2.20
Public Shareholders	273,021,332	60.10	273,021,332	52.82	277,798,857	51.77
Total	454,256,829	100.00	516,845,064	100.00	536,613,062	100.00

Notes:

1. Deacon Chiu, J.P., Mr. Derek Chiu and Mr. Desmond Chiu are Directors.

2. Among these Shares, 20,848,664 Shares were personal interests held by Deacon Chiu, J.P., and 1,869,366 Shares were corporate interests held by various companies which were wholly and beneficially owned by Deacon Chiu J.P., namely Chung Kui Associates Limited, Sonia Development Limited, Polytaunton Lines Inc, Onyx Investment Limited, Parma Investment Limited, Interhotel Finance NV, and Churchwood Investments Limited.

3. Among these Shares, 3,740,000 Shares were personal interests held by Mr. David Chiu and 12,337,600 Shares were held by Rocket High Investments Limited, which was wholly and beneficially owned by Mr. David Chiu.

4. Among these Shares, 4,840,000 Shares were personal interests and 18,480,088 Shares were held by Gorich Holdings Limited, which was wholly-owned by Mr. Daniel Chiu.

5. Cape York Investments Limited is a company jointly owned by Mr. Dennis Chiu and Mr. Daniel Chiu.

INFORMATION OF BLOOMING SUCCESS GROUP

As at the Latest Practicable Date, Blooming Success Group comprises Blooming Success and New Continent.

Blooming Success

Blooming Success is an investment holding company incorporated in the British Virgin Islands on 8 April 2010 with limited liability. Blooming Success owns the entire interests of Property A and has a wholly-owned subsidiary, namely New Continent.

Property A comprises four shop units on ground floor of On Fung Building located at Nos. 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong and was purchased by Blooming Success at the cost of HK$67.3 million in August 2011. According to the valuation report conducted by the Valuer as set out in Appendix IV to this circular, the market value of Property A as at 24 January 2014 was HK$99 million.

Blooming Success is wholly-owned by the Vendor since March 2013. The total original acquisition cost of the Sale Shares by the Vendor was HK$5.2 million.

New Continent

New Continent is an investment holding company incorporated in the British Virgin Islands on 5 April 2012 with limited liability and is a wholly-owned subsidiary of Blooming Success. New Continent owns Uncompleted Property B which comprises an office and two parking lots located at Global Trade Square on Wong Chuk Hang Road and is expected to be completed in May 2014. New Continent has paid deposits of HK$24.9 million for Uncompleted Property B and the remaining balance of HK$62.9 million will fall due after the property developer assigns Uncompleted Property B to New Continent.

According to the valuation report conducted by the Valuer as set out in Appendix IV to this circular, the market value of Uncompleted Property B as at 24 January 2014 was HK$100 million (as if Uncompleted Property B was fully completed as at the date of the valuation).

FINANCIAL INFORMATION OF BLOOMING SUCCESS GROUP

Set out below is the key financial information of Blooming Success Group based on its audited consolidated financial statements for the years ended 31 March 2012 and 2013 and the nine-month period ended 31 December 2013 as set out in Appendix II to this circular:

	For the year ended 31 March 2012	For the year ended 31 March 2013	For the nine-month period ended 31 December 2013
	HK$ million	*HK$ million*	*HK$ million*
Profit before taxation	5.4	21.2	0.7
Profit after taxation	5.4	21.2	0.6

	As at 31 March 2012	As at 31 March 2013	As at 31 December 2013
	HK$ million	*HK$ million*	*HK$ million (Note 1 & 2)*
Net assets	50.5	36.0	36.6

Note:

1. Property A was accounted on the audited consolidated financial statements at market value of HK99.0 million as at 31 December 2013.

2. New Continent has paid deposit of HK$24.9 million only for Uncompleted Property B and the remaining balance of HK$62.9 million will fall due after the property developer assigns Uncompleted Property B to New Continent.

Shareholders should read the above information in conjunction with the accountants' report as set out in Appendix II to this circular containing further financial information of Blooming Success Group.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Company is an investment holding company. The principal activities of the Company's subsidiaries include manufacturing and trading of garment, investment in properties for rental purpose, property investment and investment in securities.

Property A comprises four shop units on ground floor of On Fung Building located at Nos. 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong with saleable area of approximately 2,654 square feet. Uncompleted Property B comprises an office floor with gross floor area of approximately 9,820 square feet and two parking spaces on the 23rd floor and 5th floor of Global Trade Square respectively. Global Trade Square is a 30-storey commercial building located at No. 21 Wong Chuk Hang Road in Hong Kong and is classed as Grade A office property. It is still under construction and is expected to be completed on 31 May 2014 based on the brochure dated 3 April 2013 published by Henderson Land Development Company Limited and Hip Shing Hong Group of Companies, the developers of Global Trade Square. The price per square feet in relation to the gross floor area of Global Trade Square ranges from HK$8,500 to HK$12,500.

New Continent has an outstanding capital commitment of HK$62.9 million as at 31 December 2013, which will fall due after the developers assign Uncompleted Property B to New Continent. It is expected to be financed by the Group through existing cash and cash equivalents and mortgage loan facility to be obtained by using Uncompleted Property B as security after the Completion.

The Acquisition is in line with the Group's strategy to invest in assets with stable income and potential value appreciation in the long term, which is expected to be over five years. It is the preliminary plan of the Company that part of Uncompleted Property B will be self-occupied as an office premise of the Company. Property A and the remaining part of Uncompleted Property B would be leased out for rental income. Having considered that the footfall and transports of Caine Road, where Property A is located, are expected to be enhanced following the completion of new residential properties in adjacent area and the demand for offices in Wong Chuk Hang, where Uncompleted Property B is located, is expected to increase after the commissioning of South Island Line of MTR in 2015, the Directors is of the view that the Acquisition represents a reasonable investment opportunity and expect that the Group will benefit from the anticipated appreciation in value of the Properties.

The cash consideration for the Acquisition shall be satisfied at Completion by cash and cash equivalents of the Group. Subject to conditions precedent (ix) and (x) under the section headed "Conditions Precedent" as set out in this circular, the remaining Consideration of HK$26.6 million shall be satisfied by the issue and allotment of the Consideration Shares. The Directors are of the view that the issue of the Consideration Shares as part of the Consideration will allow the Group to retain more liquid financial resources and if there are other investment opportunities arise, the Group is in a better financial position to capture such opportunities. Furthermore, the increased shareholding position of the Vendor will allow the Company to have a single largest shareholder with a controlling interest and the Group may benefit from his business connections and networks.

The Directors believe that the Acquisition and the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Intention of the Vendor

It is the intention of the Vendor that the Group will continue its current business. The Vendor has no intention to introduce any major changes to the existing business. The Vendor has no intention to discontinue the employment of existing employees of the Group or to redeploy the fixed assets of the Group.

FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon Completion, Blooming Success will become a wholly-owned subsidiary of the Company. Blooming Success Group and its results will be consolidated into the financial statements of the Group. The Acquisition will not affect the earnings of the Group for the year ended 31 December 2013. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix III to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Group as at 31 December 2013 would increase from approximately HK$466.0 million to approximately HK$587.6 million and the unaudited pro forma consolidated total liabilities of the Group as at 31 December 2013 would increase from approximately HK$1.8 million to approximately HK$89.6 million, as a result of the Acquisition.

LISTING RULES IMPLICATIONS

The Vendor is beneficially interested in approximately 22.20% of the issued share capital of the Company and is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules. The Acquisition from the Vendor constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major transaction to the Company under Chapter 14 of the Listing Rules. As such, the Acquisition is subject to the applicable reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A and Chapter 14 of the Listing Rules.

Deacon Te Ken Chiu *J.P.*, Mr. Derek Chiu and Mr. Desmond Chiu, who are members of Chiu Family, are deemed to be parties acting in concert with the Vendor and are considered to have a material interest in the Acquisition. Deacon Te Ken Chiu *J.P.*, Mr. Derek Chiu and Mr. Desmond Chiu have abstained from voting on relevant Board resolution(s) for approving the Acquisition and the Whitewash Waiver.

TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, the Vendor and the parties acting in concert with him (including Chiu Family) in aggregate own or control 181,235,497 Shares, representing approximately 39.90% of the issued share capital of the Company. Assuming all the conditions precedent of the Acquisition Agreement are fulfilled, 62,588,235 Consideration Shares will be issued to the Vendor upon Completion. As such, the interest of the Vendor in the Company will increase from 100,829,369 Shares, representing approximately 22.20% of the issued share capital of the Company as at the Latest Practicable Date, to 163,417,604 Shares, representing approximately 31.62% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming no additional Shares other than the Consideration Shares will be issued and the Outstanding Share Options are not exercised since the Latest Practicable Date up to the Completion). The aggregate shareholding of the Vendor and the parties acting in concert with him will increase from

181,235,497 Shares, representing approximately 39.90% of the issued share capital of the Company as at the Latest Practicable Date, to 243,823,732 Shares, representing approximately 47.18% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming no additional Shares other than the Consideration Shares will be issued and the Outstanding Share Options are not exercised since Latest Practicable Date up to the Completion). In the absence of the Whitewash Waiver, the Vendor would be obligated to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him pursuant to the Takeovers Code as a result of the Acquisition.

An application to the Executive for the Whitewash Waiver has been made by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. The Vendor and the parties acting in concert with him, who owns 181,235,497 Shares in aggregate or approximately 39.90% of the issued share capital of the Company as at the Latest Practicable Date, and any Shareholders who are involved or interested in the Acquisition and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolutions approving the Acquisition Agreement and the Whitewash Waiver. To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, save for the Vendor and the parties acting in concert with him, there are no Shareholders who are involved or interested in the Acquisition and/or the Whitewash Waiver.

Completion of the Acquisition Agreement is conditional upon, among other matters, the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders of the Whitewash Waiver at the EGM. If the Whitewash Waiver is not granted by the Executive, the Whitewash Waiver is not approved at the EGM or the listing of, and permission to deal in, the Consideration Shares is not approved by the Stock Exchange whilst all the other conditions precedent are fulfilled, the relevant condition(s) precedent will be waived and the Consideration Shares will not be issued and instead such portion of Consideration shall be satisfied in cash. As such, no mandatory general offer will be made by the Vendor in such circumstance.

EGM AND INDEPENDENT BOARD COMMITTEE

The EGM will be convened by the Company at The Penthouse, 24/F., Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong at 4:00 p.m. on 22 April 2014 for the purposes of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including the issue and allotment of the Consideration Shares) and the Whitewash Waiver by way of poll. The Vendor, his associates, parties acting in concert with him, and any Shareholders who are involved or interested in the Acquisition and/or the Whitewash Waiver will abstain from voting on the relevant resolutions to be proposed at the EGM.

Pursuant to Rule 13.39(6) of the Listing Rules and Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated therein (including the allotment and issue of the Consideration Shares) and the Whitewash Waiver, and to make recommendation to the Independent Shareholders on to their voting on the proposed resolutions. Pursuant to Rule 2 of the Takeovers Code, the Independent Board Committee should comprise all non-executive Directors of the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver. Given Mr. Desmond Chiu is a brother of the Vendor and therefore is deemed a party acting in concert with the Vendor, in order to avoid any conflict of interests, the Independent Board Committee has been formed without Mr. Desmond Chiu acting as a member of the Independent Board Committee.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Acquisition Agreement or the Whitewash Waiver. Quam Capital Limited has been appointed as the Independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition Agreement (including the issue of the Consideration Shares) and the Whitewash Waiver. The appointment of Quam Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

The notice of EGM is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 19 of this circular. Your attention is also drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement (including the issue of the Consideration Shares) and the Whitewash Waiver set out on pages 20 to 38 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Acquisition, the terms of the Acquisition and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Acquisition

Agreement are on normal commercial terms and that it was entered into in the ordinary and usual course of business of the Company and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed for approving the Acquisition Agreement and the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver at the EGM.

The Board considers that the Acquisition and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

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)

(1) MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF BLOOMING SUCCESS; AND (2) APPLICATION FOR WHITEWASH WAIVER

1 April 2014

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated 1 April 2014 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the terms of the Acquisition Agreement, the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Quam Capital Limited has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser set out in its letter of advice, we consider that the terms of the Acquisition Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition Agreement and the Whitewash Waiver at the EGM.

Yours faithfully,
Independent Board Committee

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

Independent non-executive Directors

The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Quam CAPITAL 華富嘉洛企業融資

1 April 2014

To the Independent Board Committee and the Independent Shareholders

Far East Holdings International Limited
Room 2101–2102, 21st Floor, Far East Consortium Building
121 Des Voeux Road
Central
Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF BLOOMING SUCCESS; AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are contained in a circular issued by the Company (the "**Circular**") to the Shareholders dated 1 April 2014, of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 24 January 2014, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares at the Consideration of HK$36.6 million which will be satisfied as to HK$10 million in cash and HK$26.6 million by the issue and allotment of Consideration Shares. As at the Latest Practicable Date, the Vendor is beneficially interested in approximately 22.20% of the issued share capital of the Company and is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules. The Acquisition constitutes a connected transaction of the Company. As the highest of the applicable percentage ratios in respect of the

Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major transaction to the Company under the Listing Rules. As such, the Acquisition is subject to the applicable reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, the Vendor and the parties acting in concert with him (including Chiu Family) in aggregate own or control 181,235,497 Shares, representing approximately 39.90% of the issued share capital of the Company. Assuming all the conditions precedent of the Acquisition Agreement are fulfilled, 62,588,235 Consideration Shares will be issued to the Vendor upon Completion. The aggregate shareholding of the Vendor and the parties acting in concert with him will increase from approximately 39.90% of the issued share capital of the Company as at the Latest Practicable Date to 47.18% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming no additional Shares other than the Consideration Shares will be issued and the Outstanding Share Options are not exercised since Latest Practicable Date up to the Completion). An application to the Executive for the Whitewash Waiver has been made by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among others, Independent Shareholders' approval at the EGM by way of poll.

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transaction contemplated thereunder and the Whitewash Waiver. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

Quam Securities Company Limited, a fellow subsidiary of us, holds 2,512,500 Shares as at the Latest Practicable Date for the accounts of its clients managed on a discretionary basis. Apart from that, none of our group or any of our relevant employees holds, directly or indirectly, any Shares, options, warrants or other equity related interests in the Company, the Vendors and the Target Group and any party acting, or presumed to be acting, in concert with any of them or company controlled by any of them. Given the fact that the interests held by our fellow subsidiary for the discretionary client accounts are immaterial, we consider ourselves are qualified to give an independent advice in respect of the Acquisition Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the

Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the management of the Group and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Company, the Acquisition Agreement and the transactions contemplated thereunder and the Whitewash Waiver provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Blooming Success Group or any of their respective subsidiaries or associates. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company. In rendering this opinion, we have not provided legal, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1 Background of and the reasons for the entering into of the Acquisition Agreement

1.1 Principal business and the financial information of the Group

The Group is principally engaged in manufacturing and trading of garment, investment in properties for rental purpose, property investment and investment in securities.

The Group was also engaged in the business of the provision of aviation maintenance services. In view of the fact that the financial performance of the business segment of the provision of aviation maintenance services was far below the expectation of the Company, the Group has entered into a disposal agreement (the "**Disposal Agreement**") to dispose its equity interest in the joint venture engaging in the provision of aviation maintenance services. Details of the disposal are set out in the circular of the Company dated 23

October 2013. According to note 16 of the audited financial information for the year ended 31 December 2013 as set out in Appendix I of this circular, all conditions precedent to the Disposal Agreement were fulfilled on 24 February 2014 and the registration of the change of business has been completed and a new business licence was obtained on 17 March 2014.

According to the annual results announcement of the Company for the year ended 31 December 2013, the garment business continued to be a key focus area of the Group. The management of the Company has increased its effort in reducing the total costs and wastage of the garment business while trying to maintain a production volume that is sufficient to cover the fixed costs. Efforts were also made to improve efficiency and time to market. Despite various efforts of the Group in expanding Europe and US export sales, pricing pressure pushed down the total revenue. For the year ended 31 December 2013, the garment business generated the revenue of approximately HK$15.93 million, representing a decrease of approximately 6.57% as compared to the corresponding period in 2012, and recorded the segmental loss of approximately HK$1.99 million. All revenue of the Group was generated from its garment business for the year ended 31 December 2013.

As at 31 December 2013, the Group held the investment properties of four agricultural lands in Hong Kong with the aggregate site area of approximately 151,516 square feet and had the investment of HK$287,158,000 in listed equity securities. For the year ended 31 December 2013, dividend income of approximately HK$564,000 was generated from investments and the fair value gain on available for sale investments and investment properties of approximately HK$54.93 million and HK$1.89 million respectively was recorded.

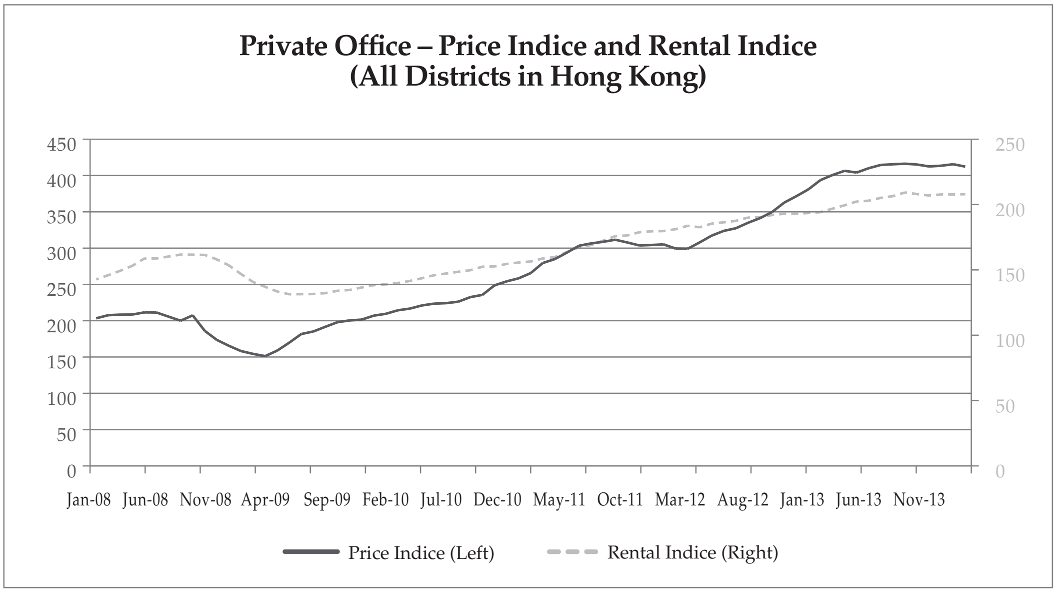
Given the challenging operating environment of garment business, according to the management of the Company, the Group will continue its effort on cost control for its garment business and to look for other investment opportunities to diversify its income stream and generate stable and recurring income while minimizing the risk exposure and capturing long term opportunities.

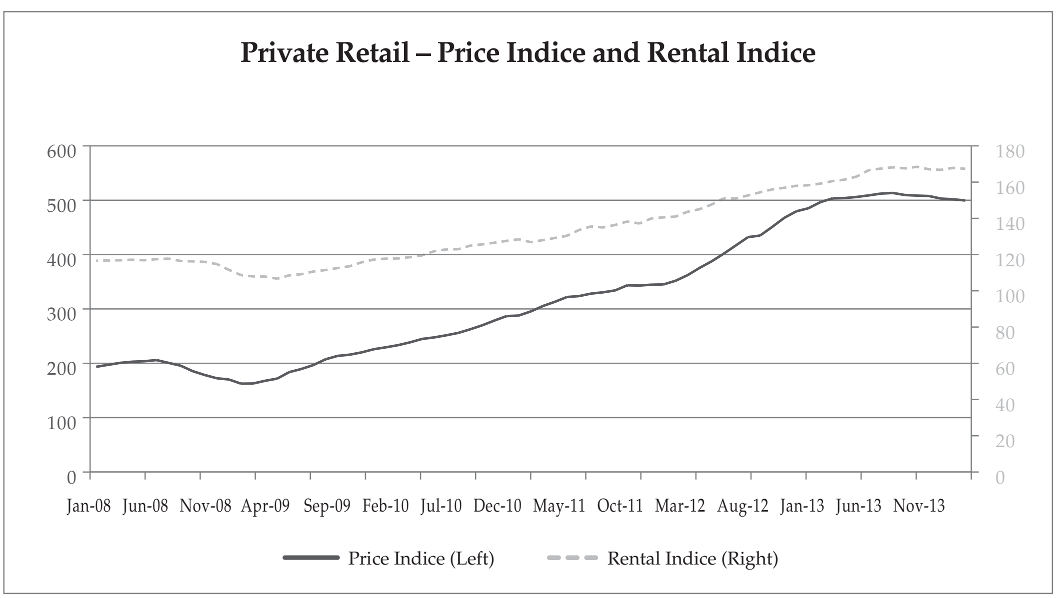
1.2 *Overview of the economic development and the non-residential property market in Hong Kong*

The domestic consumer goods market in Hong Kong continues to expand. According to Census and Statistics Department of Hong Kong, the value of total retail sales amounted to approximately HK$273.1 billion, HK$274.7 billion, HK$325.0 billion, HK$405.7 billion, HK$445.5 billion and HK$494.5 billion from 2008 to 2013 respectively, which represented an average annual growth rate of approximately 12.90% and a CAGR of approximately 12.60%. The value of total retail sales was increased from approximately

HK$47.7 billion in January 2013 to approximately HK$54.6 billion in January 2014, representing a growth rate of 14.47%.

Set out below are the price indice and rental indice of retail shops and office buildings from January 2008 to January 2014.





Source: Rating and Valuation Department of the HKSAR

The price indice and rental indice of private retails and private office have been generally increasing from January 2008 to January 2014. According to the Rating and Valuation Department of the HKSAR, (i) the price indice of private office rose from 203.3 in January 2008 to 412.3 in January 2014, representing an increase of approximately 102.8%; (ii) the rental indice of private office also rose from 142.8 in January 2008 to 208 in January 2014, representing an increase of approximately 45.7%; (iii) the price indice of private retails rose from 193.5 in January 2008 to 499.5 in January 2014, representing an increase of approximately 158.1%; and (iv) the rental indice of private retails rose from 116.6 in January 2008 to 167.4 in January 2014, representing an increase of approximately 43.6%.

Measures on the property market applied by the HKSAR government such as tightened mortgage requirements and new rates of Ad valorem stamp duty for non-residential properties are expected to continue to stabilize the property market in Hong Kong going forward.

1.3 Background and financial information of Blooming Success Group

Blooming Success is an investment holding company incorporated in British Virgin Islands on 8 April 2010 with limited liability. Blooming Success owns the entire interests of Property A and has a wholly-owned subsidiary, namely New Continent.

Property A comprises four shop units on ground floor of On Fung Building located at Nos.110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong with saleable area of approximately 2,654 square feet. According to the valuation report as set out in Appendix IV of this circular (the "**Valuation Report**"), On Fung Building is a 29-storey composite completed in 1977.

Property A was purchased by Blooming Success at the cost of HK$67.3 million in August 2011. According to the Valuation Report, the market value of Property A as at 24 January 2014 was HK$99 million.

We note from the Valuation Report that the Shop E of the Property A is subject to an order made under section 24(1) of the Building Ordinance dated 20 October 2006 and a superseding order made under section 24(1) of the Building Ordinance dated 12 May 2009 (the "**Building Orders**"). According to the management of the Company, the Building Orders refer to orders to remove and demolish two projecting structures attached to the shop front on the external wall facing Caine Road of Shop E, On Fung Building.

Pursuant to the Acquisition Agreement, the Vendor undertakes to indemnify and keep indemnified and hold harmless on demand Blooming Success and New Continent from and against (i) all and any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations and proceedings from time to time made or brought or threatened to be made or brought against, and (ii) all losses, damages, liabilities, payments, costs or expenses which may be suffered, made or incurred by, Blooming Success or New Continent in connection with (a) removing and demolishing two projecting structures attached to the shop front on the external wall facing Caine Road of Shop E, On Fung Building; (b) reinstating the parts of the building so affected by the building works as described in (a) in accordance with the plans approved by the Building Authority; (c) removing and discharging the Building Orders from the Land Register of Shop E, On Fung Building as kept by the Lands Registry, Hong Kong; (d) any investigation or proceeding by an governmental authority, commenced or threatened in connection with the Building Orders; and (e) otherwise, howsoever, in connection with the Building Orders (collectively, the **"Indemnification"**).

New Continent is an investment holding company incorporated in British Virgin Islands on 5 April 2012 with limited liability and is a wholly-owned subsidiary of Blooming Success. New Continent owns Uncompleted Property B which comprises an office floor with gross floor area of approximately 9,820 square feet and two parking spaces on the 23rd floor and 5th floor of Global Trade Square respectively. According to the Valuation Report, Global Trade Square is a 30-storey commercial building which is in the final stage of development and is scheduled to be completed in May 2014 based on the sales brochure published by the developer of Global Trade Square.

New Continent has paid deposits of HK$24.9 million for Uncompleted Property B and the remaining balance of HK$62.9 million will fall due after the property developer assigns Uncompleted Property B to New Continent. According to the Letter from the Board, the remaining balance of HK$62.9 million is expected to be financed by the Group through existing cash and cash equivalents and mortgage loan facility for Uncompleted Property B. Pursuant to the Valuation Report, the market value of Uncompleted Property B as at 24 January 2014 was HK$100 million (as if Uncompleted Property B was completed as at the date of the valuation report).

Set out below is the key financial information of Blooming Success Group based on its audited consolidated financial statements for the years ended 31 March 2012 and 2013 and the nine-month period ended 31 December 2013 as extracted from Appendix II to this circular:

	For the year ended 31 March		**For the nine-month period ended 31 December**	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	10,756	1,609	1,178	1,080
Profit/(Loss) before tax	5,443	21,207	(3,783)	728
Profit/(Loss) for the period/year	5,443	21,207	(3,783)	615

The revenue of the Blooming Success Group for the years ended 31 March 2012 and 2013 and the nine-month period ended 31 December 2012 and 2013 are rental income. The revenue of the Blooming Success Group decreased from approximately HK$10.76 million for the year ended 31 March 2012 to approximately HK$1.6 million for the year ended 31 March 2013 mainly due to the decrease in rental income as a result of the sale of certain properties for the year ended 31 March 2013 for capital gain. The gain on disposal of the properties of approximately HK$17.7 million was recorded for the year ended 31 March 2013 which offset the decrease in the rental income and resulted in the increase in profit from approximately HK$5.4 million for the year ended 31 March 2012 to approximately HK$21.2 million for the year ended 31 March 2013. The revenue of the Blooming Success Group decreased from approximately HK$1.2 million for the nine-month period ended 31 December 2012 to approximately HK$1.1 million for the nine-month period ended 31 December 2013. The Blooming Success Group has turned around the loss of approximately HK$3.8 million for the nine months ended 31 December 2012 to the profit of approximately HK$0.6 million for the nine months ended 31 December 2013 as a result of the fair value change on investment properties of approximately HK$4.0 million recorded for the nine months ended 31 December 2013.

	As at 31 March		**As at 31 December**
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Total Assets	205,610	132,589	124,354
Total liabilities	155,141	96,613	87,763
Net assets/(liabilities)	50,469	35,976	36,591

As at 31 December 2013, the total assets of the Blooming Success Group of approximately HK$124.4 million comprised the carrying value of the Property A of approximately HK$99.0 million, the deposit of approximately HK$24.9 million paid for the Uncompleted Property B and the cash and cash equivalent of approximately HK$0.4 million. The total liabilities of the Blooming Success Group of approximately HK$87.8 million mainly consist of the mortgage loan for the Property A and the amount due to a related company. Upon Completion, Blooming Success Group and its subsidiary will become wholly-owned subsidiaries of the Company and its financial results will be consolidated to that of the Group.

1.4 Reasons for the Acquisition

According to the management of the Company, the Company intends to self-occupy part of the Uncompleted Property B as an office premise of the Company and lease the Property A and the remaining part of Uncompleted Property B for rental income. It is also stated in the Letter from the Board that it is the Group's strategy to invest in assets with stable income and potential value appreciation in long term, and the Acquisition, which is in line with the Group's strategy, represents a reasonable investment opportunity and is expected to enable the Group to benefit from the anticipated appreciation in value of the Properties.

Our view

Having considered that (i) it is essential for the Group to diversity its income stream to generate stable and recurring income given the challenging operating environment of garment business and the cessation of its aviation maintenance business; (ii) the Acquisition, which in line with the business strategy of the Company, enables the Group to diversify its income stream and generate stable income from the lease of the Properties; (iii) the retail sales in Hong Kong, being the fundamental growth driver of the Hong Kong non-residential property market, remain positive; (iv) the price and rental of retail shops and office building in Hong Kong have been generally increasing from January 2008 to January 2014; and (v) the measures on the property market applied by the HKSAR government are expected to continue to stabilize the property market in Hong Kong going forward which provides the Group a more stable and rational property investment environment and relatively predictable rental market, we are of the view that the Acquisition is in the interests of the Company and Shareholders as a whole.

2 Principal terms of the Acquisition Agreement

2.1 Subject matter of the Acquisition Agreement

On 24 January 2014, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares at the Consideration of HK$36.6 million.

2.2 Consideration

Pursuant to the Acquisition Agreement, the Consideration of HK$36.6 million shall be satisfied by the Company at Completion as to (i) HK$10 million in cash; and (ii) HK$26.6 million ("**Shares Consideration**") by the issue and allotment of 62,588,235 Consideration Shares at an issue price of HK$0.425 per Consideration Share credited as fully paid by the Company to the Vendor (or its nominee(s) as notified to the Company in writing). If conditions precedent set out in paragraphs (ix) and (x) under the section headed "Conditions Precedent" in the Letter from the Board are waived by the Company, the Shares Consideration (i.e. HK$26.6 million) will be satisfied in cash instead.

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between the Company and the Vendor and was determined after having taken into account various relevant factors including (i) the audited net asset value of Blooming Success Group as at 31 December 2013; and (ii) the valuations of Property A and Uncompleted Property B in accordance with the valuation report prepared by the Valuer.

The Consideration of HK$36.6 million is approximately equal to the net asset value of the Blooming Success Group of approximately HK$36,591,000 as at 31 December 2013 according to the accountants' report of Blooming Success Group as set out in the Appendix II of this circular (the "**Accountants' Report**"). According to the Accountants' Report, the net asset value of the Blooming Success Group of approximately HK$36,591,000 has taken in account the market value of the Property A of HK$99.0 million as at 31 December 2013 which has been arrived according to the valuation carried out by the Valuer and is equal to the market value of the Property A as set out in the Valuation Report.

New Continent has paid the deposits of HK$24.9 million for the Uncompleted Property B. As the Uncompleted Property B has not yet assigned to New Continent as at 31 December 2013 and the remaining balance of HK$62.9 million will only fall due after the property developer assigns Uncompleted Property B to New Continent, the market value of the Uncompleted Property B was not accounted on the accounts of Blooming Success Group as at 31 December 2013 and the deposits paid was recorded as non-current assets of the Blooming Success Group as at 31 December 2013. According to the Valuation Report, the market value of the Uncompleted Property B was HK$100 million as at 24 January 2014. The purchase cost of the Uncompleted Property B of HK$87.8 million (including the deposits paid) represents a discount of approximately 12.2% to the market value of the Uncompleted Property B as at 24 January 2014.

According to the Valuation Report, the Valuer has valued the Properties by direct comparison approach assuming sale of the Properties in its existing state by marking reference to comparable sales transactions as available in the market. We have reviewed the sales comparable adopted by the Valuer and noted that they involve properties which are located in similar vicinity of the Properties and are specifically comparable to Property A and the Uncompleted Property B. We understand from the Valuer that such valuation methodology is commonly used in arriving at the valuation of the Properties.

2.3 Consideration Shares

The Acquisition Agreement stipulates that the Consideration shall be satisfied by the Company by a cash consideration of HK$10 million and by way of allotment and issue of 62,588,235 Consideration Shares credited as fully paid up at the issue price of HK$0.425 per Consideration Share by the Company to the Vendor.

When allotted and issued at Completion, the Consideration Shares will represent approximately 13.78% of the existing issued share capital of the

Company as at the Latest Practicable Date (assuming no outstanding share options are exercised at all); and 12.11% of the issued share capital of the Company is enlarged by the allotment and issue of the Consideration Shares (assuming no outstanding share options are exercised at all).

The Consideration Shares will be issued at HK$0.425 per Share (the "**Issue Price**"), which represents:

(a) the same price as the closing price of HK$0.425 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 7.21% to the average closing price of HK$0.458 per Share for the last five consecutive trading days up to and including the Last Trading Day;

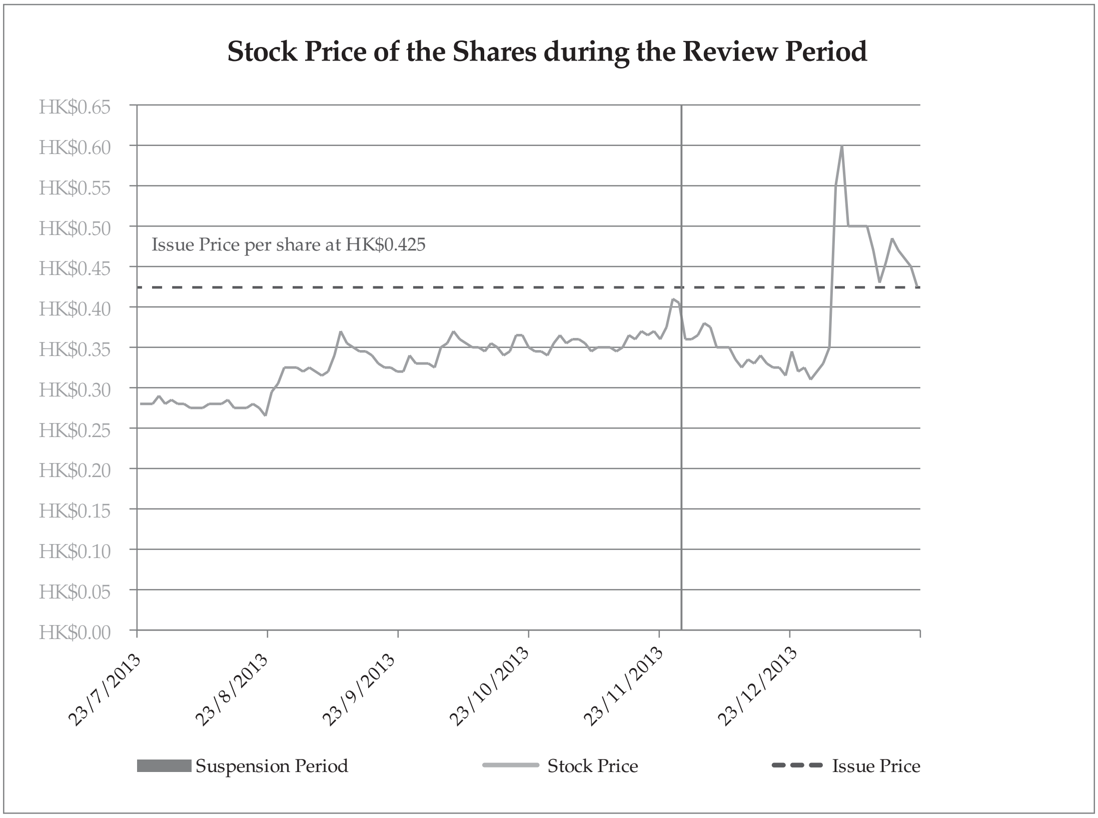
(c) a discount of approximately 8.60% to the average closing price of HK$0.465 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 15.00% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a discount of approximately 56.81% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$0.984, calculated based on the Group's unaudited consolidated net asset value attributable to owners of the Company of HK$447,125,000 as at 31 December 2013 and 454,256,829 Shares in issue.

As disclosed in the Letter from the Board, the Issue Price was determined with reference to the prevailing market price of the Shares.

The following chart illustrates the closing prices of the Shares for the period from 23 July 2013 (being the date 6 months prior to and including the date of the Last Trading Day) to the Last Trading Day (the "**Review Period**"):



We note from the chart above that the Issue Price is at a premium over the historical trading price of the Shares throughout most of the Review Period except the period from 3 January 2014 to the Last Trading Day.

From 23 July 2013 to 2 January 2014, the closing prices of the Shares were below the Issue Price and ranged from HK$0.265 per Share to HK$0.41 per Share. The closing price of the Shares on 3 January 2014 increased to HK$0.55 per Share. According to the announcement of the Company dated 3 January 2014 in relation to the unusual share price and trading volume movements (the "**Unusual Movements Announcement**"), the Board has noted the increase in the price and trading volume of the Shares on 3 January 2014 and confirmed that the Board was not aware of any reasons for these price and trading volume movements. It is also referred in the Unusual Movements Announcement that the cornerstone investment of the Company in China Binary Sale Technology Limited (stock code: 8255) ("**China Binary**"), a company listed on the Growth Enterprise Market of the Stock Exchange on 4 December 2013, has completed, and based on a preliminary assessment according to figures and information that have not been audited or reviewed by the Company's auditors, the Company is expected to recognise a substantial fair value gain on its investment in China Binary on the consolidated financial statement of the Company for the year ended 31 December 2013. In addition, as disclosed in the Unusual Movements Announcement, the Board announced that the Company was in preliminary negotiation of a possible acquisition. Following the release of the Unusual Movements Announcement, the closing price of the Shares reached HK$0.6 per Share on 6 January 2014 and ranged from HK$0.425 per Share to HK$0.50 per Share from 7 January 2014 to the Last Trading Day. Trading in Shares has been suspended from 1:00p.m. on 23 January 2014 to 4 February 2014 pending the release of the Announcement. Following the release of the Announcement, the closing prices of the Shares decreased to HK$0.41 on 5 February 2014 and ranged from HK$0.395 per Share to HK$0.51 per Share between 6 February 2014 and up to the Latest Practicable Date.

In assessing the fairness and reasonableness of the Issue Price, we have attempted to compare the ratio of the Issue Price to the underlying net asset value of the Shares against the price-to-book ratio of other companies engaged in business similar to the Group. In particular, we have reviewed companies listed in the Main Board of the Stock Exchange (the "**Comparable Companies**"), which (i) are principally engaged in the manufacturing and sale of garment products; and (ii) have a market capitalisation below HK$1 billion as at the Latest Practicable Date. Notwithstanding that the scale of operations, operating environment, business model, taxation, accounting policies and standards and risk profile of the Comparable Companies are not the same as those of the Group, given that the nature of the principal business of the Comparable Companies is similar to that of the Group, we consider that the Comparable Companies are fair and representative samples for comparison, and that the analysis with the Comparable Companies provides a general reference as to the market valuation of companies with similar business to the Group. In forming our opinion, we have also considered the results of the comparison together with the other factors stated in this letter as a whole. We have identified, with our best endeavour, 8 Comparable Companies which we consider to be exhaustive based on the above selection criteria, and set them out in the table below.

Company (stock code)	**Closing price as at the Latest Practicable Date**	**Market capitalization as at the Latest Practicable Date**	**Latest audited/ unaudited consolidated net asset value attributable to equity holders**	**(Discount)/ Premium of market capitalization over/to the consolidated net asset value attributable to equity holders**
	(HK$)	*(HK$ million)*	*(HK$ million)*	*(%)*
Addchance Holdings Ltd. (3344)	1.31	578.0	1,109.0	(47.9)
Carry Wealth Holdings Ltd. (643)	0.51	409.6	324.7 *(Note 1)*	26.1
Eagle Nice (International) Holdings Ltd. (2368)	1.19	594.6	1,176.3	(49.5)
Fornton Group Ltd (1152)	1.16	965.1	462.5 *(Note 2)*	108.7
High Fashion International Ltd. (608)	3.16	939.2	2,646.3	(64.5)
Tristate Holdings Ltd. (458)	3.34	904.4	1,350.7	(33.0)
Tungtex (Holdings) Co. Ltd. (518)	1.08	455.8	522.7	(12.8)
Yangtzekiang Garment Ltd. (294)	2.72	562.4	1,280.9	(56.1)
Highest				108.7
Lowest				(64.5)
Median				(40.5)
Average				(16.1)
The Company	0.425 *(Note 3)*	193.06 *(Note 4)*	447.1 *(Note 5)*	(56.8)

Source: Website of the Stock Exchange

Notes:

1. According to the audited consolidated net asset value attributable to equity holders as set out in the results announcement for the year ended 31 December 2013 dated 24 March 2014 and adjusted for the net proceeds of the rights issue completed in February 2014 of approximately HK$131.3 million.

2. According to the unaudited pro forma statement as set out in the circular of Fornton Group Ltd dated 17 February 2014.

3. Being the Issue Price of HK$0.425 per Share.

4. Being the Issue Price times the number of issued Shares of 454,256,829.

5. Being the audited consolidated net asset value attributable to the equity holders of the Company as at 31 December 2013.

As shown in the above table, shares of the Comparables Companies were traded ranged from a premium of 108.7% to a discount of 64.5% over/to their respective net asset value attributable to equity holders. We note that, save for Carry Wealth Holdings Ltd and Fornton Group Limited, all Comparable Companies were traded at discount to their respective net asset value attributable to equity holders. The discount of market capitalisation of the Company as represented by the Issue Price to the net asset value attributable to equity holders of approximately 56.8% is within the range of Comparable Companies.

Our View

Having considered that (i) the Consideration is approximately equal to the net asset value of the Blooming Success Group as at 31 December 2013, which we consider the most relevant benchmark in assessing the fairness of the Consideration given that the principal asset of Blooming Success Group is a real estate; (ii) the purchase cost of the Uncompleted Property B represents a discount to its market value as at 24 January 2014; (iii) the Issue Price represents the same price as the closing price of HK$0.425 per Share as quoted on the Stock Exchange on the Last Trading Day; and (iv) the discount of market capitalisation of the Company as represented by the Issue Price to the net asset value attributable to equity holders of approximately 56.8% is within the range of Comparable Companies, we are of the view that the terms of the Acquisition Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

3 Possible financial effects of the Acquisition

3.1 Earnings

As stated in the Letter from the Board, immediately upon Completion, Blooming Success will become a wholly-owned subsidiary of the Company and the results of Blooming Success Group will be consolidated into the results of the Group.

3.2 Net assets value

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III of this circular, assuming the Acquisition had taken place on 31 December 2013, the net asset value of the Enlarged Group (including non-controlling interests) will be increased from HK$464.2 million to HK$498.0 million.

However, Shareholders should note that the exact effects of the Acquisition on the Group's net assets value shall only be determined, and subject to audit, upon Completion based on the then fair value of the consolidated net assets of Blooming Success Group and the then fair value of the Consideration.

3.3 Working capital

As stated in the Letter from the Board, the Consideration will be satisfied by the Company by a cash consideration of HK$10 million and by way of allotment and issue of 62,588,235 Consideration Shares credited as fully paid up at the issue price of HK$0.425 per Consideration Share by the Company to the Vendor. If conditions precedent set out in paragraphs (ix) and (x) under the section headed "Conditions Precedent" in the Letter from the Board are waived by the Company, the Shares Consideration (i.e. HK$26.6 million) will be satisfied in cash instead.

We have discussed with the management of the Company the financing plan of the remaining balance of the purchase cost of Uncompleted Property B (i.e. HK$62.9 million). As disclosed in the Letter from the Board, the outstanding capital commitment of HK$62.9 million is expected to be financed by mortgage loan facility for Uncompleted Property B and the existing cash and cash equivalents.

In view of the bank balances and cash of the Group of approximately HK$85,241,000 as at 31 December 2013 according to the annual result announcement of the Company for the year ended 31 December 2013, there will not be any immediate cash flow burden of the Group arising from settlement of the Consideration and the payment of the remaining balance of the purchase cost of the Uncompleted Property B.

4 Potential dilution effects and the Whitewash Waiver

4.1 Potential dilution effects

As at the Latest Practicable Date, the Independent Shareholders were interested in approximately 60.10% of the issued share capital of the Company. Upon completion of the Acquisition (assuming none of the outstanding Share Options will be exercised), the aggregate shareholding interests of the Independent Shareholders in the Company will be diluted by approximately 7.28% to approximately 52.82%. Upon completion of the Acquisition (assuming all the outstanding Share Options will be exercised), the aggregate shareholding interests of the Independent Shareholders in the Company will be diluted by approximately 8.33% to approximately 51.77%.

Having considered the reasons and benefits of the Acquisition above, the financial effects of the Acquisition, and the analysis on the reasonableness of the Consideration and the issue price of the Consideration Shares, we consider that the dilution in the shareholding interests of the Independent Shareholders in the Company upon completion of the Acquisition is acceptable.

4.2 The Whitewash Waiver

As at the Latest Practicable Date, the Vendor and the parties acting in concert with him (including Chiu Family) in aggregate own or control 181,235,497 Shares, representing approximately 39.90% of the issued share capital of the Company. Assuming all the conditions precedent of the Acquisition Agreement are fulfilled, 62,588,235 Consideration Shares will be issued to the Vendor upon Completion. The aggregate shareholding of the Vendor and the parties acting in concert with him will increase from approximately 39.90% of the issued share capital of the Company as at the Latest Practicable Date to 47.18% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming that no additional Shares other than the Consideration Shares will be issued and the Outstanding Share Options are not exercised since the date of the Announcement from the Latest Practicable Date until Completion). Accordingly, such an increase will give rise to an obligation under Rule 26 of the Takeovers Code for the Vendor to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities issued by the Company not already held or agreed to be acquired by the Vendor and its concert parties unless the Whitewash Waiver is obtained.

Paragraph 3 of Schedule VI of the Takeovers Code provides that the Executive will not normally waive an obligation under Rule 26 if there occurs any disqualifying transaction for such a waiver. Disqualifying transactions include, i) a situation where the person seeking a waiver or any person acting in concert with him has acquired voting rights in the relevant company in the six months immediately prior to the announcement of the proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of such company in relation to the relevant proposal and ii) any acquisitions or disposals of voting rights are made by such persons in the period between the announcement of the proposals and the completion of the subscription.

Apart from 62,588,235 Consideration Shares under the Acquisition Agreement, as disclosed in Appendix V of the Circular, neither the Vendor nor the parties acting in concert with him have dealt for value in Shares, options, warrants or any securities that are convertible into Shares during the Relevant Period.

An application has been made by the Vendor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among others, the approval of the Independent Shareholders by way of a poll at the EGM. It is one of the conditions of the Acquisition Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the EGM (the "**Whitewash Waiver Condition**"). The Vendor and its concert parties and Shareholders who are involved in or interested in the Acquisition and/or the Whitewash Waiver shall abstain from voting on the resolution(s) to approve the Whitewash Waiver at the EGM. According to the Acquisition Agreement, in the event that all the conditions precedent other than the Whitewash Waiver Condition and the condition of the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares (the "**Consideration Shares Condition**") are fulfilled, satisfied or being waived on or before the Long Stop Date, the Company may waive the Whitewash Waiver Condition and the Consideration Shares Condition by notice in writing to the Vendor, following which no Consideration Shares shall be issued and allotted by the Company and the Consideration to be paid by the Company shall be satisfied solely in cash to the Vendor (or its nominee as notified to the Company in writing).

Having considered (i) if the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Company may need to satisfy the Consideration solely in cash which may increase the cash flow burden on the Group; (ii) the fairness and reasonableness of the issue price of the Consideration Shares as discussed above; (iii) that the dilution in the shareholding interests of the Independent Shareholders in the Company upon completion of the Acquisition is acceptable, we are of the view that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Acquisition (and the transactions contemplated thereunder), the terms thereof and the Whitewash Waiver are in the interest of the Group and the Shareholders as a whole and the terms are of normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee and the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement (and the transactions contemplated thereunder) and the Whitewash Waiver.

Your faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Managing Director

1. THREE YEARS FINANCIAL SUMMARY

The following is a summary of the audited financial information of the Group for the years ended 31 December 2011, 2012 and 2013 extracted from the annual results announcement of the Company for the year ended 31 December 2013 and the annual reports of the Company for the year ended 31 December 2012.

No qualified opinion was being given in the auditors' report issued by Deloitte Touche Tohmatsu, Certified Public Accountant, Hong Kong in respect of the consolidated financial statements of the Company for the years ended 31 December 2011, 2012 and 2013.

(i) Results

	For the year ended 31st December,		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover	30,539	17,052	15,931
(Loss) profit before tax	1,103	(21,437)	(12,928)
Income tax credit (expense)	(52)	–	–
	1,051	(21,437)	(12,928)
Share of results from discontinued operations	–	1,112	1,501
(Loss) profit for the year	1,051	(20,325)	(11,427)
(Loss) profit for the year attributable to:			
Owners of the Company	2,489	(18,981)	(11,012)
Non-controlling interests	(1,438)	(1,344)	(415)
	1,051	(20,325)	(11,427)
(Loss) earnings per share			
Basic (HK cents)	0.73	(5.57)	(2.48)
Diluted (HK cents)	0.73	(5.57)	(2.48)

No dividend had been paid by the Group and no item which are exceptional because of size, nature or incidence was recorded for each of the year ended 31 December 2011, 2012 and 2013.

(ii) Assets, liabilities and non-controlling interest

	As at 31st December,		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Total assets	449,134	390,096	465,991
Total liabilities	(5,550)	(3,884)	(1,841)
	443,584	386,212	464,150
Non-controlling interests	(17,602)	(16,906)	(17,025)
Equity attributable to owners of the Company	425,982	369,306	447,125

2. LATEST PUBLISHED FINANCIAL INFORMATION

Set out below are the audited consolidated financial statements of the Group for the two years ended 31 December 2013 and 2012 together with the accompanying notes relating thereto and the comparative figures, for the two years ended 31 December 2013 and 2012 as extracted from the annual results announcement of the Company for the year ended 31 December 2013 and the annual report of the Company for the year ended 31 December 2012, copy of which are available for inspection as described in the paragraph headed "Documents Available for Inspection" in Appendix V to this circular. References to page numbers in this section are to the page numbers of such annual results announcement and annual report of the Company.

(A) AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	NOTES	**2013** *HK$'000*	**2012** *HK$'000* (Restated)
Continuing operations			
Revenue	*2*	15,931	17,052
Cost of sales		(14,570)	(17,626)
Gross profit (loss)		1,361	(574)
Dividend income from available-for-sale investments		311	122
Dividend income from held-for-trading investments		253	478
Other income		1,166	961
Other gains and losses	*4*	6,768	(4,429)
Selling and distribution costs		(129)	(110)
Administrative expenses		(22,620)	(17,846)
Finance costs		(38)	(39)
Loss before tax		(12,928)	(21,437)
Income tax expense	*5*	–	–
Loss for the year from continuing operations	*6*	(12,928)	(21,437)
Discontinued operations			
Share of results from discontinued operations	*7*	1,501	1,112
Loss for the year		(11,427)	(20,325)

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising from the translation of foreign operations	1,090	170
Fair value gain (loss) on available-for-sale investments	54,933	(38,040)
Share of exchange difference of a joint venture	1,430	258
Other comprehensive income (expense) for the year	57,453	(37,612)
Total comprehensive income (expense) for the year	46,026	(57,937)

	NOTE	2013 HK$'000	2012 HK$'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		(12,513)	(20,093)
– from discontinued operations		1,501	1,112
		(11,012)	(18,981)
Loss for the year attributable to non-controlling interests			
– from continuing operations		(415)	(1,344)
– from discontinued operations		–	–
		(415)	(1,344)
		(11,427)	(20,325)
Total comprehensive income (expense) attributable to:			
Owners of the Company		45,907	(56,676)
Non-controlling interests		119	(1,261)
		46,026	(57,937)
Loss per share			
From continuing and discontinued operations			
Basic (HK cents)	*9*	(2.48)	(5.57)
Diluted (HK cents)	*9*	(2.48)	(5.57)
From continuing operations			
Basic (HK cents)	*9*	(2.81)	(5.90)
Diluted (HK cents)	*9*	(2.81)	(5.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties		10,140	8,255
Property, plant and equipment		7,817	7,648
Prepaid lease payments		765	843
Interest in a joint venture		–	44,919
Available-for-sale investments		274,896	212,329
		293,618	273,994
CURRENT ASSETS			
Prepaid lease payments		28	29
Held-for-trading investments		12,262	10,542
Inventories		3,255	2,630
Trade and other receivables	*10*	2,353	3,133
Amount due from a non-controlling interest		1,158	3,685
Amount due from a related party		9	9
Tax recoverable		10	70
Deposits held at financial institutions		20,201	32,742
Pledged bank deposits		6	5
Bank balances and cash		85,241	63,257
		124,523	116,102
Assets classified as held for sale		47,850	–
		172,373	116,102
CURRENT LIABILITIES			
Trade and other payables	*11*	1,796	2,059
Amounts due to related parties		45	1,151
Obligations under finance leases – due within one year		–	291
		1,841	3,501
NET CURRENT ASSETS		170,532	112,601
TOTAL ASSETS LESS CURRENT LIABILITIES		464,150	386,595

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

Notes:

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

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

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

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

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

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

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

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

Impact of the application of HKFRS 10

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

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

Impact of the application of HKFRS 11

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

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

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

Impact of the application of HKFRS 12

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

However, this new disclosure standard is not applicable to the interest in a joint venture for the Group. According to the application guidance of the HKFRS 12, when an entity's interest in a joint venture (or a portion of its interest in a joint venture) is classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose summarised financial information for that joint venture in accordance with application guidance of HKFRS 12.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

New or revised HKFRSs issued but not yet effective

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

2. REVENUE

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

3. SEGMENT INFORMATION

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

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

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

During the current year, the Group's aviation segment has been classified as discontinued operations as a result of the disposal transaction as set out in note 7. Accordingly, the comparative information has been re-presented to conform with the current year's presentation.

Segment revenues and results

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

For the year ended 31st December, 2013

Continuing operations

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

For the year ended 31st December, 2012

Continuing operations

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

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

Other segment information

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

2013

Continuing operations

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

2012

Continuing operations

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

Segment assets and liabilities

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

4. OTHER GAINS AND LOSSES

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

5. INCOME TAX EXPENSE

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

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

6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

7. SHARE OF RESULTS FROM DISCONTINUED OPERATIONS

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

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

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

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

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

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

8. DIVIDEND

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

9. LOSS PER SHARE

From continuing and discontinued operations

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

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

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

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

For the years ended 31st December, 2013 and 2012, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 31st January, 2013, details of which are described in note 12.

From continuing operations

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

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

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

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

From discontinued operations

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

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

12. SHARE CAPITAL OF THE COMPANY

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

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

13. PLEDGE OF ASSETS

At 31st December, 2013:

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

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

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

14. OPERATING LEASES

The Group and the Company as lessee

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

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

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

The Group as lessor

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

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

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

15. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

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

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

16. EVENT AFTER THE REPORTING PERIOD

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

In respect of the disposal of equity interest in Beijing Kailan as set out in note 7, all conditions precedent to the Disposal Agreement were fulfilled on 24th February, 2014 and the registration of the change of business has been completed and a new business licence was obtained on 17th March, 2014. The Company is currently in preparation of the bilateral tax treaty procedures and the set-up of a foreign entity account before receiving payment of consideration from中國航空器材.

(B) AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	6	17,052	21,635
Cost of sales		(17,626)	(19,620)
Gross (loss) profit		(574)	2,015
Dividend income from available-for-sale investments		122	164
Dividend income from held-for-trading investments		478	414
Other income	8	961	1,050
Other gains and losses	9	(4,429)	7,078
Selling and distribution costs		(110)	(97)
Administrative expenses		(17,846)	(18,544)
Finance costs	10	(39)	(61)
Share of results of a jointly controlled entity		1,112	2,162
Loss before tax		(20,325)	(5,819)
Income tax expense	11	–	(52)
Loss for the year from continuing operations	14	(20,325)	(5,871)
Discontinued operations			
Profit for the year from discontinued operations	15	–	6,922
(Loss) profit for the year		(20,325)	1,051
Other comprehensive (expense) income			
Exchange differences arising from the translation of foreign operations		170	917
Fair value (loss) gain on available-for-sale investments		(38,040)	24,689
Reclassification adjustment upon disposal of available-for-sale investments		–	(5,020)
Share of exchange difference of a jointly controlled entity		258	1,469
Release of exchange reserve upon disposal of subsidiaries		–	(497)
Other comprehensive (expense) income for the year		(37,612)	21,558
Total comprehensive (expense) income for the year		(57,937)	22,609

	NOTES	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(18,981)	(5,702)
– from discontinued operations		–	8,191
		(18,981)	2,489
Loss for the year attributable to non-controlling interests			
– from continuing operations		(1,344)	(169)
– from discontinued operations		–	(1,269)
		(1,344)	(1,438)
		(20,325)	1,051
Total comprehensive (expense) income attributable to:			
Owners of the Company		(56,676)	23,454
Non-controlling interests		(1,261)	(845)
		(57,937)	22,609
			(Restated)
(Loss) earnings per share			
From continuing and discontinued operations:			
Basic (HK cents)	*17*	(5.57)	0.73
Diluted (HK cents)	*17*	(5.57)	0.73
From continuing operations:			
Basic (HK cents)	*17*	(5.57)	(1.67)
Diluted (HK cents)	*17*	(5.57)	(1.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2012

	NOTES	**2012** *HK$'000*	**2011** *HK$'000*
NON-CURRENT ASSETS			
Investment properties	*18*	8,255	15,760
Property, plant and equipment	*19*	7,648	8,889
Prepaid lease payments	*20*	843	939
Interests in a jointly controlled entity	*22*	44,919	43,549
Available-for-sale investments	*23*	212,329	264,864
		273,994	334,001
CURRENT ASSETS			
Prepaid lease payments	*20*	29	32
Held-for-trading investments	*24*	10,542	30,090
Inventories	*25*	2,630	4,091
Trade and other receivables	*26*	3,133	4,058
Amount due from a non-controlling interest	*27*	3,685	3,175
Amounts due from related parties	*28*	9	9
Tax recoverable		70	69
Deposits held at financial institutions	*29*	32,742	18,639
Pledged bank deposits	*30*	5	41
Bank balances and cash	*29*	63,257	54,929
		116,102	115,133
CURRENT LIABILITIES			
Trade and other payables	*31*	2,059	1,399
Amounts due to non-controlling interests	*27*	–	297
Amounts due to related parties	*28*	1,151	2,903
Obligations under finance leases – due within one year	*33*	291	277
		3,501	4,876
NET CURRENT ASSETS		112,601	110,257
TOTAL ASSETS LESS CURRENT LIABILITIES		386,595	444,258

	NOTES	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	*34*	3,028	3,028
Share premium and reserves		366,278	422,954
Equity attributable to owners of the Company		369,306	425,982
Non-controlling interests		16,906	17,602
		386,212	443,584
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year	*33*	383	674
		386,595	444,258

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	8,255	7,260
Property, plant and equipment	19	183	283
Investments in subsidiaries	21	3,437	3,080
Amounts due from subsidiaries	32	90,967	74,390
Available-for-sale investments	23	206,336	261,254
		309,178	346,267
CURRENT ASSETS			
Held-for-trading investments	24	10,162	29,847
Other receivables		789	293
Amounts due from related parties	28	9	9
Deposits held at financial institutions	29	32,742	18,639
Pledged bank deposits	30	5	41
Bank balances and cash	29	1,253	13,844
		44,960	62,673
CURRENT LIABILITIES			
Other payables		1,341	695
Amounts due to related parties	28	1,151	2,903
Amounts due to subsidiaries	32	25,203	26,885
		27,695	30,483
NET CURRENT ASSETS		17,265	32,190
TOTAL ASSETS LESS CURRENT LIABILITIES		326,443	378,457
CAPITAL AND RESERVES			
Share capital	34	3,028	3,028
Share premium and reserves	36	323,415	375,429
		326,443	378,457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Share option reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2011	3,028	176,154	8,477	3,448	568	(5,224)	216,077	402,528	15,997	418,525
Profit for the year	–	–	–	–	–	–	2,489	2,489	(1,438)	1,051
Other comprehensive income (expense) for the year										
Exchange differences arising from the translation of foreign operations	–	–	324	–	–	–	–	324	593	917
Fair value gain on available-for-sale investments	–	–	–	24,689	–	–	–	24,689	–	24,689
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	(5,020)	–	–	–	(5,020)	–	(5,020)
Share of exchange difference of a jointly controlled entity	–	–	1,469	–	–	–	–	1,469	–	1,469
Release of exchange reserve upon disposal of subsidiaries	–	–	(497)	–	–	–	–	(497)	–	(497)
	–	–	1,296	19,669	–	–	–	20,965	593	21,558
Total comprehensive income (expense) for the year	–	–	1,296	19,669	–	–	2,489	23,454	(845)	22,609
Disposal of subsidiaries	–	–	–	–	–	5,224	(5,224)	–	2,934	2,934
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(484)	(484)
At 31st December, 2011	3,028	176,154	9,773	23,117	568	–	213,342	425,982	17,602	443,584
Loss for the year	–	–	–	–	–	–	(18,981)	(18,981)	(1,344)	(20,325)
Other comprehensive income (expense) for the year										
Exchange differences arising from the translation of foreign operations	–	–	87	–	–	–	–	87	83	170
Fair value loss on available-for-sale investments	–	–	–	(38,040)	–	–	–	(38,040)	–	(38,040)
Share of exchange difference of a jointly controlled entity	–	–	258	–	–	–	–	258	–	258
	–	–	345	(38,040)	–	–	–	(37,695)	83	(37,612)
Total comprehensive income (expense) for the year	–	–	345	(38,040)	–	–	(18,981)	(56,676)	(1,261)	(57,937)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	565	565
At 31st December, 2012	3,028	176,154	10,118	(14,923)	568	–	194,361	369,306	16,906	386,212

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

	NOTE	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		(20,325)	1,103
Adjustments for:			
Amortisation of prepaid lease payments		103	101
Unrealised (gain) loss in held-for-trading investments		(1,153)	5,964
Impairment loss on available-for-sale investment		14,500	–
Depreciation		1,290	2,959
Finance costs		39	86
Gain on disposal of available-for-sale investments		–	(5,020)
Gain on disposal of other non-current assets		–	(1,494)
Loss (gain) on disposal of property, plant and equipment		7	(1,206)
Loss (gain) on disposal of subsidiaries	38(a) & (b)	250	(14,526)
Increase in fair value of investment properties		(995)	(5,533)
Interest income from banks and financial institutions		(589)	(707)
Scrip dividend received from available-for-sale investments		(5)	(1)
Scrip dividend received from held-for-trading investments		(187)	(1)
Share of results of a jointly controlled entity		(1,112)	(2,162)
Operating cash flows before movements in working capital		(8,177)	(20,437)
Decrease in inventories		1,485	776
Decrease (increase) in held-for-trading investments		20,888	(24,986)
Decrease (increase) in trade and other receivables		948	(2,185)
(Increase) decrease in amount due from a non-controlling interest		(491)	1,147
Increase (decrease) in trade and other payables		671	(2,126)

	NOTE	2012 HK$'000	2011 HK$'000
Cash generated from (used in) operations		15,324	(47,811)
People's Republic of China ("PRC") withholding income tax paid		–	(21)
PRC Enterprise Income tax paid		–	(139)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		15,324	(47,971)
INVESTING ACTIVITIES			
Interest received		589	707
Acquisition of property, plant and equipment		(21)	(594)
Acquisition of available-for-sale investments		–	(9,000)
Disposal of subsidiaries	*38(a) & (b)*	8,500	(781)
Proceeds from disposal of available-for-sale investments		–	75,470
Proceeds from disposal of an investment property		–	8,528
Proceeds from disposal of property, plant and equipment		5	1,465
Proceeds from disposal of other non-current assets		–	7,000
Placement of pledged bank deposits		(5)	–
Withdrawal of pledged bank deposits		41	2,500
Placement of deposits held at financial institutions		(43,324)	(63,907)
Withdrawal of deposits held at financial institutions		29,221	50,219
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(4,994)	71,607
FINANCING ACTIVITIES			
(Repayment of) advance from related parties		(1,752)	150
New other loans raised		–	2,397
Repayment of obligations under finance leases		(277)	(479)
Interest paid on other loans		–	(25)
Interest paid on finance leases		(39)	(61)
Dividend paid to a non-controlling interest		–	(870)

	NOTE	2012 HK$'000	2011 HK$'000
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(2,068)	1,112
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,262	24,748
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		54,929	29,558
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		66	623
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by bank balances and cash		63,257	54,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2012

1. GENERAL

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

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Amendments to HKAS 12 ***Deferred Tax: Recovery of Underlying Assets***

Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

As a result of the application of the amendments to the HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties.

In view of the insignificant change in fair value in the Group's investment properties, the application of the amendments to HKAS 12 has no material impact on the Group's financial performance and position for current and prior years.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(lFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.

2 Effective for annual periods beginning on or after 1st January, 2014.

3 Effective for annual periods beginning on or after 1st January, 2015.

4 Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

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

In June 2012, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2012) and HKAS 28 (as revised in 2012).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards is not expected to have a significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be applied in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in a subsidiary are presented separately from the Group's equity therein.

Total comprehensive income and expense of a subsidiary 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 debit balance.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs).

Investments in subsidiaries

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Investment properties

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

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

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

Property, plant and equipment

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for merchandises sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income are recognised when services are provided.

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

Leasehold land and building

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

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

and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

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

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 comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 difference to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

Retirement benefit costs

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

Borrowing costs

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets held for trading

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

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

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

Impairment losses on assets other than goodwill

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

The recoverable amount is the higher of fair value less costs to sell 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CAPITAL RISK MANAGEMENT

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

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

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

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Held-for-trading investments	10,542	30,090	10,162	29,847
Loans and receivables (including cash and cash equivalents)	102,567	80,383	125,764	107,216
Available-for-sale investments	212,329	264,864	206,336	261,254
Financial liabilities				
Amortised cost	1,388	3,729	26,378	29,812

5b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	THE GROUP		THE COMPANY	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Japanese Yen ("JPY")	20	920	20	920
Renminbi ("RMB")	9	9	9	9
United States dollars ("US$")	5,577	6,000	–	1

Sensitivity analysis

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

The following table details the Group's and the Company's sensitivity to a 10% (2011: 10%) increase and decrease in relevant foreign currencies against functional currency of respective group entities. 10% (2011: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2011: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2011: an increase in post-tax profit) where the relevant foreign currencies strengthen 10% (2011: 10%) against the functional currencies of relevant group entities. For a 10% (2011: 10%) weakening of the relevant foreign currencies against the functional currencies of relevant group entities, there would be an equal and opposite impact on the post-tax results.

	THE GROUP		THE COMPANY	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Effect on post-tax results:				
JPY against HK$	2	77	2	77
US$ against RMB	466	501	–	–

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

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to obligations under finance leases. The Group and the Company are also exposed to cash flow interest rate risk in relation to bank deposits and deposits held at financial institutions.

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

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

(iii) Price risk

The Group and the Company are exposed to equity price risk through their held-for-trading investments and available-for-sale investments. The Group's and the Company's equity price risk are mainly concentrated on equity instruments quoted on the Stock Exchange and Tokyo Stock Exchange Group, Inc. The Group has concentration of price risk on securities issued by a listed issuer which is involved in the development and provision of information technology solutions as it accounts for 97% of the total equity securities classified as available-for-sale investments held by the Group. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

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

If the prices of the respective held-for-trading investments had been 10% (2011: 10%) higher/lower, post-tax loss of the Group and the Company for the year would decrease/increase by HK$880,000 (2011: post-tax profit of the Group would increase/decrease HK$2,513,000) and HK$849,000 (2011: HK$2,492,000) respectively, as a result of the changes in fair value of held-for-trading investments.

If the price of the respective available-for-sale listed equity investments had been 10% (2011: 10%) higher/lower, the investment revaluation reserve of the Group and the Company would increase/decrease by HK$20,983,000 (2011: HK$24,786,000) and HK$20,384,000 (2011: HK$24,425,000), respectively as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st December, 2012, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties are arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

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

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

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

The Group has concentration of credit risk as 91.1% (2011: 64.0%) and 92.9% (2011: 90.3%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the industrial operating segment.

Liquidity risk

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

The Group and the Company rely on bank loans as a source of funding. As at 31st December, 2012, the Group and the Company has available unutilised short-term bank loan facilities of approximately HK$250,165,000 and HK$250,165,000 (2011: HK$250,165,000 and HK$250,165,000), respectively.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

THE GROUP

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

	Weighted average interest rate	Repayable on demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011							
Non-derivative financial liabilities							
Trade and other payables	–	529	–	–	–	529	529
Amounts due to non-controlling interests	–	297	–	–	–	297	297
Amounts due to related parties	–	2,903	–	–	–	2,903	2,903
Obligations under finance leases	4.74	26	53	237	710	1,026	951
		3,755	53	237	710	4,755	4,680

THE COMPANY

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

	Repayable on demand and less than 1 month	Total undiscounted cash flows	Carrying amount at 31.12.2012
	HK$'000	*HK$'000*	*HK$'000*
2011			
Non-derivative financial liabilities			
Other payables	24	24	24
Amounts due to related parties	2,903	2,903	2,903
Amounts due to subsidiaries	26,885	26,885	26,885
	29,812	29,812	29,812

5c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the Group and the Company's statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

	THE GROUP		**THE COMPANY**	
	Level 1		**Level 1**	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Held-for-trading investments	10,542	30,090	10,162	29,847
Available-for-sale investments				
– listed equity securities	209,829	247,864	203,836	244,254
Total	220,371	277,954	213,998	274,101

6. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK$17,052,000 (2011: HK$21,635,000).

7. SEGMENT INFORMATION

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

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

1. Industrial – manufacturing and sale of garments
2. Aviation – provision of aviation maintenance services by a jointly controlled entity
3. Other operation – property investment

During the prior year, the Group's entertainment segment had been classified as discontinued operations as a result of the disposal transaction as set out in note 15.

Segment revenues and results

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

For the year ended 31st December, 2012

Continuing operations

	Industrial	**Aviation**	**Other operation**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
External revenue	17,052	–	–	17,052
Total	17,052	–	–	17,052
Segment result	(3,441)	1,112	445	(1,884)
Other income				961
Finance costs				(39)
Unallocated expenses				(14,122)
Increase in fair value of held-for-trading investments				9,516
Impairment loss on available-for-sale investments				(14,500)
Loss on disposal of property, plant and equipment				(7)
Loss on disposal of subsidiaries				(250)
Loss before tax				(20,325)

For the year ended 31st December, 2011

Continuing operations

	Industrial	Aviation	Other operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
External revenue	21,635	–	–	21,635
Total	21,635	–	–	21,635
Segment result	(1,001)	2,162	4,538	5,699
Other income				1,050
Finance costs				(61)
Unallocated expenses				(14,263)
Decrease in fair value of held-for-trading investments				(5,964)
Gain on disposal of available-for-sale investments				5,020
Gain on disposal of property, plant and equipment				1,206
Gain on disposal of other non-current assets				1,494
Loss before tax				(5,819)

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, changes in fair value of held-for-trading investments, impairment loss on available-for-sale investments, gain (loss) on disposal of available-for-sale investments, other non-current assets, and property, plant and equipment and subsidiaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

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

2012

Continuing operations

	Industrial	Aviation	Other operation	Unallocated amount	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	817	–	370	103	1,290
Increase in fair value of investment properties	–	–	(995)	–	(995)
Share of results of a jointly controlled entity	–	(1,112)	–	–	(1,112)

2011

Continuing operations

	Industrial	Aviation	Other operation	Unallocated amount	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	821	–	658	116	1,595
Increase in fair value of investment properties	–	–	(5,533)	–	(5,533)
Share of results of a jointly controlled entity	–	(2,162)	–	–	(2,162)

Segment assets and liabilities

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

Revenue from major products

The Group's revenue from the sales of garments is amounting to HK$17,052,000 (2011: HK$21,635,000).

Geographical information

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

	Revenue from external customers		Non-current assets	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	4,271	4,449	9,422	17,402
Japan	12,290	16,662	–	–
Other regions in the PRC	491	524	7,324	8,186
	17,052	21,635	16,746	25,588

Information about major customers

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

	2012	2011
	HK$'000	*HK$'000*
Customer A (from industrial segment)	4,271	4,448
Customer B (from industrial segment)	9,503	9,460
	13,774	13,908

8. OTHER INCOME

Continuing operations

Included in other income are:

	2012 *HK$'000*	2011 *HK$'000*
Interest income from banks and financial institutions	589	707

9. OTHER GAINS AND LOSSES

Continuing operations

	2012 *HK$'000*	2011 *HK$'000*
Exchange loss, net	(183)	(211)
(Loss) gain on disposal of property, plant and equipment	(7)	1,206
Net gains (losses) on held-for-trading investments	9,516	(5,964)
Increase in fair value of investment properties *(note 18)*	995	5,533
Impairment loss on available-for-sale investments *(note 23)*	(14,500)	–
Gain on disposal of available-for-sale investments *(note 23)*	–	5,020
Loss on disposal of subsidiaries *(note 38(a))*	(250)	–
Gain on disposal of other non-current assets	–	1,494
	(4,429)	7,078

10. FINANCE COSTS

	2012 *HK$'000*	2011 *HK$'000*
Continuing operations		
Interest on obligations under finance leases	39	61

11. INCOME TAX EXPENSE

	2012 *HK$'000*	2011 *HK$'000*
Tax charge from continuing operations comprises:		
PRC Enterprise Income Tax	–	31
PRC withholding income tax	–	21
	–	52

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

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

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

	2012	**2011**
	HK$'000	*HK$'000*
Loss before tax from continuing operations	(20,325)	(5,819)
Tax at the domestic income tax rate of 16.5%	(3,354)	(960)
Tax effect of expenses not deductible for tax purposes	3,553	625
Tax effect of income not taxable for tax purposes	(651)	(2,391)
Tax effect of tax losses not recognised	820	3,205
Tax effect of different tax rates of subsidiaries operating in the PRC	(228)	10
Tax effect of share of results of a jointly controlled entity	(183)	(357)
PRC withholding income tax	–	21
Others	43	(101)
Tax charge for the year	–	52

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2011: ten) directors including the chief executive officer were as follows:

2012

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

2011

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefits schemes contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors				
Deacon Te Ken Chiu, J.P.	15	–	–	15
Mr. Derek Chiu	72	–	–	72
Mr. Desmond Chiu	15	465	12	492
Dr. Lee G Lam	165	–	–	165
Mr. Eugene Yun Hang Wang	165	–	–	165
Mr. Richard Yen (Chief Executive Officer) (appointed on 2nd November, 2011)	59	107	–	166
Mr. Johnny Ip (appointed on 2nd November, 2011)	20	436	12	468
Mr. Duncan Chiu (resigned on 2nd November, 2011)	13	1,913	12	1,938
Mr. Dennis Chiu (resigned on 2nd November, 2011)	13	–	–	13
Mr. Andrew Fan Chun Wah (resigned on 1st March, 2012)	165	–	–	165
	702	2,921	36	3,659

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

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: one) are Executive Directors, none (2011: one) is a former Executive Director and one (2011: one) is a Non-Executive Director whose emoluments are included in note 12 above. The emoluments of the remaining two (2011: two) individuals within the band of HK$Nil to HK$1,000,000 are as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	1,063	769
Retirement benefits schemes contributions	28	24
	1,091	793

14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2012	2011
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	103	101
Auditor's remuneration		
– current year	1,236	1,298
– underprovision in prior year	243	82
Cost of inventories recognised as an expense	17,626	19,620
Depreciation	1,290	1,595
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$2,280,000 (2011: HK$1,550,000)	14,674	13,662
Operating lease rental in respect of rented premises	689	1,941
Share of tax of a jointly controlled entity (included in share of results of a jointly controlled entity)	410	134

Operating lease rental in respect of a director's accommodation amounting to HK$1,275,000 was included under directors' remuneration for the year ended 31st December, 2011.

15. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 20th May, 2011, the Group entered into the sale and purchase and subscription agreement in relation to the disposal of its entire equity interest in certain subsidiaries, which carried out all of the Group's entertainment operations. The transaction gave rise to the entertainment operation being classified as discontinued operations for the Group. The disposal was completed on 30th August, 2011, on which date control of the subsidiaries had been passed to the acquirer.

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

	2011
	HK$'000
Loss on discontinued operations for the year	(7,604)
Gain on disposal of discontinued operations *(note 38(b))*	14,526
	6,922

The results of the entertainment operations for the period from 1st January, 2011 to 30th August, 2011, which were included in the consolidated statement of comprehensive income, were as follows:

	Period ended 30.08.2011 *HK$'000*
Revenue	8,904
Cost of sales	(5,277)
Other income	116
Other expenses	(11,322)
Finance costs	(25)
Loss for the period	(7,604)

Loss for the year from discontinued operations included the following:

	Period ended 30.08.2011 *HK$'000*
Depreciation	1,364
Auditor's remuneration	122
Staff costs including retirement benefit scheme contributions of approximately HK$776,000	5,174

During the year ended 31st December, 2011, the discontinued operations contributed HK$6,560,000 to the Group's operating cash outflows, HK$2,477,000 in respect of cash inflows of investing activities and HK$2,397,000 in respect of cash inflows of financing activities up to the effective date of disposal.

16. DIVIDEND

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

17. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012 *HK$'000*	2011 *HK$'000*
(Loss) earnings for the purposes of basic and diluted earnings per share	(18,981)	2,489

	2012	2011 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	340,692,622	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	–	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	340,692,622	340,692,622

The computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

The diluted loss per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

For the years ended 31st December, 2012 and 2011, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 31st January, 2013, details of which are described in note 43.

From continuing operations

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

	2012 *HK$'000*	2011 *HK$'000*
(Loss) profit for the year attributable to the owners of the Company	(18,981)	2,489
Less: Profit for the year from discontinued operations attributable to the owners of the Company	–	8,191
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	(18,981)	(5,702)

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

The computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

The diluted loss per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31st December, 2011 was HK2.40 cents per share, based on the profit for the year from discontinued operations of HK$8,191,000 and the denominators detailed above for both basic and diluted earnings per share from continuing operations.

The diluted earnings per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

18. INVESTMENT PROPERTIES

	THE GROUP	THE COMPANY
	HK$'000	*HK$'000*
FAIR VALUE		
At 1st January, 2011	18,755	6,555
Increase in fair value recognised in profit and loss	5,533	705
Disposals	(8,528)	–
At 31st December, 2011	15,760	7,260
Increase in fair value recognised in profit and loss	995	995
Disposals	(8,500)	–
At 31st December, 2012	8,255	8,255

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

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land in Hong Kong				
Medium-term lease	8,255	15,760	8,255	7,260

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

The fair values of the Group's investment properties at 31st December, 2012 and 2011 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

The investment properties of the Group and the Company include an amount of HK$8,255,000 (2011: HK$7,260,000), the title of which has not been transferred to the Group and the Company and are still registered in the name of the vendor companies which are controlled by a close member of a director's family as trustee for the Company.

19. PROPERTY, PLANT AND EQUIPMENT

	Building in PRC held under medium term lease	Leasehold improvements	Lifts, electrical and office equipment	Motor vehicles	Service equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1st January, 2011	12,434	937	32,026	4,020	11,276	60,693
Additions	–	–	141	433	20	594
Disposals	–	–	(76)	(1,931)	(208)	(2,215)
Disposal of subsidiaries	–	(140)	(931)	–	(11,496)	(12,567)
Exchange realignment	445	5	1,128	20	408	2,006
At 31st December, 2011	12,879	802	32,288	2,542	–	48,511
Additions	–	–	21	–	–	21
Disposals	–	(5)	(291)	–	–	(296)
Exchange realignment	76	–	186	3	–	265
At 31st December, 2012	12,955	797	32,204	2,545	–	48,501
DEPRECIATION						
At 1st January, 2011	6,413	372	30,158	2,095	3,340	42,378
Provided for the year	568	100	381	686	1,224	2,959
Eliminated on disposals	–	–	(65)	(1,891)	–	(1,956)
Eliminated on disposal of subsidiaries	–	(58)	(457)	–	(4,708)	(5,223)
Exchange realignment	240	2	1,066	12	144	1,464
At 31st December, 2011	7,221	416	31,083	902	–	39,622
Provided for the year	580	125	165	420	–	1,290
Eliminated on disposals	–	(1)	(283)	–	–	(284)
Exchange realignment	44	–	180	1	–	225
At 31st December, 2012	7,845	540	31,145	1,323	–	40,853
CARRYING VALUES						
At 31st December, 2012	5,110	257	1,059	1,222	–	7,648
At 31st December, 2011	5,658	386	1,205	1,640	–	8,889

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1st January, 2011	650	351	1,001
Additions	–	47	47
At 31st December, 2011	650	398	1,048
Additions	–	3	3
At 31st December, 2012	650	401	1,051
DEPRECIATION			
At 1st January, 2011	333	316	649
Provided for the year	41	75	116
At 31st December, 2011	374	391	765
Provided for the year	96	7	103
At 31st December, 2012	470	398	868
CARRYING VALUES			
At 31st December, 2012	180	3	183
At 31st December, 2011	276	7	283

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

Building in the PRC	Over the shorter of the lease term of land and estimated useful life of 50 years
Leasehold improvements	10%
Lifts, electrical and office equipment	10%–20%
Motor vehicles	20%–30%
Service equipment	33.33%

The carrying value of motor vehicles of the Group includes an amount of HK$908,000 (2011: HK$1,248,000) in respect of assets held under finance leases.

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

20. PREPAID LEASE PAYMENTS

	THE GROUP	
	2012	**2011**
	HK$'000	*HK$'000*
The prepaid lease payments represent the leasehold land held under medium term leases in the PRC	872	971
Analysed for reporting purposes as:		
Current	29	32
Non-current	843	939
	872	971

21. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012	**2011**
	HK$'000	*HK$'000*
Unlisted shares, at cost	18,611	16,655
Less: Impairment loss recognised	(15,174)	(13,575)
	3,437	3,080

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

Particulars of the principal subsidiaries of the Company at 31st December, 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Direct 2012	Direct 2011	Indirect 2012	Indirect 2011	Principal activities
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US$200 Ordinary shares	100%	100%	–	–	Securities investment
Cathay Motion PictureStudios Limited**	Hong Kong	HK$3,000,000 Ordinary shares	–	100%	–	–	Property investment
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	–	–	100%	100%	Investment holding
Jiangsu BangBang -Silky Fashion Manufacturer Co., Ltd.	PRC*	US$3,940,000 Paid up registered capital	–	–	51%	51%	Manufacturing and sales of garment products
Jubilee Star Limited	Hong Kong	HK$1 Ordinary share	–	–	100%	100%	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Direct 2012	Direct 2011	Indirect 2012	Indirect 2011	Principal activities
Marvel Star Group Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100%	100%	–	–	Investment holding
Power Profit Far East Limited	Hong Kong	HK$1 Ordinary share	100%	100%	–	–	Investment holding
River Joy Limited	Hong Kong	HK$1 Ordinary share	100%	100%	–	–	Property investment
Skydynamic Holdings Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100%	100%	–	–	Property investment

* Sino-foreign equity joint venture

** Disposed during 2012 (details are set out in note 38)

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

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

22. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP 2012 HK$'000	2011 HK$'000
Unlisted investments in jointly controlled entities, at cost less impairment	35,592	35,592
Share of post-acquisition profits and other comprehensive income	9,327	7,957
	44,919	43,549

At 31st December, 2012 and 2011, the Group had interests in the following jointly controlled entity:

Name of entity	Forms of entity	Place of establishment/ operation	Proportion of nominal value of registered capital/issued capital held by the Group 2012	2011	Principal activity
Beijing Kalian Aviation Technology Co., Ltd. ("Beijing Kalian") *(Note 1)*	Incorporated	PRC	20.02%	20.02%	Provision of aviation maintenance services

Note 1: The Group holds a 20.02% interest in Beijing Kailan. Under the joint venture agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partner.

The summarised financial information in respect of the Group's interests in the jointly controlled entity which are accounted for using the equity method is set out below:

	2012	2011
	HK$'000	*HK$'000*
Current assets	27,750	28,434
Non-current assets	32,864	33,220
Current liabilities	(13,990)	(16,767)
Non-current liabilities	(1,705)	(1,338)
Income recognised in profit or loss	(23,733)	(21,634)
Expenses recognised in profit or loss	22,621	19,472
Other comprehensive income	258	1,469

23. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong, at fair value at quoted market prices	209,829	247,864	203,836	244,254
Unlisted equity securities in Hong Kong	2,500	17,000	2,500	17,000
	212,329	264,864	206,336	261,254

At 31 December, 2012, the above unlisted investment with a carrying amount of HK$2,500,000 (2011: HK$17,000,000) represents an investment in unlisted equity securities issued by Market Talent Limited, an entity incorporated in the Cayman Islands which operates in the business of trading of electronic products and the provision of on-demand video services and solutions. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

In 2012, the financial performance of Market Talent Limited is worse than expected. During the year, negotiations have been conducted with another shareholder of Market Talent Limited to purchase the entire equity interest of the unlisted investment held by the Group. The directors have assessed the future cash flows expected to be generated from the sale of its equity interest of Market Talent Limited to that shareholder. Subsequent to 31st December, 2012, a written offer of HK$2,500,000 has been received from that shareholder of Market Talent Limited. In the opinion of the directors, the amount of the offer from that shareholder of the unlisted investment is representative of the recoverable amount of its equity interest. In this regard, the directors considered the fair value of its equity interest to be the recoverable amount and an impairment loss of HK$14,500,000 has been recognised in profit or loss during the year even though the offer has not yet been accepted up to the date these consolidated financial statements were authorised for issuance.

During the year ended 31st December, 2011, the Group disposed of certain listed and unlisted equity securities with carrying amounts of HK$49,900,000 and HK$20,550,000 respectively. A gain on disposal of HK$5,020,000 was recognised in profit or loss.

24. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity securities:				
Hong Kong	7,243	27,739	6,863	27,496
Overseas	3,299	2,351	3,299	2,351
	10,542	30,090	10,162	29,847

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

25. INVENTORIES

	THE GROUP	
	2012	**2011**
	HK$'000	*HK$'000*
Raw materials	774	1,410
Work in progress	1,856	2,681
	2,630	4,091

26. TRADE AND OTHER RECEIVABLES

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

	THE GROUP	
	2012	**2011**
	HK$'000	*HK$'000*
Past due:		
0 to 30 days	114	1,243
31 to 60 days	648	120
61 to 90 days	467	822
Over 90 days	807	859
Total trade receivables	2,036	3,044
Other receivables	1,097	1,014
	3,133	4,058

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$2,036,000 (2011: HK$3,044,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 80 days (2011: 62 days).

27. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

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

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

	THE GROUP	
	2012	**2011**
	HK$'000	*HK$'000*
Current	859	552
Past due:		
31 to 60 days	782	1,229
61 to 90 days	258	135
Over 90 days	1,786	1,259
	3,685	3,175

Included in the amount due from the non-controlling interest is a trade balance of HK$2,826,000 (2011: HK$2,623,000) which is past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after assessing the past payment history of the non-controlling interests and settlement after the end of the reporting period. The Group does not hold any collateral over this balance. No allowance for doubtful debts are provided and any uncollectible debts are written off directly. The amount due from the non-controlling interests which is neither overdue nor impaired is of good quality with reference to past payment history.

28. AMOUNTS DUE FROM/TO RELATED PARTIES

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

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

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

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

Bank balances and deposits held at financial institutions carry interest at market rates which range from 0.001% to 3.5% (2011: 0.001% to 3.5%) per annum. The deposits held at financial institutions are in relation to securities trading accounts which the Group maintains with these institutions.

30. PLEDGED BANK DEPOSITS

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

31. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2012	**2011**
	HK$'000	*HK$'000*
0 to 30 days	173	116
Over 90 days	40	42
Total trade payables	213	158
Other payables and accruals	1,846	1,241
	2,059	1,399

32. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured and interest-free. The Company has agreed that the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current. Fair value adjustment amounting to HK$1,956,000 (2011: HK$1,599,000), based on an original effective interest rate of 2.15% (2011: 2.15%) per annum and was included in investments in subsidiaries.

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

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
Amounts payable under finance leases:				
Within one year	316	316	291	277
In more than one year but not more than two years	316	316	305	291
In more than two years but not more than five years	78	394	78	383
	710	1,026	674	951
Less: Future finance charges	(36)	(75)	–	–
Present value of lease obligations	674	951	674	951
Less: Amount due within one year shown under current liabilities			(291)	(277)
Amount due after one year			383	674

Obligations under finance leases are secured by motor vehicles. The lease term is five years (2011: five years). The interest rate is 4.74% (2011: 4.74%) per annum. No arrangements have been entered into for contingent rental payments.

34. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2012	**2011**	**2012**	**2011**
			HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	70,000,000,000	70,000,000,000	700,000	700,000
Issued and fully paid:				
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	302,837,886	302,837,886	3,028	3,028

35. SHARE OPTION SCHEME

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

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

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

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

No share option was granted, lapsed or exercised in 2012 and 2011.

Details of the share options outstanding at 31st December, 2012 and 2011 as follows:

Capacity of grantee	**Grant date**	**Adjusted exercise price**	**Exercisable period (both days inclusive)**	**Number of share options at 1.1.2011 and 31.12.2011 and 31.12.2012**
		HK$		
Employees	21.4.2006	0.6091	23rd May, 2006 to 22nd May, 2016	660,000
	21.4.2006	0.6091	23rd May, 2007 to 22nd May, 2017	660,000
				1,320,000

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

36. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Share option reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY					
At 1st January, 2011	176,154	568	390	200,787	377,899
Loss for the year	–	–	–	(24,774)	(24,774)
Fair value gain on available-for-sale investments	–	–	20,481	–	20,481
Reclassification adjustment upon disposal of available-for-sale investments	–	–	1,823	–	1,823
At 31st December, 2011	176,154	568	22,694	176,013	375,429
Loss for the year	–	–	–	(11,591)	(11,591)
Fair value loss on available-for-sale investments	–	–	(40,423)	–	(40,423)
At 31st December, 2012	176,154	568	(17,729)	164,422	323,415

37. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st January, 2011	(36)	165	(129)	–
Charge (credit) to profit or loss	92	–	(92)	–
At 31st December, 2011	56	165	(221)	–
Charge (credit) to profit or loss	(29)	–	29	–
At 31st December, 2012	27	165	(192)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$169,565,000 (2011: HK$165,476,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,164,000 (2011: HK$1,339,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$168,401,000 (2011: HK$164,137,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of approximately HK$140,190,000 (2011: HK$139,316,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

38. DISPOSAL OF SUBSIDIARIES

(a) On 13th July, 2012, the Company and Far East Consortium Limited (the "Purchaser"), being a related party of the Company in which a director of the Company has beneficial interest and certain directors of the Company are close family members of the directors with beneficial interest in the Purchaser, entered into a sale and purchase agreement to dispose its entire equity interest of, and assign a receivable due from, a subsidiary of the Company, Cathay Motion Picture Studios Limited ("Cathay Motion"), at an aggregate cash consideration of HK$8,500,000. The disposal was completed on 18th July, 2012.

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

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

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

(b) As set out in note 15, the Group entered into a sale and purchase and subscription agreement in relation to the disposal of its entire equity interest in certain subsidiaries, which carried out all of the Group's entertainment operations, at an aggregate consideration of HK$8,000,000 which were satisfied by 104 new ordinary shares of the acquirer, Market Talent Limited allotted and issued to the Group. The fair value of the consideration of HK$8,000,000 was determined with reference to the profit of Market Talent Limited and the prevailing price-to-earnings multiple of market comparables in the industry.

In addition, the Group agreed to subscribe for 117 new ordinary shares of Market Talent Limited at a cash consideration of HK$9,000,000. Both Market Talent Limited and its legal and beneficial owner are unrelated to the Group. Market Talent Limited is engaged in trading of electronic products and provision of on-demand video services and solutions. The disposal and subscription transaction was completed on 30th August, 2011. Immediately after the disposal and subscription transaction, the Group held 18.1% equity interest in Market Talent Limited which was classified as available-for-sale investments. The net liabilities of the subsidiaries at the date of disposal were as follows:

	HK$'000
Consideration received:	
Consideration shares	8,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	7,344
Trade and other receivables	3,340
Bank balances and cash	781
Other loans	(5,500)
Trade and other payables	(13,949)
Amount due to non-controlling interests	(979)
Net liabilities disposed of	(8,963)
Gain on disposal of subsidiaries:	
Consideration received	8,000
Net liabilities disposed of	8,963
Non-controlling interests	(2,934)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	497
Gain on disposal of subsidiaries	14,526
Cash outflow arising on disposal:	
Bank balances and cash disposed of	781

The impact of the disposed subsidiaries on the Group's results and cash flows in the prior period are disclosed in note 15.

39. PLEDGE OF ASSETS

At 31st December, 2012:

(a) margin trading facilities in respect of securities transactions of approximately HK$5.7 million (2011: HK$6.4 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$16.1 million (2011: HK$24.9 million) and HK$16.1 million (2011: HK$24.9 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group and the Company;

(b) overdraft and revolving loan facilities of approximately HK$17.1 million (2011: HK$17.1 million), of which none has been utilised at the end of the reporting periods, are secured by the deposit held at financial institutions of the Company of approximately HK$5,000 (2011: HK$41,000); and

(c) short term loan and margin facilities in respect of securities transactions of approximately HK$233.1 million (2011: HK$233.1 million) of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$213 million (2011: HK$241.8 million) and HK$213 million (2011: HK$241.8 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investment held by the Group and the Company.

40. OPERATING LEASES

The Group and the Company as lessee

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

	2012	**2011**
	HK$'000	*HK$'000*
Leased premises		
Within one year	183	932
In the second to fifth year inclusive	8	192
	191	1,124

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

The Group as lessor

Rental income earned from leasehold land and buildings during the year was HK$137,000 (2011: Nil). The property held has a committed tenant for five years.

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

	2012	**2011**
	HK$'000	*HK$'000*
Within one year	153	–
In the second to fifth year inclusive	497	–
	650	–

41. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the higher of 5% or HK$1,250 effective from June 2012 and HK$1,000 for the period from January 2012 to May 2012 (2011: higher of 5% or HK$1,000) of the relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

	2012	2011
	HK$'000	*HK$'000*
Amount contributed and charged to profit or loss	179	157

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

	2012	2011
	HK$'000	*HK$'000*
Amount contributed and charged to profit or loss	2,101	2,169

42. RELATED PARTY TRANSACTIONS

Other than the disposal of Cathay Motion as disclosed in note 38(a) in these consolidated financial statements, the Group has the following related party transactions during the year:

Compensation of key management personnel

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

	2012	2011
	HK$'000	*HK$'000*
Short-term benefits	3,143	4,392
Post-employment benefits	69	60
	3,212	4,452

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

43. EVENT AFTER THE REPORTING PERIOD

Pursuant to an ordinary resolution passed at a board meeting of the Company on 14th December, 2012, an issue of shares by the Company at a price of HK$0.20 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 151,418,943 new shares were issued on 31st January, 2013, resulting in gross proceeds of approximately HK$30,284,000 to the Company. The proceeds from the Open Offer were used to strengthen the Group's financial positions.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 January 2014, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding at that date amounts due to directors of approximately HK$175,000.

At the close of business on 31 January 2014, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Target Group had outstanding at that date a short term bank loan of approximately HK$55,940,029 which was secured against a first legal charge with rental assignment on the Target Group's properties and amounts due to a company jointly owned by the Vendor and two members of the Chiu Family (who are also Shareholders) of approximately HK$31,269,975.

Save as aforesaid and apart from intra-group liabilities, each of the Group and the Target Group did not have outstanding at the close of business on 31 January 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its presently available financial resources, including funds internally generated from operation and the available financing facilities, the capital commitment on Uncompleted Property B and cash flow impact of the Acquisition, the Enlarged Group will have sufficient working capital for its business for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is an investment holding company. The principal activities of the Company's subsidiaries include manufacturing and trading of garment, investment in properties for rental purpose, property investment and investment in securities. For the year ended 31 December 2013, the Group recorded a loss of approximately HK$11.4 million and a total comprehensive income of approximately HK$46.0 million.

The garment business continued to be a key focus area of the Group. The management of the Company has increased its effort in reducing the total costs and wastage of the garment business while trying to maintain a production volume that is sufficient to cover the fixed costs. Efforts were also made to improve efficiency and time to market. Despite various efforts in expanding Europe and US export sales, pricing pressure pushed down the total revenue of the garment business. The management of the Company expects the garment business will continue to face similar challenges in 2014 while looking for ways to change the business model of this garment business structurally to improve productivity and profitability including domestic business development.

Although volatility in financial markets also hindered the Company's ability to identify good investment opportunities, some of the information technology related investments were still able to generate healthy returns for the Group as a result of the boom of information technology related stocks. The fair value of the Group's available-for-sale investments has increased substantially. The Group recorded a fair value gain on available-for-sale investments of approximately HK$54.9 million for the year ended 31 December 2013 (2012: fair value loss of approximately HK$38.0 million). The fair value of the Group's held-for-trading investments has also increased by approximately HK$$2.5 million for the year ended 31 December 2013 (2012: increase in fair value of approximately HK$9.5 million).

The Company is actively looking for more investment opportunities that can provide recurring income while minimizing the risk exposure. Therefore the Company is trying to increase the holdings of properties that can provide stable income while capturing long term appreciation opportunities. The Company believes that China and Hong Kong properties still provide the best opportunities given the risks and costs involved. At the same time, properties in other areas such as US and Japan are also within the Company's interests. The Directors consider that the Acquisition represents a reasonable investment opportunity and expect that the Enlarged Group will benefit from the anticipated appreciation in value of the Properties.

6. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

A. ACCOUNTANTS' REPORT OF BLOOMING SUCCESS GROUP

The following is the text of a report on Blooming Success Group for the period from 8 April 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, prepared for the sole purpose of inclusion in this circular, received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

1 April 2014

The Board of Directors
Far East Holdings International Limited
Room 2101–2102, 21st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Blooming Success Limited ("**Blooming Success**") and its subsidiary (hereinafter collectively referred to as the "**Target Group**") for the period from 8 April 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 (the "**Relevant Periods**"), for inclusion in the circular dated 1 April 2014 (the "**Circular**") issued by Far East Holdings International Limited (the "**Company**") in connection with the proposed acquisition of the 100% equity interests in Blooming Success (the "**Acquisition**"), pursuant to a sale and purchase agreement dated 24 January 2014. The Financial Information comprised the consolidated and Blooming Success' statements of financial position as at 31 March 2011, 2012 and 2013 and 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Relevant Periods, and a summary of significant accounting policies and other explanatory information.

Blooming Success was incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 8 April 2010 with an authorized share capital of US$50,000 (approximately HK$390,000) divided into 50,000 ordinary shares of US$1 each.

As at the date of this report, Blooming Success has the following subsidiary:

Name of subsidiary	Date and place of incorporation	Issued and fully paid up share capital	Equity interests attributable to Blooming Success	Principal activities
New Continent Development Limited (the "New Continent") *(Note (i))*	the BVI, 5 April 2013	Ordinary share of US$2 (approximately HK$16)	100%	Investment holding

Note:

(i) No audited financial statements have been prepared for New Continent since date of incorporation.

The financial year end date of the companies now comprising the Target Group is 31 March.

The respective financial statements of Blooming Success for each of the years ended 31 March 2011, 2012 and 2013 have been prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants (the "**HKICPA**") and audited by Peter W. H. Ma & Co., Certified Public Accountants, Hong Kong.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA (the "**Underlying Financial Statements**") and using accounting policies which are materially consistent with those of the Company. We have, for the purpose of this report, carried out appropriate audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements. No adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Blooming Success who approved the issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group and Blooming Success as at 31 March 2011, 2012 and 2013 and 31 December 2013, and of the Target Group's profit and cash flows for the Relevant Periods then ended.

The comparative consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the nine months ended 31 December 2012 together with the notes thereon have been extracted from the unaudited consolidated financial information of the Target Group for the same period (the "**Comparative Financial Information**") which was prepared by the directors of Blooming Success for the purpose of this report. We have reviewed the Comparative Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquiries, principally of persons responsible for financial and auditing matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	*6*	4,320	10,756	1,609	1,178	1,080
Cost of income		(143)	(191)	(172)	(91)	(30)
Gross profit		4,177	10,565	1,437	1,087	1,050
Other revenue	*7*	33,801	7,827	17,947	10	44
Fair value change on investment properties	*15*	9,496	9,557	8,617	–	4,000
Administrative expenses		(944)	(20,262)	(4,583)	(3,206)	(2,812)
Finance costs	*8*	(1,635)	(2,244)	(2,211)	(1,674)	(1,554)
Profit/(loss) before tax	*9*	44,895	5,443	21,207	(3,783)	728
Income tax expenses	*11*	(259)	–	–	–	(113)
Profit/(loss) for the period/year		44,636	5,443	21,207	(3,783)	615
Total comprehensive income/(loss) for the period/year, net of tax		44,636	5,443	21,207	(3,783)	615
Profit/(loss) attributable to:						
Owners of Blooming Success		44,636	5,443	21,207	(3,783)	615
Total comprehensive income/(loss) attributable to:						
Owners of Blooming Success		44,636	5,443	21,207	(3,783)	615

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 March 2011 HK$'000	At 31 March 2012 HK$'000	At 31 March 2013 HK$'000	At 31 December 2013 HK$'000
Non-current assets					
Investment properties	15	213,600	204,000	95,000	99,000
Deposit	16	–	–	–	24,942
		213,600	204,000	95,000	123,942
Current assets					
Prepayments and other receivables	16	3,605	5	–	–
Cash and cash equivalents	17	258	1,605	37,589	412
		3,863	1,610	37,589	412
Current liabilities					
Accruals and other payables	18	894	472	7,662	3,522
Amounts due to directors	19	21,936	17,271	3,376	2,289
Amount due to a related company	19	51,000	50,062	25,554	25,554
Deposits received	20	5,298	–	405	–
Bank loan - secured	21	93,050	87,077	59,357	56,285
Income tax payable		259	259	259	113
		172,437	155,141	96,613	87,763
Net current liabilities		(168,574)	(153,531)	(59,024)	(87,351)
Total assets less current liabilities		45,026	50,469	35,976	36,591
Net assets		45,026	50,469	35,976	36,591
Capital and reserve					
Share capital	22	390	390	390	390
Reserve		44,636	50,079	35,586	36,201
Total equity		45,026	50,469	35,976	36,591

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 March 2011 HK$'000	At 31 March 2012 HK$'000	At 31 March 2013 HK$'000	At 31 December 2013 HK$'000
Non-current assets					
Interest in a subsidiary	14	–	–	–	24,947
Investment properties	15	213,600	204,000	95,000	99,000
		213,600	204,000	95,000	123,947
Current assets					
Prepayments and other receivables	16	3,605	5	–	–
Cash and cash equivalents	17	258	1,605	37,589	412
		3,863	1,610	37,589	412
Current liabilities					
Accruals and other payables	18	894	472	7,662	3,522
Amounts due to directors	19	21,936	17,271	3,376	2,276
Amount due to a related company	19	51,000	50,062	25,554	25,554
Deposits received	20	5,298	–	405	–
Bank loan – secured	21	93,050	87,077	59,357	56,285
Income tax payable		259	259	259	113
		172,437	155,141	96,613	87,750
Net current liabilities		(168,574)	(153,531)	(59,024)	(87,338)
Total assets less current liabilities		45,026	50,469	35,976	36,609
Net assets		45,026	50,469	35,976	36,609
Capital and reserve					
Share capital	22	390	390	390	390
Reserve		44,636	50,079	35,586	36,219
Total equity		45,026	50,469	35,976	36,609

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 8 April 2010 (date of incorporation)	–	–	–
Issue of shares	390	–	390
Total comprehensive income for the period	–	44,636	44,636
At 31 March 2011 and 1 April 2011	390	44,636	45,026
Total comprehensive income for the year	–	5,443	5,443
At 31 March 2012 and 1 April 2012	390	50,079	50,469
Total comprehensive income for the year	–	21,207	21,207
Dividends paid	–	(35,700)	(35,700)
At 31 March 2013 and 1 April 2013	390	35,586	35,976
Total comprehensive income for the period	–	615	615
At 31 December 2013	390	36,201	36,591
(Unaudited)			
At 1 April 2012	390	50,079	50,469
Total comprehensive loss for the period	–	(3,783)	(3,783)
At 31 December 2012	390	46,296	46,686

CONSOLIDATED STATEMENTS OF CASH FLOWS

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) for the period/year	44,636	5,443	21,207	(3,783)	615
Adjustments for:					
Income tax expenses	259	–	–	–	113
Gain on disposal of investment properties	(33,799)	(5,667)	(17,709)	–	–
Fair value change on investment properties	(9,496)	(9,557)	(8,617)	–	(4,000)
Bank interest income	(2)	–	(85)	(10)	(44)
Finance costs	1,635	2,244	2,211	1,674	1,554
Operating cash flows before movement in working capital	3,233	(7,537)	(2,993)	(2,119)	(1,762)
Increase in deposit	–	–	–	–	(24,942)
(Increase)/decrease in prepayments and other receivables	(3,605)	3,600	5	–	–
Increase/(decrease) in accruals and other payables	894	(422)	3,490	(263)	(440)
Increase/(decrease) in amounts due to directors	21,936	(4,665)	(13,895)	1,540	(1,087)
Increase/(decrease) in amount due to a related company	51,000	(938)	(24,508)	2,292	–
Increase/(decrease) in deposits received	5,298	(5,298)	405	14,112	(405)
Cash generated from/(used in) operations	78,756	(15,260)	(37,496)	15,562	(28,636)
Hong Kong profits tax paid	–	–	–	–	(259)
Interest paid	(1,635)	(2,244)	(2,211)	(1,674)	(1,554)
Net cash generated from/(used in) operating activities	77,121	(17,504)	(39,707)	13,888	(30,449)

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
INVESTING ACTIVITIES					
Interest received	2	–	85	10	44
Purchase of investment properties	(220,925)	–	–	–	–
Proceeds from disposal of investment properties	50,620	24,824	135,326	–	–
Net cash (used in)/generated from investing activities	(170,303)	24,824	135,411	10	44
FINANCING ACTIVITIES					
Proceeds from issue of shares	390	–	–	–	–
Dividends paid	–	–	(32,000)	–	(3,700)
Proceeds from borrowings	97,000	–	–	–	–
Repayment of bank borrowings	(3,950)	(5,973)	(27,720)	(4,508)	(3,072)
Net cash generated from/(used in) financing activities	93,440	(5,973)	(59,720)	(4,508)	(6,772)
Net increase/(decrease) in cash and cash equivalents	258	1,347	35,984	9,390	(37,177)
Cash and cash equivalents at beginning of the period/year	–	258	1,605	1,605	37,589
Cash and cash equivalents at end of the period/year	258	1,605	37,589	10,995	412
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	258	1,605	37,589	10,995	412

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Blooming Success was incorporated in the BVI on 8 April 2010 with limited liability. The address of the registered office and principal place of business of Blooming Success is Suite No. A, 11/F, Ritz Plaza, Austin Road, Tsimshatsui, Kowloon, Hong Kong. The principal activity of Blooming Success is investment holding. The controlling shareholder of Blooming Success is Mr. Duncan Chiu.

The Financial Information for the period from 8 April 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and for the nine months ended 31 December 2012 and 2013 are presented in thousands of units of Hong Kong dollars ("HK$'000"), which is the same as the functional currency of Blooming Success.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on 1 April 2013 throughout the Relevant Periods.

At the date of this report, the Target Group has not applied the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") that have been issued by the HKICPA but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption
5 Effective for annual periods beginning on or after 1 July 2014 with limited exceptions

The directors of Blooming Success anticipate that the application of new and revised HKFRSs will have no immaterial impact on the results and the Financial Information.

(b) Basis of preparation

The Financial Information have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each of the Relevant Periods, as explained in the accounting policies 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 Target 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 Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation

The Financial Information incorporate the financial statements of Blooming Success and entities (including structured entities) controlled by Blooming Success. Control is achieved when Blooming Success:

– 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 Target 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.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Target Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of Blooming Success. Total comprehensive income of subsidiaries is attributed to the owners of Blooming Success.

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

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

(d) Investments in subsidiaries

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

(e) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(i) rental income is recognised on a time proportion basis over the lease terms; and

(ii) interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

(f) 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 Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Target 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 Target 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 statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(g) Income tax expenses

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit/(loss) before tax’ as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods 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 rate (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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

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

Current and deferred tax for the Relevant Periods

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

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(i) Investment properties

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

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

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

(j) Financial instruments

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

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

Financial assets

The Target Group's financial assets are classified as 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 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.

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 an receivables (including other receivables and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any impairment losses (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 are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as default or delinquency in interest and principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial asset, such as other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the 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

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

The Target Group's financial liabilities (including other payables, amounts due to directors/a related company and secured bank loan) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Target 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 Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

(k) Impairment losses on assets other than goodwill

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

The recoverable amount is the higher of fair value less costs to sell 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because Blooming Success's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Related parties transactions

(1) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

(2) An entity is related to the Target Group if any of the following conditions applies:

(i) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) the entity is controlled or jointly controlled by a person identified in (1).

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family member who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment of investment properties

Blooming Success assesses whether there are any indicators of impairment for an asset at the end of each of the Relevant Periods. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires Blooming Success to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to estimated impairment provision previously made.

In determining the useful life and residual value of an item of investment properties, Blooming Success has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of Blooming Success with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of investment properties are different from the previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

4. FINANCIAL INSTRUMENTS

(a) Financial instruments by categories

The carrying amount of each of the categories of financial instruments as at the end of each of the Relevant Periods is as follows:

The Target Group

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loan and receivables				
– financial assets included in other receivables	3,600	–	–	–
– cash and cash equivalents	258	1,605	37,589	412
	3,858	1,605	37,589	412
Financial liabilities				
At amortised cost				
– financial liabilities included in accrual and other payables	894	472	7,662	3,522
– Amounts due to directors	21,936	17,271	3,376	2,289
– Amount due to a related company	51,000	50,062	25,554	25,554
– Bank loan – secured	93,050	87,077	59,357	56,285
	166,880	154,882	95,949	87,650

Blooming Success

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loan and receivables				
– financial assets included in other receivables	3,600	–	–	–
– amount due from a subsidiary	–	–	–	24,947
– cash and cash equivalents	258	1,605	37,589	412
	3,858	1,605	37,589	25,359
Financial liabilities				
At amortised cost				
– financial liabilities included in accrual and other payables	894	472	7,662	3,522
– Amounts due to directors	21,936	17,271	3,376	2,276
– Amount due to a related company	51,000	50,062	25,554	25,554
– Bank loan – secured	93,050	87,077	59,357	56,285
	166,880	154,882	95,949	87,637

(b) Financial risk management objective and policies

The Target Group's major financial instruments include other receivables, cash and cash equivalents, accruals and other payables, amounts due to directors, amount due to a related company and secured bank loan. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target 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 statements of financial position.

In order to minimise the credit risk, the management of the Target Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of Blooming Success consider that the Target Group's credit risk is significantly reduced.

The Target Group's credit risk is primarily attributable to prepayment, deposit and other receivables. The Target Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

The credit risk on liquid funds in limited because the counterparties are banks which are reputable in the opinion of management.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Target Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Target Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of each of the Relevant Periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

The Target Group

	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013						
Accruals and other payables	–	3,522	3,522	–	–	3,522
Amounts due to directors	–	2,289	2,289	–	–	2,289
Amount due to a related company	2.2	25,554	25,554	–	–	25,554
Bank loan – secured	2.7	56,285	61,381	–	–	61,381
		87,650	92,746	–	–	92,746
At 31 March 2013						
Accruals and other payables	–	7,662	7,662	–	–	7,662
Amounts due to directors	–	3,376	3,376	–	–	3,376
Amount due to a related company	2.2	25,554	25,554	–	–	25,554
Bank loan – secured	2.7	59,357	65,631	–	–	65,631
		95,949	102,223	–	–	102,223
At 31 March 2012						
Accruals and other payables	–	472	472	–	–	472
Amounts due to directors	–	17,271	17,271	–	–	17,271
Amount due to a related company	2.2	50,062	50,062	–	–	50,062
Bank loan – secured	1.4	87,077	94,484	–	–	94,484
		154,882	162,289	–	–	162,289
At 31 March 2011						
Accruals and other payables	–	894	894	–	–	894
Amounts due to directors	–	21,936	21,936	–	–	21,936
Amount due to a related company	2.2	51,000	51,000	–	–	51,000
Bank loan – secured	1.1	93,050	101,574	–	–	101,574
		166,880	175,404	–	–	175,404

Blooming Success

	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013						
Accruals and other payables	–	3,522	3,522	–	–	3,522
Amounts due to directors	–	2,276	2,276	–	–	2,276
Amount due to a related company	2.2	25,554	25,554	–	–	25,554
Bank loan – secured	2.7	56,285	61,381	–	–	61,381
		87,637	92,733	–	–	92,733
At 31 March 2013						
Accruals and other payables	–	7,662	7,662	–	–	7,662
Amounts due to directors	–	3,376	3,376	–	–	3,376
Amount due to a related company	2.2	25,554	25,554	–	–	25,554
Bank loan – secured	2.7	59,357	65,631	–	–	65,631
		95,949	102,223	–	–	102,223
At 31 March 2012						
Accruals and other payables	–	472	472	–	–	472
Amounts due to directors	–	17,271	17,271	–	–	17,271
Amount due to a related company	2.2	50,062	50,062	–	–	50,062
Bank loan – secured	1.4	87,077	94,484	–	–	94,484
		154,882	162,289	–	–	162,289
At 31 March 2011						
Accruals and other payables	–	894	894	–	–	894
Amounts due to directors	–	21,936	21,936	–	–	21,936
Amount due to a related company	2.2	51,000	51,000	–	–	51,000
Bank loan – secured	1.1	93,050	101,574	–	–	101,574
		166,880	175,404	–	–	175,404

Interest rate risk

The Target Group's exposure to changes in interest rates is mainly attributable to its bank loan. Bank loan at variable rates expose the Target Group to cash flow interest rate risk. The Target Group's income and operating cash flows are substantially independent of changes in market interest rates. The Target Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis on interest rate risk

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of each of the Relevant Periods. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of each of the Relevant Periods was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's profit/(loss) for the Relevant Periods would decrease/increase by approximately HK$82,000, HK$112,000, HK$111,000 and HK$78,000 respectively. This is mainly attributable to the Target Group's exposure to interest rates on its variable rate borrowings.

Currency risk

The Target Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars. Most of the Target Group's monetary assets and liabilities are also denominated in Hong Kong Dollars. Therefore, the Target Group considers it has no significant foreign exchange risk.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 March 2011, 2012, 2013 and 31 December 2013.

- 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Target Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of each of the Relevant Periods.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Target Group's capital management is to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Target Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group's objectives, policies or processes for managing capital remain unchanged during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is total debts divided by total assets. The Target Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	At 31 March 2011	**At 31 March 2012**	**At 31 March 2013**	**At 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total debts	165,986	154,410	88,287	84,128
Total assets	217,463	205,610	132,589	124,354
Gearing ratio	0.76	0.75	0.67	0.68

Note: Total debts comprise amounts due to directors, amount due to a related company and secured bank loan as detailed in Notes 19 and 21 respectively.

6. SEGMENT INFORMATION AND REVENUE

The Target Group currently operates in one business segment. A single management team reports to the chief operating decision makers who comprehensively manage the entire business. For the period from 8 April 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2012 and 2013, all of the Target Group's revenue and assets are derived and located in Hong Kong. Accordingly, the Target Group does not have separately reportable segments.

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

	From 8 April 2010 (date of incorporation) to 31 March 2011	**Year ended 31 March 2012**	**Year ended 31 March 2013**	**Nine months ended 31 December 2012**	**Nine months ended 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income	4,320	10,756	1,609	1,178	1,080

Revenue from major external customer each of whom contributed to 10% or more of the Target Group's total revenue, is set out below:

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	4,320	10,756	N/A*	N/A*	N/A*
Customer B	N/A*	N/A*	496	496	N/A*
Customer C	N/A*	N/A*	162	135	N/A*
Customer D	N/A*	N/A*	N/A*	142	N/A*
Customer E	N/A*	N/A*	810	405	1,080

* The corresponding revenue did not contribute 10% or more of the total revenue of the Target Group.

7. OTHER REVENUE

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Gain on disposal of investment properties	33,799	5,667	17,709	–	–
Bank interest income	2	–	85	10	44
Forfeited rental deposits	–	2,160	–	–	–
Sundry income	–	–	153	–	–
	33,801	7,827	17,947	10	44

8. FINANCE COSTS

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank loan interest – wholly repayable within five years	848	1,119	1,149	829	1,131
Other loan interest – wholly repayable within five years	787	1,125	1,062	845	423
	1,635	2,244	2,211	1,674	1,554

9. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging:

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Fair value change on investment properties	9,496	9,557	8,617	–	4,000
Provision for bad debt	–	10,756	–	–	–
Auditors' remuneration	30	30	40	–	–

10. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

The emoluments paid by the Target Group to the directors during the Relevant Periods were as follows:

	Fees	Salaries, Allowances and benefits in kind	Mandatory Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Nine months ended 31 December 2013				
Duncan Chiu	–	1,742	–	1,742
Nine months ended 31 December 2012 (unaudited)				
Duncan Chiu	–	1,552	–	1,552
Te Ken Deacon Chiu	–	–	–	–
	–	1,552	–	1,552
Year ended 31 March 2013				
Duncan Chiu	–	2,155	–	2,155
Te Ken Deacon Chiu (resigned on 22 March 2013)	–	–	–	–
	–	2,155	–	2,155
Year ended 31 March 2012				
Duncan Chiu	–	623	–	623
Te Ken Deacon Chiu	–	–	–	–
	–	623	–	623
From 8 April 2010 (date of incorporation) to 31 March 2011				
Duncan Chiu (appointed on 8 April 2010)	–	–	–	–
Te Ken Deacon Chiu (appointed on 8 April 2010)	–	–	–	–
	–	–	–	–

The emoluments of the directors fell within the following bands:

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012 (unaudited)	Nine months ended 31 December 2013
Nil to HK$1,000,000	2	2	–	1	–
HK$1,000,001 to HK$2,000,000	–	–	–	1	1
HK$2,000,001 to HK$3,000,000	–	–	1	–	–
	2	2	1	2	1

(b) Employees' emoluments

Highest paid individuals

The individuals with the highest emoluments, two are directors whose emoluments for the Relevant Periods are disclosed above. Except the directors, the Target Group did not have any senior management. The aggregate of the emoluments in respect of the remaining one individual during the year ended 31 March 2013 and two individuals during the nine months ended 31 December 2013 of the Target Group are as follows:

	From 8 April 2010 (date of incorporation) to 31 March 2011 *HK$'000*	Year ended 31 March 2012 *HK$'000*	Year ended 31 March 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000* (unaudited)	Nine months ended 31 December 2013 *HK$'000*
Salaries, allowances and benefits in kind	–	–	170	113	286
Mandatory provident fund contributions	–	–	–	–	–
	–	–	170	113	286

The emoluments of each of the above non-director, highest paid individuals were within the following band:

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012 (unaudited)	Nine months ended 31 December 2013
Nil to HK$1,000,000	–	–	1	1	2

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors of Blooming Success or the highest paid individuals of the Target Group (including directors and employees) as an inducement to join, or upon joining the Target Group or as compensation for loss of office. None of Blooming Success's directors waived any emoluments during the Relevant Periods.

11. INCOME TAX EXPENSES

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax for the period/year					
– Hong Kong profits tax	259	–	–	–	113

No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expenses for the period/year can be reconciled to profit/(loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before tax	44,895	5,443	21,207	(3,783)	728
Tax at the statutory tax rate	7,408	898	3,499	(624)	120
Tax effect of income not taxable for tax purpose	(7,149)	(2,517)	(4,348)	–	(663)
Tax effect of expenses not deductible for tax purpose	–	–	232	41	113
Tax loss recognised	–	1,619	617	583	543
Tax effect for the period/year	259	–	–	–	113

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF BLOOMING SUCCESS

The consolidated profit/(loss) attributable to owners of Blooming Success for the period/year including a profit of approximately HK$44,636,000, HK$5,443,000, HK$21,207,000 and HK$633,000 for the period from 8 April 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 (a loss of approximately HK$3,783,000 for the nine months ended 31 December 2012).

13. DIVIDENDS

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interim dividends	–	–	35,700	–	–

For the year ended 31 March 2013, the Target Group declared and paid HK$35,700,000 interim dividends to its shareholders.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

14. INTERESTS IN A SUBSIDIARY

Blooming Success

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment in a subsidiary	–	–	–	–
Amount due from a subsidiary	–	–	–	24,947
	–	–	–	24,947

Investment in a subsidiary

At 31 December 2013, Blooming Success had investment in the following subsidiary:–

Name	Place of incorporation and kind of legal entity	Principal activity and place of operation	Issued share capital	Proportion of ownership interest directly held by Blooming Success	Proportion of voting power held
New Continent	The BVIs, limited liability company	Investment holding in Hong Kong	US$2 (approximately HK$16)	100%	100%

Amount due from a subsidiary

The amount due from a subsidiary is unsecured, interest free and not recoverable within one year from the end of the Relevant Periods and the amount is therefore shown as non-current asset.

15. INVESTMENT PROPERTIES

The Target Group and Blooming Success

	HK$'000
Fair value	
At 8 April 2010 (date of incorporation)	–
Additions	220,925
Disposals	(16,821)
Gain on property revaluation	9,496
At 31 March 2011 and 1 April 2011	213,600
Disposals	(19,157)
Gain on property revaluation	9,557
At 31 March 2012 and 1 April 2012	204,000
Disposals	(117,617)
Gain on property revaluation	8,617
At 31 March 2013 and 1 April 2013	95,000
Gain on property revaluation	4,000
At 31 December 2013	99,000

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

The secured bank loan was pledged against first legal charge with rental assignment on all investment properties of the Target Group for the Relevant Periods.

The fair values of the Target Group's and Blooming Success's investment properties at 31 March 2011, 2012 and 2013 and 31 December 2013 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Target Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

The fair value was determined based on the direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality and other attributes of the Target Group's properties compared to the comparable properties. There has been no change from the valuation technique used in the Relevant Periods.

Details of the Target Group's investment properties and information about the fair value hierarchy as of each of the Relevant Periods are as follows:

Commercial property units located in Hong Kong	**Level 1**	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Fair value as at			
31 March 2011	–	213,600	–
31 March 2012	–	204,000	–
31 March 2013	–	95,000	–
31 December 2013	–	99,000	–

There were no transfers into or out of Level 2 during the Relevant Periods.

16. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

The Target Group

	At 31 March 2011	**At 31 March 2012**	**At 31 March 2013**	**At 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Deposit for acquisition of investment properties	–	–	–	24,942
Current assets				
Prepayments	5	5	–	–
Rental receivables	3,600	–	–	–
	3,605	5	–	–
	3,605	5	–	24,942

Blooming Success

	At 31 March 2011 *HK$'000*	At 31 March 2012 *HK$'000*	At 31 March 2013 *HK$'000*	At 31 December 2013 *HK$'000*
Prepayments	5	5	–	–
Rental receivables	3,600	–	–	–
	3,605	5	–	–

17. CASH AND CASH EQUIVALENTS

The Target Group and Blooming Success

	At 31 March 2011 *HK$'000*	At 31 March 2012 *HK$'000*	At 31 March 2013 *HK$'000*	At 31 December 2013 *HK$'000*
Cash and cash equivalents	258	1,605	37,589	412

18. ACCRUALS AND OTHER PAYABLES

The Target Group and Blooming Success

	At 31 March 2011 *HK$'000*	At 31 March 2012 *HK$'000*	At 31 March 2013 *HK$'000*	At 31 December 2013 *HK$'000*
Other payables	–	–	3,852	3,326
Dividend payables	–	–	3,700	–
Accruals	894	472	110	196
	894	472	7,662	3,522

19. AMOUNTS DUE TO DIRECTORS/A RELATED COMPANY

The Target Group and Blooming Success

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

The amount due to a related company is unsecured, interest-bearing at 2.2% per annum and repayable on demand.

20. DEPOSITS RECEIVED

The Target Group and Blooming Success

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits received	5,298	–	405	–

21. BANK LOAN – SECURED

The Target Group and Blooming Success

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loan – secured	93,050	87,077	59,357	56,285
Carrying amount repayable:				
On demand or within one year shown under current liabilities	93,050	87,077	59,357	56,285

Note:

(i) The Target Group had entered a mortgage loans in the Relevant Periods. For the period from 8 April 2010 (date of incorporation) to 31 March 2011, the Target Group entered into a mortgage loan facility. The loan carried interest at 1.0% over the Hong Kong inter-bank offered rate per annum. The effective interest rates for and as of 31 March 2011, 2012 and 2013 and 31 December 2013 were 1.1%, 1.4%, 2.7% and 2.7% respectively.

Since this mortgage loan includes an ordinary repayment on demand clause in the loan agreement, the loan does not be classified according to the repayment schedule. Instead, the outstanding amount of the mortgage loan is classified as current liabilities.

The mortgage loans are secured by a legal charge over the Target Group's properties and guaranteed by the directors of Blooming Success.

22. SHARE CAPITAL

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised, issued and fully paid:				
50,000 ordinary shares at US$1 each	390	390	390	390

23. ACQUISITION OF SUBSIDIARY

Acquisition of New Continent

On 8 November 2013, Blooming Success acquired the entire issued share capital of New Continent at the total consideration of US$2 (approximately HK$16) in cash. New Continent has not carried out any significant business transaction since the acquisition. The acquisition did not constitute an acquisition of business which Blooming Success principally acquired the deposit for purchase of investment properties through the acquisition. Therefore, the acquisition was not treated as business combination in accordance with the requirements of HKFRS 3 "Business Combination". The acquisition was accounted for as asset acquisition.

Summary of the effects of the acquisition is as follows:

	Acquiree's carrying amount	Total
	HK$'000	*HK$'000*
Net assets acquired:		
Deposit for purchase of investment properties	24,942	24,942
Amount due to Blooming Success	(24,942)	(24,942)
	–	–
Total consideration satisfied by:		
Cash consideration		–
Net cash outflow arising on acquisition:		
Cash consideration		–

Note: New Continent did not generate any turnover and incurred a loss of approximately HK$18,000 for the period from 8 November 2013 (the date of acquisition) to 31 December 2013.

If the acquisition had been completed on 1 April 2013, the Target Group's turnover and loss for the nine months ended 31 December 2013 would be nil and approximately HK$18,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of turnover and results of the Target Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is it intended to be a projection of future results.

24. OPERATING LEASE COMMITMENTS

Property rental income earned was approximately HK$4,320,000, HK$10,756,000, HK$1,609,000 and HK$1,080,000 during the period from 8 April 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and nine months ended 31 December 2013.

At the end of each of the Reporting Periods, the Target Group had contracted with tenants for the following future minimum lease payments.

	At 31 March 2011 HK$'000	At 31 March 2012 HK$'000	At 31 March 2013 HK$'000	At 31 December 2013 HK$'000
Within one year	864	1,188	1,620	1,080
In the second to fifth years, inclusive	–	1,633	68	–
	864	2,821	1,688	1,080

25. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Target Group had entered into the following related party transactions, which in the opinion of the directors of Blooming Success, were carried out on normal commercial terms and in the ordinary course of the Target Group.

Compensation of key management personnel of the Target Group, including directors' and their close family member's remuneration as detailed in Note 10 above.

	From 8 April 2010 (date of incorporation) to 31 March 2011 HK$'000	Year ended 31 March 2012 HK$'000	Year ended 31 March 2013 HK$'000	Nine months ended 31 December 2012 HK$'000 (unaudited)	Nine months ended 31 December 2013 HK$'000
Salaries, allowances and benefits in kind	–	–	2,325	1,665	1,882
Provident fund contributions	–	–	–	–	–
Total compensation paid to key management personnel	–	–	2,325	1,665	1,882

26. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the Target Group had no material contingent liabilities.

27. CAPITAL COMMITMENT

The Target Group had capital commitments for acquisition of investment properties amounted to approximately HK$62,914,000 which was contracted but not provided for as at 31 December 2013.

28. SUBSEQUENT EVENTS

There was no significant event took place subsequent to the 31 December 2013.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Blooming Success or any of the companies now comprising the Target Group in respect of any period subsequent to 31 December 2013.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS OF BLOOMING SUCCESS GROUP

Set out below is the management discussion and analysis of Blooming Success Group for the period from 8 April 2010 (date of incorporation) to 31 March 2011, the two years ended 31 March 2013 and the nine months ended 31 December 2013 (the "Relevant Periods") based on the accountants' report of Blooming Success Group as set out in Section A of this appendix.

Business and financial overview

Blooming Success Group comprises Blooming Success and New Continent only and is principally engaged in investment holding. Blooming Success Group owns the entire interests of Property A and Uncompleted Property B as at 31 December 2013.

The revenue of Blooming Success was all derived from rental income during the Relevant Periods. Set forth below is the revenue of Blooming Success Group during the Relevant Periods:

	From 8 April 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	4,320	10,756	1,609	1,178	1,080

After Completion, Blooming Success Group will continue to focus on properties investment in Hong Kong. Property A will be leased out to generate stable and recurring income for the Enlarged Group in the coming years. It is expected that Caine Road, where Property A is located, will have on-going development which may increase the footfall and transports of Caine Road.

Uncompleted Property B is expected to be completed in May 2014. After the completion of Uncompleted Property B, it is the preliminary plan that part of Uncompleted Property B will be self-occupied and the remaining part of Uncompleted Property B will be leased out. Since Uncompleted Property B is within walking distance of the Wong Chuk Hang MTR station, it is expected that there will be an increase in the demand for offices in that area.

Financial position

Total assets of Blooming Success group were approximately HK$217.4 million, HK$205.6 million, HK$132.6 million and HK$124.4 million as at 31 March 2011, 2012, 2013 and 31 December 2013, respectively. The majority of the total assets of Blooming Success Group were investment properties during the Relevant Periods.

Total liabilities of Blooming Success Group were approximately HK$172.4 million, HK$155.1 million, HK$96.6 million and HK$87.8 million as at 31 March 2011, 2012, 2013 and 31 December 2013. The liabilities of Blooming Success Group mainly include secured bank loans and the amounts due to directors and a related company, details of which can be referred to notes 19 and 21 of Section A of this appendix.

The net asset value of Blooming Success Group was approximately HK$45.0 million, HK$50.5 million, HK$36.0 million and HK$36.6 million as at 31 March 2011, 2012, 2013 and 31 December 2013, respectively.

Liquidity and financial resources, gearing

Blooming Success Group generally finances its operations with amounts due from directors and a related company and loans from banks.

As at 31 March 2011, 2012, 2013 and 31 December 2013, Blooming Success Group had current ratios of approximately 2.2%, 1.0%, 38.9% and 0.5% respectively and gearing ratios (defined as total debts divided by total assets) were approximately 0.76, 0.75, 0.67 and 0.68 respectively.

Commitments

Blooming Success Group leases out its investment properties to independent third parties under non-cancellable operating lease agreements. As at 31 March 2011, 2012, 2013 and 31 December 2013, the future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	At 31 March 2011	At 31 March 2012	At 31 March 2013	At 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	864	1,188	1,620	1,080
In the second to fifth years, inclusive	–	1,633	68	–
	864	2,821	1,688	1,080

Blooming Success Group had capital commitments for acquisition of investment properties amounted to approximately HK$62,914,000 which was contracted but not provided for as at 31 December 2013.

Charge on assets

Property A and its rental assignment was pledged to secure the mortgage loan from a bank thus investment properties of HK$213.6 million, HK$204.0 million, HK$95.0 million and HK$99.0 million of Blooming Success Group as at 31 March 2011, 2012, 2013 and 31 December 2013, respectively were charged.

Save as disclosed above, there were no charges on the Blooming Success Group's assets as at 31 March 2011, 2012, 2013 and 31 December 2013, respectively.

Foreign exchange risk

Blooming Success Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars. Most of Blooming Success Group's monetary assets and liabilities are also denominated in Hong Kong Dollars. Therefore, Blooming Success Group considers it has no significant foreign exchange risk.

Contingent liabilities

As at 31 March 2011, 2012, 2013 and 31 December 2013, Blooming Success Group had no material contingent liabilities.

Material acquisitions and disposals of subsidiaries and associated companies

Save for the acquisition of the entire issued share capital of New Continent on 8 November 2013, there were no material acquisitions or disposals of subsidiaries of Blooming Success Group during the Relevant Periods.

Employees and remuneration policies

Blooming Success Group employed 1 and 2 employees as at 31 March 2013 and 31 December 2013 respectively, who were remunerated according to nature of the job and market trend.

The following is the unaudited pro forma net asset statements of the Enlarged Group as if the Acquisition had been completed for the sole purpose of inclusion in this circular, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Far East Holdings International Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Far East Holdings International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 December 2013 and related notes as set out on pages III-4 to III-6 of the circular issued by the Company dated 1 April 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page III-4 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of all the shares of Blooming Success Limited on the Group's financial position as at 31 December 2013 (the "Acquisition") as if the Acquisition had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial information for the year ended 31 December, 2013 as set out in the Company's annual results announcement dated 28 March 2014.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) the basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 1 April 2014

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF ACQUISITION

The unaudited pro forma statement of assets and liabilities of the Group has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2013 as set out in Appendix I to this circular and has been adjusted for the effects of the Acquisition to illustrate how the Acquisition might have affected the financial position of the Group as if the Acquisition had taken place.

	The Group as at 31.12.2013	The Target Group as at 31.12.2013	Pro forma Adjustment 1	Pro forma Adjustment 2	Pro forma Adjustment 3	As at 31.12.2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Investment properties	10,140	99,000				109,140
Property plant and equipment	7,817	–				7,817
Prepaid lease payments	765	–				765
Available-for-sale investments	274,896	–				274,896
Deposit	–	24,942				24,942
Intangible asset	–	–	12,144			12,144
	293,618	123,942				429,704
Current Assets						
Prepaid lease payments	28	–				28
Held-for-trading investments	12,262	–				12,262
Inventories	3,255	–				3,255
Trade and other receivables	2,353	–				2,353
Amount due from a non-controlling interest	1,158	–				1,158
Amount due from a related party	9	–				9
Tax recoverable	10	–				10
Deposits held at financial institutions	20,201	–				20,201
Pledged bank deposits	6	–				6
Bank balances and cash	85,241	412	(10,000)	(1,753)	(3,163)	70,737
	124,523	412				110,019
Assets classified as held for sale	47,850	–				47,850
	172,373	412				157,869

	The Group as at 31.12.2013	The Target Group as at 31.12.2013	Pro forma Adjustment 1	Pro forma Adjustment 2	Pro forma Adjustment 3	As at 31.12.2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities						
Trade and other payables	(1,796)	(3,522)				(5,318)
Amounts due to related parties	(45)	(27,843)				(27,888)
Tax payables	–	(113)				(113)
Secured bank borrowings	–	(56,285)				(56,285)
	(1,841)	(87,763)				(89,604)
Net current assets	170,532	(87,351)				68,265
Total assets less current liabilities	464,150	36,591				497,969

Notes:

1. The financial information of the Group as at 31 December 2013 is extracted from the consolidated statement of financial position of the Group as at 31 December 2013 as set out in the Company's annual results announcement dated 28 March 2014. The financial information of the Target Group is extracted from the accountants' report on financial information of the Target Group for the years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2013 prepared by HLB Hodgson Impey Cheng Limited as set out in Appendix II.

2. Represented adjustments on the acquisition of Target Group by cash consideration of HK$10,000,000 and issue of 62,588,235 shares of the Company.

   Pro forma fair values of assets and liabilities of Target Group acquired:

	HK$
Investment properties *(Note i)*	99,000,000
Deposit	24,942,000
Intangible asset *(Note ii)*	12,144,000
Bank balances and cash	412,000
Trade and other payables	(3,522,000)
Amounts due to related parties	(27,843,000)
Tax payables	(113,000)
Secured bank borrowings	(56,285,000)
	48,735,000

Note i: The pro forma fair value of the investment properties of the Target Group is assumed to be the same as the fair value determined by a valuation carried out by DTZ Debenham Tie Leung Limited as at 24 January 2014.

Note ii: The intangible asset is arisen from the sale and purchase agreement entered into by the Target Group in relation to the purchase of properties at a cash consideration HK$87,856,000 of which HK$24,942,000 has been paid by the Target Group as at 31 December 2013. The pro forma fair value of these properties to be acquired by the Target Group is assumed to amount to HK$100,000,000, which is arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited as at 24 January 2014. The pro forma fair value of the intangible asset represented by the contractual rights of the Target Group under the sale and purchase agreement is assumed to be the same as its fair value as at 24 January 2014, which is determined by reference to the excess of pro forma fair value of these investment properties of HK$100,000,000 at the said valuation date over the consideration sum in the sale and purchase agreement of HK$87,856,000.

Note iii: The pro forma fair value of the other assets and liabilities of Target Group is assumed to be the same as their respective carrying amounts as at 31 December 2013.

3. Adjustment to reflect the legal and professional fee incurred related to the Acquisition.

4. Adjustment to reflect the stamp duty incurred related to the Acquisition.

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties in Hong Kong as at 24 January 2014.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

1 April 2014

The Directors
Far East Holdings International Limited
Room 2101–02, 21/F
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Dear Sirs,

Re: (1) Shops B, C, D and E on Ground Floor, On Fung Building, Nos. 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong.

(2) 23rd Floor and Car Parking Spaces Nos. 502 and 503 on the 5th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong.

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instruction of Far East Holdings International Limited (the "**Company**") and/or its subsidiaries (together referred to as the "**Group**") for us to carry out market valuation of the captioned properties (the "**Properties**"), we confirm that we have carried out site inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 24 January 2014 (the "**Date of Valuation**").

BASIS OF VALUATION

Our valuation of each of the Properties represents its market values which in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

Our valuation of each of the Properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale or transfer of immovable properties in Hong Kong may include stamp duty on the amount or value of the consideration (maximum 8.5%) and profits tax (16.5% on profit amount). Hence, there would be possibility that such potential tax liabilities will be crystallized upon the sale of the Properties. The Group confirmed that it has no intention to sell any of the Properties as at the date of this circular.

METHOD OF VALUATION

We have valued the Properties by direct comparison approach assuming sale of the Properties in its existing state by making reference to comparable sales transactions as available in the market.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of properties, particulars of occupancy, floor areas and all other relevant matters.

Dimensions, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the Properties but have caused searches to be made at the Land Registry in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendments to any documents. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuer, Mr. Enoch Chan who is a member of the Hong Kong Institute of Surveyors, inspected the exterior of the Properties recently. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the floor areas of the Properties and we have assumed that the areas shown on the documents handed to us are correct.

We attach herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K B Wong
Registered Professional Surveyor
(General Practice)
MRICS, MHKIS
Senior Director

Note: Mr. K B Wong is a Registered Professional Surveyor (General Practice) who has 29 years' property valuation experience in Hong Kong.

SUMMARY OF VALUATIONS

	Property	Market value as at 24 January 2014 *HK$*
1.	Shops B, C, D and E on Ground Floor, On Fung Building, Nos. 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong.	99,000,000
2.	23rd Floor and Car Parking Spaces Nos. 502 and 503 on the 5th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong.	100,000,000
	Total:	199,000,000

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value as at 24 January 2014
1.	Shops B, C, D and E on Ground Floor, On Fung Building, Nos. 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong. 12/272nd shares of and in the Remaining Portion of Sub-sections 1, 2, 3 and 4 and the Remaining Portion of Section B of Sub-section 1 of Section A of Inland Lot No. 424.	On Fung Building is a 29-storey composite building completed in 1977. The property comprises 4 shop units on the ground floor of the building. The locality of the property is characterised by composite and residential buildings of various ages. The saleable area of the property is approximately 2,654 sq.ft. (246.56 sq.m.). The property is held under various Government Leases for terms of 999 years commencing on 28 May 1855.	As at the Date of Valuation, the property was vacant.	HK$99,000,000

Notes:

(1) The registered owner of the property is Blooming Success Limited.

(2) Shop E on Ground Floor is subject to an Order No. CMS/TA/006814/06/HK under Section 24(1) of the Buildings Ordinance dated 20 October 2006 and a Superseding Order No. CMS/TA/037218/06/HK under Section 24(1) of the Buildings Ordiance dated 12 May 2009. In the course of our valuation, we have disregarded any reinstatement costs (if any) to be incurred for compliance with the abovesaid Orders and have not taken into account the costs of any remedial/preventive works required by the abovesaid Orders.

(3) The property is subject to a Mortgage in favour of Dah Sing Bank Limited for all moneys.

(4) The property is subject to a Rental Assignment in favour of Dah Sing Bank Limited.

(5) The property is zoned for "Residential (Group A)" use under Approved Mid-Levels West Outline Zoning Plan No. S/H11/15 dated 2 March 2010.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value as at 24 January 2014
2.	23rd Floor and Car Parking Spaces Nos. 502 and 503 on the 5th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong. 750/19000th shares of and in the Remaining Portion of Aberdeen Inland Lot No. 453.	Global Trade Square is a 30-storey commercial building which is in the final stage of development. According to the information contained in the sales brochure prepared by the developer of Global Trade Square, the scheduled completion date of the building is on 31 May 2014. The locality of the property is characterised by industrial buildings of various ages. The property comprises the whole of the 23rd floor and 2 car parking spaces on the 5th floor of Global Trade Square. Upon completion, the property will have a gross floor area of approximately 9,820 sq.ft. (912.30 sq.m.). The property is held from the Government under Conditions of Exchange No. 20115 for a term of 50 years from 14 October 2010. The Government rent of the subject lot is 3% of the Rateable Value of the subject lot per annum.	As at the Date of Valuation, the Property was under internal finishing.	HK$100,000,000 (Note (5))

Notes:

(1) The registered owner of the property is Lucky Gain Development Limited (whose shareholding companies are Henderson Land Development Company Limited, Hip Shing Hong Development Company Limited and Handsome Construction & Investment Company Limited), which is the vendor of Global Trade Square.

(2) The property is subject to 3 Agreements for Sale and Purchase all dated 26 April 2013 and all in favour of New Continent Development Limited. As at the Date of Valuation, the transaction of the property was not completed yet, so the registered owner of the property was still Lucky Gain Development Limited.

(3) The property is subject to an Occupation Permit No. HK30/013 dated 5 December 2013 (registration withheld).

(4) The property is zoned for "Other Specified Uses (2) (Business)" use under Draft Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/28 dated 12 July 2013.

(5) Our valuation represents the market value of the property assuming that it were completed as at the Date of Valuation. In the course of our valuation, we have assumed that the property were fully completed as at the Date of Valuation with the benefits of all permits, approvals and licences for immediate occupation and in vacant possession. No outstanding construction costs are allowed in our valuation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Vendor and Blooming Success Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Vendor and Blooming Success Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than that relating to the Vendor and Blooming Success Group) expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

The Vendor accepts full responsibility for the accuracy of the information relating to him and Blooming Success Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions relating to him and Blooming Success Group expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Consideration Shares will be, as follows:

		HK$
Authorised share capital:		
70,000,000,000	Shares	700,000,000
Issued and fully paid or credited as fully paid:		
454,256,829	Shares as at the Latest Practicable Date	4,542,568
Shares to be issued:		
62,588,235	Consideration Shares to be issued	625,882
Total Shares issued and to be issued:		
516,845,064	Shares	5,168,450

The nominal value of the Shares and the Consideration Shares is HK$0.01 each. All the existing Shares rank pari passu in all respects including all rights as to dividend, voting and capital. The Consideration Shares to be issued following completion will rank pari passu in all respects with the existing Shares on the relevant date of allotment.

Since 31 December 2013 (the date to which the latest audited financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has not issued any new Shares.

Particulars of the Outstanding Share Options as at the Latest Practicable Date are as follows:

Capacity of grantee	Grant date	Exercise price *HK$*	Exercisable period (both days inclusive)	Outstanding as at the Latest Practicable Date
Directors	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	14,990,473
Employees	21.4.2006	0.5032	23rd May, 2006 to 22nd May, 2016	798,864
	21.4.2006	0.5032	23rd May, 2007 to 22nd May, 2017	798,864
	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	3,179,797
				19,767,998

Save as disclosed above, the Company did not have any other options, warrants, derivatives and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model

Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares:

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

Notes:

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

(2) These Shares were held by various companies, namely Chung Kui Associates Limited, Sonia Development Limited, Polytaunton Lines Inc, Onyx Investment Limited, Parma Investment Limited, Interhotel Finance NV and Churchwood Investments Limited, which were wholly and beneficially owned by Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by the above companies.

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

4. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

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

Notes:

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

(2) These Shares were held by Deacon Chiu, *J.P.*, spouse of Madam Chiu Ju Ching Lan. By virtue of the SFO, Madam Chiu Ju Ching Lan was deemed to be interested in the Shares held by Deacon Chiu, J.P. The interests of Deacon Chiu, J.P. in the Company was stated under the section headed "DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE" above.

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

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, none of the Directors or their respective associates had any business or interest apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORS' MATERIAL INTERESTS

(a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group;

(b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for:

(i) the Acquisition Agreement; and

(ii) the sale and purchase agreement dated 13 July 2012 entered into between the Company and Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 35), pursuant to which the Company conditionally agreed to dispose of the entire issued share capital of Cathay Motion Picture Studios Limited ("**Cathay Motion**"), a wholly-owned subsidiary of the Company, and assign its debt, being HK$9,351,306 due to the Company by Cathay Motion, at an aggregate consideration of HK$8,500,000, which consists of HK$1 being the sale shares consideration and HK$8,499,999 being the debt consideration, in which Deacon Te Ken Chiu *J.P.*, Mr. Derek Chiu and Mr. Desmond Chiu have an interest as they are deemed members of the Chiu Family,

(c) No benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Acquisition and/or the Whitewash Waiver;

(d) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisition and/or the Whitewash Waiver or otherwise connected with the Acquisition and/or the Whitewash Waiver; and

(e) As at the Latest Practicable Date, save for the Acquisition Agreement, there was no material contract entered into by the Vendor in which a Director had a material personal interest.

7. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, the Company has in aggregate 454,256,829 Shares in issue and other than the Outstanding Share Options granted under the share option scheme of the Company, the Company does not have any options, warrants or convertible securities in issue.

The Vendor has confirmed that:

(i) apart from 62,588,235 Consideration Shares under the Acquisition Agreement, neither the Vendor nor the parties acting in concert with him have dealt for value in the Shares, options, warrants or any securities that are convertible into Shares during the Relevant Period;

(ii) apart from 100,829,369 Shares owned by the Vendor, and 80,406,128 Shares and 3,179,797 Outstanding Share Options owned by the parties acting in concert with the Vendor (including Chiu Family), neither the Vendor nor the parties acting in concert with him own, control or has direction over any Shares, options, warrants or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company as at the Latest Practicable Date;

(iii) neither the Vendor nor the parties acting in concert with him have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any person as at the Latest Practicable Date and during the Relevant Period;

(iv) neither the Vendor nor the parties acting in concert with him have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22) in the Company as at the Latest Practicable Date and during the Relevant Period; and

(v) no Shares acquired by the Vendor and the parties acting in concert with him in pursuance of the Acquisition will be transferred, charged or pledged to any other persons;

Other arrangements

To the best of the Directors' knowledge, information and belief, having made reasonable enquiries:

(i) as at the Latest Practicable Date, save for 2,512,500 Shares held by Quam Securities Company Limited, a fellow subsidiary of the Independent Financial Adviser, for the account of its clients managed on a discretionary basis, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group and none of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned, controlled or had any interests in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(ii) as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(iii) as at the Latest Practicable Date, save for 26,985,630 Shares which were held by the Directors who are also members of Chiu Family, namely Deacon Te Ken Chiu *J.P.*, Mr. Derek Chiu and Mr. Desmond Chiu as set out in the paragraph headed "Disclosure of interests of Directors and Chief Executive" in Appendix V to this circular, none of the Directors held Shares and accordingly, no Director was entitled to vote in respect of the proposed resolutions approving the Acquisition Agreement and the Whitewash Waiver, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(iv) as at the Latest Practicable Date and during the Relevant Period, there was no shareholding in the Company which any of the Company or the Directors has borrowed or lent;

(v) as at the Latest Practicable Date and during the Relevent Period, no Shareholders had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM; and

(vi) as at the Latest Practicable Date, save for the Acquisition Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Vendor or any parties acting in concert with him and any of the Directors, recent Directors, Shareholder or recent Shareholder which had any connection with or dependence upon the Acquisition or the Whitewash Waiver.

8. SERVICE CONTRACTS

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

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

Save as disclosed above, none of the Directors had entered, or proposed to enter, into any service contracts with the Company or any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries or associated companies which:

(a) (including continuous and fixed term contracts) was entered into or amended within six months before 5 February 2014, being the date of the Announcement;

(b) is a continuous contract with a notice period of 12 months or more; or

(c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group or Blooming Success Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or Blooming Success Group or to which any member of the Group or Blooming Success Group may become a party.

10. QUALIFICATION OF EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

Name	Qualification
Asian Capital (Corporate Finance) Limited	A licensed corporation to carry on for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Professional valuer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Quam Capital Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Asian Capital (Corporate Finance) Limited, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, HLB Hodgson Impey Cheng Limited and Quam Capital Limited has given and has not withdrawn its written consent to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Asian Capital (Corporate Finance) Limited, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, HLB Hodgson Impey Cheng Limited and Quam Capital Limited (save for 2,512,500 Shares held by Quam Securities Company Limited, a fellow subsidiary of Quam Capital Limited, for the account of its clients managed on a discretionary basis) was interested in any Share or share in any member of the Enlarged Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the aforesaid parties had any direct or indirect interests in any assets which have since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on or intended to be carried on by members of the Group, have been entered into by members of the Group and Blooming Success Group within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

(1) the Acquisition Agreement;

(2) the cornerstone investor agreement dated 27 November 2013 entered into between the Company, China Binary Sale Technology Limited ("**China Binary**") and Quam Securities Company Limited in relation to the acquisition of the shares of China Binary by the Company up to an aggregate value of HK$10 million. The acquisition was completed on 4 December 2013 and the Company acquired 16,662,000 shares of China Binary at a price of HK$0.6 per share;

(3) the equity transfer agreement dated 30 September 2013 entered into between Jubilee Star Limited, an indirect wholly-owned subsidiary of the Company, as vendor and 中國航空器材集團公司 (China Aviation Supplies Holding Company*), a state-owned enterprise established under the laws of the PRC, as purchaser in relation to the disposal by Jubilee Star Limited of approximately 20.02% of the equity interests in 北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd*) at a cash consideration of RMB40.50 million;

(4) the sale and purchase agreement dated 24 May 2013 entered into between the Company and Mr. Chu Kar Cheong ("**Mr. Chu**") pursuant to which Mr. Chu conditionally agreed to acquire and the Company conditionally agreed to sell the 221 shares of Market Talent Limited held by the Company at a cash consideration of HK$2,800,000;

(5) the underwriting agreement dated 14 December 2012 entered into between the Company and Sun Hung Kai International Limited ("**SHKIL**") as the underwriter in relation to the open offer of the Company at a subscription price of HK$0.20 per Share on the basis of one Share for every two Shares. The open offer was completed and a total of 151,418,943 offer shares were issued on 31 January 2013, resulting in gross proceeds of approximately not more than HK$30.4 million to the Company. A commission of 4.5% of the value of the maximum number of offer Shares committed to be underwritten by SHKIL was payable to SHKIL;

(6) the sale and purchase agreement dated 13 July 2012 entered into between the Company and Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 35), pursuant to which the Company conditionally agreed to dispose of the entire issued share capital of Cathay Motion Picture Studios Limited ("**Cathay Motion**"), a wholly-owned subsidiary of the Company, and assign its debt, being HK$9,351,306 due to the Company by Cathay Motion, at an aggregate consideration of HK$8,500,000, which consists of HK$1 being the sale shares consideration and HK$8,499,999 being the debt consideration.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 10:00 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal office of the Company at Room 2101–2102, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, from date of this circular up to (and including) the date of the EGM:

– the memorandum and articles of association of the Company;

– the material contracts referred to in the section headed "Material Contracts" in this appendix;

– the service contracts referred to in the section headed "Service Contracts" in this appendix;

– the annual results announcement of the Company for the year ended 31 December 2013;

– the annual reports of the Company for each of the two years ended 31 December 2011 and 2012;

– the accountants' report on Blooming Success Group from HLB Hodgson Impey Cheng Limited as set out in Appendix II to this circular;

– the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

– the valuation report in respect of Property A and Uncompleted Property B from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix IV;

– the letter of advice from the Independent Financial Adviser, the text of which is set out on page 20 to 38 of this circular;

– the letter from the Board, the text of which is set out on pages 5 to 18 of this circular;

– the letter of recommendation from the Independent Board Committee, the text of which is set out on page 19 of this circular;

– the written consent letters of the experts referred to in the section headed "Expert's Qualifications and Consents" in this appendix; and

– the circular of the Company dated 23 October 2013.

The above documents will be available at the website of the SFC at www.sfc.hk and the Company's website at http://www.feholdings.com.hk from the date of this circular up to (and including) the date of the EGM in accordance with Note 1 to Rule 8 of the Takeovers Code.

13. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of the Stock Exchange for each calendar month during the Relevant Period; (ii) the last trading day prior to the date of the Announcement; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
30 August 2013	0.325
30 September 2013	0.325
31 October 2013	0.355
29 November 2013	0.365
31 December 2013	0.330
30 January 2014	0.425
28 February 2014	0.440
4 February 2014 (being the last trading day immediately prior to the date of the Announcement)	0.425
Latest Practicable Date	0.500

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$0.600 on 6 January 2014 and HK$0.265 on 21 August 2013 respectively.

14. MISCELLANEOUS

– The address of the Vendor is at Flat A, 14/F, High Cliff, No. 41D Stubbs Road, Hong Kong.

– The address of the principal members of Chiu Family, Deacon Te Ken Chiu, J.P. and Madam Chiu Ju Ching Lan, is 10 1/4 Miles, Castle Peak Road, Lot 270, D.D. 354, Yau Kam Tau, New Territories, Hong Kong.

– The Company Secretary of the Company is Ms. Wong Po Ling Pauline ("**Ms. Wong**"). Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries.

– The registered office of the Company is at 16/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong and the head office and the principal place of business of the Company in Hong Kong is at Room 2101–2102, 21st Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.

– The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

– The English text of this circular prevails over the Chinese text in case of inconsistency.

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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Far East Holdings International Limited (the "**Company**") will be held at The Penthouse, 24/F., Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong on Tuesday, 22 April, 2014, at 4:00 p.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

RESOLUTIONS

1. "**THAT**:

(a) conditional sale and purchase agreement dated 24 January 2014 entered into between Mr. Duncan Chiu, a substantial shareholder of the Company as vendor (the "**Vendor**") and the Company as the purchaser in respect of the acquisition of the entire issued share capital of Blooming Success Limited (the "**Acquisition Agreement**", a copy of which has been produced before the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) at a total consideration of HK$36.6 million and all the transactions contemplated thereunder and in connection therewith, be and hereby approved, confirmed and ratified;

(b) the allotment and issue to the Vendor of 62,588,235 Consideration Shares (as defined in the circular of the Company dated 1 April 2014 (the "**Circular**", a copy of which has been produced before the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification)) credited as fully paid-up at the issue price of HK$0.425 per Consideration Share, as part of the consideration for the Acquisition (as defined in the Circular) pursuant to the Acquisition Agreement, be and is hereby approved; and

(c) any one director (the "**Director**") of the Company, or if the affixation of the common seal is necessary, two Directors of whom one must be either the Chairman of Directors or a Managing Director, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts or things as he/they may in his/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to or in connection with the Acquisition Agreement and the transactions contemplated thereunder (including without limitation, the allotment and issue of the Consideration Shares and to agree with such variation, amendment or waiver as, in the opinion of the Directors, is in the interest of the Company and its shareholders as a whole)."

2. "**THAT**:

(a) the whitewash waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers to waive the obligation of the Vendor and parties acting in concert with him to make a mandatory offer for all the shares and securities issued by the Company not already owned or agreed to be acquired by them as a result of the issue of the Consideration Shares be and is hereby approved; and

(b) any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents and do all such acts or things as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to or in connection with the Whitewash Waiver."

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

Hong Kong, 1 April 2014

Registered Office:
16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Head Office & Principal Place of Business:
Room 2101–2102, 21/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Notes:

1. A form of proxy for use at the extraordinary general meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.

3. Any member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company at the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting.

5. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the extraordinary general meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding

7. As at the date of this notice, the Board of the Company comprises eight Directors, of which four are executive Directors, namely, Deacon Te Ken Chiu, J.P., Mr. Derek Chiu, Mr. Richard Yen and Mr. Ip Ngai Sang, one is non-executive Director, namely, Mr. Desmond Chiu; and three are independent non-executive Directors, namely, Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

8. The voting on the resolutions will be conducted by way of poll.