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**遠東控股國際有限公司**

**Far East Holdings International Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 36)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2015**

**INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Far East Holdings International Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2015 (the “Period”) together with comparative figures of the corresponding period in 2014.

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

*For the six months ended 30th June, 2015*

		<b>Six months ended</b>	
		<b>30th June, 2015</b>	30th June, 2014
	<i>Notes</i>	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> <b>(unaudited)</b>
<b>Continuing operations</b>			
Revenue	3	<b>5,767</b>	7,252
Cost of sales		<b>(6,212)</b>	(7,746)
		<hr/>	<hr/>
Gross loss		<b>(445)</b>	(494)
Dividend income from available-for-sale investments		<b>71</b>	71
Dividend income from held-for-trading investments		<b>681</b>	145
Other income		<b>1,080</b>	99
Other gains and losses	4	<b>76,624</b>	1,036
Selling and distribution costs		<b>(41)</b>	(72)
Administrative expenses		<b>(15,423)</b>	(11,291)
Finance costs		<b>(1,285)</b>	(247)
		<hr/>	<hr/>
Profit (loss) before tax		<b>61,262</b>	(10,753)
Income tax expense	5	<b>(9,335)</b>	–
		<hr/>	<hr/>
Profit (loss) for the period from continuing operations	6	<b>51,927</b>	(10,753)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	7	<b>–</b>	7,286
		<hr/>	<hr/>
Profit (loss) for the period		<b>51,927</b>	(3,467)
		<hr/>	<hr/>
<b>Other comprehensive (expense) income:</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising from the translation of foreign operations		<b>132</b>	(276)
Fair value gain on available-for-sale investments		<b>10,073</b>	15,094
Reclassification adjustment upon disposal of available-for-sale investments		<b>(18,958)</b>	–
Reclassification adjustment of exchange reserve upon disposal of a joint venture		<b>–</b>	(4,623)
		<hr/>	<hr/>
<b>Other comprehensive (expense) income for the period</b>		<b>(8,753)</b>	10,195
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		<b>43,174</b>	6,728
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** *(Continued)*

*For the six months ended 30th June, 2015*

		<b>Six months ended</b>	
		<b>30th June, 2015</b>	30th June, 2014
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>53,263</b>	(2,625)
Non-controlling interests		<b>(1,336)</b>	(842)
		<u><b>51,927</b></u>	<u>(3,467)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>44,444</b>	7,705
Non-controlling interests		<b>(1,270)</b>	(977)
		<u><b>43,174</b></u>	<u>6,728</u>
			(Restated)
<b>Earnings (loss) per share</b>			
From continuing and discontinued operations			
Basic (HK cents)	9	<b>6.61</b>	(0.47)
Diluted (HK cents)	9	<b>N/A</b>	(0.47)
		<u><b>6.61</b></u>	<u>(0.47)</u>
From continuing operations			
Basic (HK cents)	9	<b>6.61</b>	(1.76)
Diluted (HK cents)	9	<b>N/A</b>	(1.76)
		<u><b>6.61</b></u>	<u>(1.76)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

		30th June, 2015 HK\$'000 (unaudited)	31st December, 2014 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties	10	52,015	220,750
Property, plant and equipment	10	23,728	6,558
Prepaid lease payments		609	659
Available-for-sale investments	11	–	20,951
		<b>76,352</b>	248,918
<b>CURRENT ASSETS</b>			
Prepaid lease payments		23	25
Held-for-trading investments	12	294,545	1,932
Inventories		3,950	3,370
Trade and other receivables	13	2,249	2,583
Amount due from a non-controlling interest		2,924	3,140
Amount due from a related party		–	9
Tax recoverable		10	10
Deposits held at financial institutions	12	246,673	198,694
Pledged bank deposits		–	7
Bank balances and cash		248,470	74,170
		<b>798,844</b>	283,940
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,916	2,414
Tax payable		9,335	–
Amounts due to related parties		39	38
Secured bank borrowings – due within one year	15	–	87,192
		<b>11,290</b>	89,644
<b>NET CURRENT ASSETS</b>		<b>787,554</b>	194,296
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>863,906</b>	443,214

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
*At 30th June, 2015*

	<i>Note</i>	<b>30th June, 2015</b> <i>HK\$'000</i> <b>(unaudited)</b>	31st December, 2014 <i>HK\$'000</i> (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>16</i>	<b>632,610</b>	255,092
Reserves		<b>216,517</b>	172,073
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>849,127</b>	427,165
Non-controlling interests		<b>14,779</b>	16,049
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>863,906</b>	443,214
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKAS 19      *Defined Benefit Plans: Employee Contributions;*
- Amendments to HKFRSs      *Annual Improvements to HKFRSs 2010-2012 Cycle;* and
- Amendments to HKFRSs      *Annual Improvements to HKFRSs 2011-2013 Cycle.*

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

Information reported to the Executive Directors of the Group, being the chief operating decision maker (“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:

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

Pursuant to the Company’s announcement dated 12th December, 2014, as the Group intended to develop the short term securities investment business as one of its principal business activities, the CODM considered the short term securities investment as a new reporting segment. Accordingly, the Group’s performance of short term securities investment was reclassified from the unallocated segment to securities investment segment in the annual financial statements for the year ended 31st December, 2014. The comparative information has been re-presented to conform with the current interim period’s presentation.

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results

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

#### Six months ended 30th June, 2015

##### Continuing operations

	Industrial <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Other operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (unaudited)
<b>Segment and external revenue</b>	<u>5,767</u>	<u>–</u>	<u>–</u>	<u>5,767</u>
<b>Segment results</b>	<u>(3,122)</u>	<u>57,276</u>	<u>(519)</u>	<u>53,635</u>
Other income				1,080
Finance costs				(1,285)
Unallocated expenses				(12,198)
Loss on disposal of property, plant and equipment				(2)
Gain on disposal of available-for-sale investments				18,846
Gain on disposal of derivative financial instruments				659
Gain on disposal of subsidiaries				<u>527</u>
Profit before tax				<u><u>61,262</u></u>

#### Six months ended 30th June, 2014 (restated)

##### Continuing operations

	Industrial <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Other operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (unaudited)
<b>Segment and external revenue</b>	<u>7,252</u>	<u>–</u>	<u>–</u>	<u>7,252</u>
<b>Segment results</b>	<u>(1,977)</u>	<u>394</u>	<u>457</u>	<u>(1,126)</u>
Other income				99
Finance costs				(247)
Unallocated expenses				(9,599)
Gain on disposal of property, plant and equipment				<u>120</u>
Loss before tax				<u><u>(10,753)</u></u>

Segment results represent the profit (loss) from each segment without allocation of other income, corporate expenses, finance costs, gain (loss) on disposal of property, plant and equipment, derivative financial instruments, subsidiaries and available-for-sale investments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Segment result of securities investment segment includes gain or loss from changes in fair value of held-for-trading investments and dividend from held-for-trading investments.

#### 4. OTHER GAINS AND LOSSES

##### Continuing operations

	Six months ended	
	30th June, 2015 HK\$'000 (unaudited)	30th June, 2014 HK\$'000 (unaudited)
Increase in fair value of held-for-trading investments	56,594	206
Gain on disposal of available-for-sale investments	18,846	–
Gain on disposal of derivative financial instruments	659	–
Gain on disposal of subsidiaries (Note 20)	527	–
(Loss) gain on disposal of property, plant and equipment	(2)	120
Increase in fair value of investment properties	–	710
	<u>76,624</u>	<u>1,036</u>

#### 5. INCOME TAX EXPENSE

##### Continuing operations

Current tax:

Hong Kong Profits Tax

Six months ended	
30th June, 2015 HK\$'000 (unaudited)	30th June, 2014 HK\$'000 (unaudited)
9,335	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current interim period. For the six months end 30th June, 2014, Hong Kong Profits Tax had not been provided for as the Group had no assessable profit for the period.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25%. EIT has not been provided for as the Group has no assessable profit for both periods.

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

	Six months ended	
	30th June, 2015 HK\$'000 (unaudited)	30th June, 2014 HK\$'000 (unaudited)
Profit (loss) for the period from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	53	53
Depreciation of property, plant and equipment	525	711
Directors' remuneration and other staff costs	9,170	9,153
Legal and professional fee	3,621	2,012



## 7. DISCONTINUED OPERATIONS

On 30th September, 2013, the Group entered into a disposal agreement (the “Disposal Agreement”) with 中國航空器材集團公司 (“中國航空器材”), pursuant to which 中國航空器材 conditionally agreed to acquire and the Group conditionally agreed to sell its approximately 20.02% equity interest of Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”) at a consideration of RMB40,500,000 (equivalent to approximately HK\$51,204,000).

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

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

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

	Six months ended 30th June, 2014 HK\$'000 (unaudited)
Gain on disposal of discontinued operations	<u>7,286</u>

The discontinued operations did not have any impact on the cash flows of the Group for the six months ended 30th June, 2014.

## 8. DIVIDEND

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

On 13th October, 2014, an interim dividend for the six months ended 30th June, 2014 of HK10 cents per share amounting to approximately HK\$53,661,000 was paid to the shareholders of the Company.

## 9. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

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

	<b>Six months ended</b>	
	<b>30th June, 2015 HK\$'000 (unaudited)</b>	<b>30th June, 2014 HK\$'000 (unaudited)</b>
Profit (loss) for the purposes of basic (2014: basic and diluted) earnings (loss) per share	<u>53,263</u>	<u>(2,625)</u>
Number of shares:		(Restated)
Weighted average number of ordinary shares for the purposes of basic (2014: basic and diluted) earnings (loss) per share	<u>805,300,742</u>	<u>564,431,562</u>

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

For the six months ended 30th June, 2014, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 13th February, 2015, details of which are described in note 16.

### From continuing operations

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

	<b>Six months ended</b>	
	<b>30th June, 2015 HK\$'000 (unaudited)</b>	30th June, 2014 HK\$'000 (unaudited)
Profit (loss) for the period attributable to the owners of the Company	<b>53,263</b>	(2,625)
Less: Profit for the period from discontinued operations attributable to the owners of the Company	<u>–</u>	<u>7,286</u>
Profit (loss) for the purposes of calculating basic (2014: basic and diluted) earnings (loss) per share from continuing operations	<u><b>53,263</b></u>	<u>(9,911)</u>

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

The computation of the diluted loss per share for the six months ended 30th June, 2014 does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in the loss per share from continuing operations. There were no potential ordinary shares outstanding during the six months ended 30th June, 2015.

### From discontinued operations

Basic and diluted earnings per share from discontinued operations for the six months ended 30th June, 2014 was HK1.29 cents (restated) per share, based on the profit for the period from discontinued operations of HK\$7,286,000 and the denominators used are the same as those detailed above.

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30th June, 2015, investment properties of HK\$52,015,000 and property, plant and equipment of HK\$17,628,000 (six months ended 30th June, 2014: investment properties of HK\$99,000,000) were acquired on acquisition of assets through acquisition of subsidiaries, details of which are set out in note 19.

During the current interim period, the Group disposed of certain investment properties with an aggregate carrying amount of HK\$14,750,000 for cash proceeds of HK\$14,750,000. No gain or loss was recognised on the disposal of investment properties.

In addition, during the current interim period, investment properties of HK\$206,000,000 were disposed through disposal of subsidiaries (see note 20).

The fair value of the Group's investment properties at 30th June, 2015 was determined by the directors of the Company based on the market approach. The market approach uses prices and other relevant information generated by market transactions involving comparable properties. No change in fair value of investment properties has been recognised in profit or loss for the six months ended 30th June, 2015.

The fair value of the Group's investment properties at 30th June, 2014 had 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 experience in the valuation of similar properties in the relevant locations. The resulting increase in fair value of investment properties of HK\$710,000 had been recognised directly in profit or loss for the six months ended 30th June, 2014.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 30th June, 2015. There were no transfers into or out of Level 3 during the period.

## 11. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group disposed the equity securities listed in Hong Kong with a carrying amount of HK\$31,024,000 (six months ended 30th June, 2014: Nil) and a gain of HK\$18,846,000 (six months ended 30th June, 2014: Nil) has been recognised in profit or loss.

## 12. HELD-FOR-TRADING INVESTMENTS/DEPOSITS HELD AT FINANCIAL INSTITUTIONS

	<b>30th June, 2015</b>	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Listed equity securities:		
Hong Kong	<u><u>294,545</u></u>	<u><u>1,932</u></u>

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

As at 30th June, 2015, the Group's five largest held-for-trading investments contributed to approximately 87% of the Group's held-for-trading investments and such investments contributed 92% of the gains from changes in fair value of held-for-trading investments recognised in profit or loss for the current interim period.

As at 30th June, 2015, the Group's deposits held at financial institutions are placed in securities trading accounts in two (31st December, 2014: 99.9% in one) financial institutions for the purpose of the Group's securities investment operation.

### 13. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (31st December, 2014: 90 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, at the end of the reporting period:

	<b>30th June, 2015 HK\$'000 (unaudited)</b>	31st December, 2014 HK\$'000 (audited)
Current	<b>1,113</b>	1,535
Past due:		
0 to 30 days	<b>103</b>	465
31 to 60 days	<b>61</b>	53
61 to 90 days	–	–
Over 90 days	<b>20</b>	–
	<hr/>	<hr/>
Total trade receivables	<b>1,297</b>	2,053
Other receivables	<b>952</b>	530
	<hr/>	<hr/>
	<b>2,249</b>	2,583
	<hr/> <hr/>	<hr/> <hr/>

### 14. TRADE AND OTHER PAYABLES

	<b>30th June, 2015 HK\$'000 (unaudited)</b>	31st December, 2014 HK\$'000 (audited)
Trade payables	<b>52</b>	52
Other payables and accruals	<b>1,864</b>	2,362
	<hr/>	<hr/>
	<b>1,916</b>	2,414
	<hr/> <hr/>	<hr/> <hr/>

At 30th June, 2015 and 31st December, 2014, all trade payables were aged over 90 days based on the invoice date.

### 15. SECURED BANK BORROWINGS

At 31st December, 2014, the secured bank borrowings carried variable interest at a premium over Hong Kong Interbank Offered Rate and were repayable on demand. The bank loans were discharged upon the disposal of subsidiaries during the current interim period.

## 16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid:		
At 1st January, 2014	454,256,829	4,543
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance ( <i>Note i</i> )	–	202,547
New shares issued as consideration for the acquisition of subsidiaries ( <i>Note ii</i> )	62,588,235	37,971
	<hr/>	<hr/>
At 30th June, 2014	516,845,064	245,061
Exercise of share options	19,767,998	10,031
	<hr/>	<hr/>
At 31st December, 2014	536,613,062	255,092
Shares issued upon Open Offer ( <i>Note iii</i> )	268,306,531	78,480
Placing of shares ( <i>Note iv</i> )	284,199,000	299,038
	<hr/>	<hr/>
At 30th June, 2015	1,089,118,593	632,610
	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3rd March, 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relevant entitlement of any of the shareholders as a result of this transition.
- (ii) On 24th January, 2014, the Company and a connected person ("Person A") of the Company who is a sibling of a director and a shareholder with significant influence over the Company entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and Person A conditionally agreed to sell the entire issued share capital of Blooming Success Limited, a company wholly owned by Person A. As at 25th April, 2014, the net assets value of Blooming Success Limited and its subsidiary ("Blooming Success") was HK\$48 million, in which HK\$10 million was satisfied in cash and HK\$38 million was satisfied by the issue and allotment of 62,588,235 consideration shares. Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014, and 62,588,235 consideration shares were issued by the Company to Person A on the same day.
- (iii) Pursuant to an ordinary resolution passed at a board meeting of the Company on 12th February, 2015, an issue of shares by the Company at a price of HK\$0.30 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 268,306,531 new shares were issued on 13th February, 2015, resulting in gross proceeds of approximately HK\$80,492,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK\$2,012,000.

## 16. SHARE CAPITAL (Continued)

Notes: (Continued)

- (iv) On 16th April, 2015, the Company entered into the placing agreement, pursuant to which 102,999,000 new shares of the Company would be placed to independent investors at the placing price of HK\$0.55 per share, representing a discount of 19.12% to the closing price of the share on the date of the placing agreement. The completion of the placing took place on 30th April, 2015, resulting in gross proceeds of HK\$56,649,000 to the Company. Transaction costs on the placing of shares amounted to approximately HK\$1,416,000.

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

## 17. PLEDGE OF ASSETS

At 30th June, 2015:

- (a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK\$4.0 million (31st December, 2014: HK\$132.0 million) are secured by the listed investments and deposits of the Group held at financial institutions of HK\$176 million (31st December, 2014: HK\$5.8 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) certain overdraft and revolving loan facilities have been terminated in the current interim period. At 31st December, 2014, overdraft and revolving loan facilities to the extent of approximately HK\$44,000, of which none has been utilised at the end of the reporting period, were secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$182,000. The listed investments comprised held-for-trading securities held by the Group;
- (c) short term loan and margin facilities in respect of securities transactions of approximately HK\$77.5 million (31st December, 2014: HK\$77.6 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\$96.0 million (31st December, 2014: HK\$205.5 million). The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group; and
- (d) at 31st December, 2014, bank loan facilities to the extent of approximately HK\$87.2 million, of which approximately HK\$87.2 million were drawdown and fully utilised, were secured by the Group's investment properties with an aggregate carrying value of approximately HK\$206.0 million. The bank loan facilities have been terminated upon the disposal of the respective investment properties in the current interim period.

## 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

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

<b>Financial assets</b>	<b>Fair value as at 30th June, 2015 HK\$'000</b>	<b>Fair value as at 31st December, 2014 HK\$'000</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key inputs</b>
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the consolidated statement of financial position	294,545	1,932	Level 1	Quoted bid prices in an active market
2. Listed equity securities in Hong Kong classified as available-for-sale investments in the consolidated statement of financial position	–	20,951	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and 2 in the current and prior periods.

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

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

## 19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

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

The net assets acquired in the transaction were as follows:

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

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



## 19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The net assets acquired in the transaction were as follows:

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

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

## 20. DISPOSAL OF SUBSIDIARIES

On 17th February, 2015, the Company and Person A (see Note 19) entered into the sale and purchase agreements in which the Company conditionally agreed to sell and Person A conditionally agreed to acquire the entire equity interest of Blooming Success, a wholly owned subsidiary of the Company which is engaged in property investment, at an aggregate cash consideration of HK\$121,101,000. The disposal was completed on 12th June, 2015, on which date control of Blooming Success passed to Person A.

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

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

## 21. RELATED PARTY TRANSACTIONS

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

### Compensation of key management personnel

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

	Six months ended	
	30th June, 2015 HK\$'000 (unaudited)	30th June, 2014 HK\$'000 (unaudited)
Short-term benefits	2,430	2,494
Post-employment benefits	27	37
	<u>2,457</u>	<u>2,531</u>

## 22. EVENTS AFTER THE END OF THE REPORTING PERIOD

As set out in the Company's announcement made on 17th July, 2015, the Company has entered into the subscription agreements with six independent third parties regarding the possible subscription of new shares of the Company, representing more than 50% of the entire issued share capital of the Company as enlarged by that subscription and of convertible securities to be created by the Company. The subscription agreements are conditional on the approval of shareholders of the Company in general meeting, a capital reduction by the Company and a related cash distribution to shareholders and the grant of the whitewash waiver, amongst other things. Up to the date of approval for issuance of this interim result, the above transaction is not yet complete.

Subsequent to the end of the reporting period, due to the share price declines in the Hong Kong securities market, the fair values of the Group's held-for-trading investments have decreased significantly and as at the latest practicable date (28th August, 2015), the fair values were significantly below their carrying amounts as at 30th June, 2015 and were below their total costs.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CORPORATE RESULTS**

For the six months period ended 30th June, 2015, the Group recorded revenue from operations of approximately HK\$5.8 million, representing a decrease of 20.5% as compared to the corresponding period in 2014. The Group's profit for the Period attributable to owners of the Company was approximately HK\$53.3 million (loss attributable to owners of the Company of HK\$2.6 million for the corresponding period in 2014). The total comprehensive income of the Group for the Period was approximately HK\$43.2 million (HK\$6.7 million for the corresponding period in 2014), which was mainly due to increase in fair value of held-for-trading investments of equity securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The basic earnings per share for the Period was 6.61 HK cents (basic loss per share of 0.47 HK cents for the corresponding period in 2014 (restated)).

### **BUSINESS REVIEW AND PROSPECTS**

#### **Business Review**

The Group's core business continues to be in the People's Republic of China (the "PRC") and Hong Kong. The major business activities include manufacturing and export of garment products, property investment and investment in securities.

#### **Garment Manufacturing Industry**

*Jiangsu BangBang-Silky Fashion Manufacturer Company Limited ("JBB")*

JBB recorded revenue of approximately HK\$5.8 million for the Period, representing a decrease of approximately 20.5% as compared to the corresponding period in 2014. JBB is still facing challenges in terms of increasing material and labor costs, and falling per unit sales price. The market conditions in Japan and Europe have yet to improve and demand for children's wear remains low. Nonetheless JBB will continue to down size and find ways to increase its income to offset its losses. JBB is currently looking for ways to structurally change the business model of this segment to improve productivity and profitability, including the PRC business development.

#### **Property Investment**

As at 30th June, 2015, the portfolio of investment properties comprised of commercial units located in Hong Kong with a total carrying value of approximately HK\$52.0 million (31st December, 2014: HK\$220.8 million), which was due to the completion of the disposal of the entire equity interest of Blooming Success and acquisition of the entire equity interest of Coast Holdings.

## **Investment in Securities**

During the Period, the Group takes a more active and opportunistic approach in gaining short term investment profits. The Group intends to concurrently continue its existing business while developing the new short term securities investment business as one of its principal business activities. The Group recorded increase in fair value of held-for-trading investments amounted to HK\$56.6 million (HK\$0.2 million for the corresponding period in 2014).

## **Events after the Period**

As set out in the Company's announcement made on 17th July, 2015, the Company has entered into the subscription agreements with six independent third parties regarding the possible subscription of new shares of the Company, representing more than 50% of the entire issued share capital of the Company as enlarged by that subscription and of convertible securities to be created by the Company. The subscription agreements are conditional on the approval of shareholders of the Company in general meeting, a capital reduction by the Company and a related cash distribution to shareholders and the grant of the whitewash waiver, amongst other things. Up to the date of approval for issuance of this interim result, the above transaction is not yet complete.

Subsequent to the end of the reporting period, due to the share price declines in the Hong Kong securities market, the fair values of the Group's held-for-trading investments have decreased significantly and as at the latest practicable date (28th August, 2015), the fair values were significantly below their carrying amounts as at 30th June, 2015 and were below their total costs.

## **Prospects**

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

While investment in securities in Hong Kong contributed to the Company's bottom line, the liquidity and sentiment of the securities market is not as favorable as before. The Company will continue to put more resources in developing further investment opportunities.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 30th June, 2015, the Group had bank balances and cash and deposits held at financial institutions amounting to HK\$495.1 million (31st December, 2014: HK\$272.9 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 30th June, 2015, the Group had no outstanding interest bearing bank borrowings (31st December, 2014: HK\$87.2 million).

## Gearing Ratio

As the Group did not have any interest bearing bank loans and was in net cash position as at 30th June, 2015, no gearing ratio (expressed as a percentage of total debts to equity attributable to owners of the Company) information was presented (31st December, 2014: 20.4%).

## Current Ratio

The Group's current ratio (current assets to current liabilities) as at 30th June, 2015 increased to 70.8 (31st December, 2014: 3.2). On the whole, the financial position and liquidity of the Group remained strong and stable.

## Capital Structure

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

During the Period, the Company has issued (i) 268,306,531 offer shares at HK\$0.30 per share; (ii) 102,999,000 new ordinary shares upon a placement at HK\$0.55 per share; and (iii) 181,200,000 new ordinary shares upon a placement at HK\$1.38 per share. As at 30th June, 2015, the total number of issued ordinary shares of the Company was 1,089,118,593 shares.

## Use of Proceeds

The Company has conducted the following equity fund raising activities during the Period.

Date of completion of the fund raising activities	Fund raising activities	Net proceeds (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds as at the date of this announcement
13th February, 2015	Open offer of 268,306,531 offer shares on the basis of one offer share for every two existing shares	HK\$77 million	To be used as to HK\$62 million for short-term investments in securities and HK\$15 million for working capital of the Group	Used as intended
30th April, 2015	Placing of 102,999,000 shares	HK\$55 million	For general working capital and/or securities investment of the Group	Entirely used for securities investment of the Group
23rd June, 2015	Placing of 181,200,000 shares	HK\$244 million	For general working capital and/or securities investment and/or further investment opportunities of the Group	HK\$70 million was utilised to acquire Coast Holdings and the balance of approximately HK\$174 million is held in a financial institution for the intended use in the future

## **Exposure on Foreign Exchange Fluctuations**

The Group had no significant exposure to foreign exchange fluctuation during the Period.

## **Charges Over Assets of the Group**

As at 30th June, 2015, the Group did not have any charges on its assets (31st December, 2014: Nil).

## **Contingent Liabilities**

As at 30th June, 2015, the Company had no contingent liabilities (31st December 2014: HK\$87.19 million, representing guarantees given to banks in respect of banking facilities granted to subsidiaries).

## **Capital Commitment**

As at 30th June, 2015, the Group had no significant capital commitments (31st December, 2014: Nil).

## **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

On 17th February, 2015, the Company and Person A entered into the sale and purchase agreements in which the Company conditionally agreed to sell and Person A conditionally agreed to acquire the entire equity interest of Blooming Success, a wholly owned subsidiary of the Company which is engaged in property investment, at an aggregate cash consideration of HK\$121,101,000. The disposal was completed on 12th June, 2015, on which date control of Blooming Success passed to Person A. Details of this transaction are disclosed in the Company's announcements dated 18th February, 2015, 20th April, 2015, 30th April, 2015, 18th May, 2015 and 12th June, 2015 and the circular of the Company dated 31st March, 2015.

On 30th June, 2015, the Group acquired 100% of the issued share capital of Coast Holdings at a cash consideration of HK\$70,232,000. Coast Holdings is principally engaged in property investment and its major assets are office units in Hong Kong classified as investment properties, one of which was leased out to the Group. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination. Details of this transaction are disclosed in the Company's announcements dated 15th June, 2015 and 30th June, 2015.

## **Employees and Remuneration Policy**

As at 30th June, 2015, the Group had approximately 146 employees in Hong Kong and the PRC (31st December, 2014: 163 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be paid to reward and motivate those well performed employees. The Group adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There was no outstanding share option under the share option scheme of the Company as at 30th June, 2015 (31st December, 2014: Nil).

## **INTERIM DIVIDEND**

No dividends were paid, declared or proposed during the Period. The Directors do not recommend the payment of an interim dividend.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the following:

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



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

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

Mr. Desmond Chiu, a non-executive Director until his resignation with effect from 16th February, 2015, was not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, all Directors are subject to retirement by rotation at each annual general meeting of the Company under articles 79 and 80 of the articles of association of the Company ("Articles of Association"). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

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

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

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

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

As stated above, the Company did not officially have a chairman since 12th December, 2014. A majority of the Directors have attended the AGM and one of the executive Directors was elected chairman of the said meeting.

## **AUDIT COMMITTEE**

An Audit Committee was established by the Board with written terms of reference which are consistent with the provisions as set out in the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Chan Ming Sun, Jonathan (chairman of the Audit Committee), Dr. Wong Yun Kuen and Ms. Kwan Shan.

The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements.

## **REVIEW OF INTERIM RESULTS**

The Interim Results of the Group for the six months ended 30th June, 2015 and the 2015 interim report of the Company have been reviewed by the Audit Committee with the management of the Company and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of condensed consolidated financial statements by the auditor will be included in the interim report for the six months ended 30th June, 2015. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosures have been made.

## **PUBLICATION OF 2015 INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Company at [www.feholdings.com.hk](http://www.feholdings.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2015 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 28th August, 2015

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

*The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*