

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Dr. Wong Yun Kuen (*Chairman*)
(*re-designated and appointed on 18 July 2017*)
Mr. Yu Pak Yan, Peter
Mr. Fok Chi Tak
(*resigned on 18 July 2017*)

Independent Non-executive Directors

Ms. Kwan Shan
Mr. Wong Kui Shing, Danny
(*appointed on 18 July 2017*)
Mr. Mak Ka Wing, Patrick
(*appointed on 18 July 2017*)
Mr. Chan Ming Sun, Jonathan
(*resigned on 18 July 2017*)
Dr. Wong Yun Kuen
(*re-designated on 18 July 2017*)

COMPANY SECRETARY

Mr. Sheung Kwong Cho

SOLICITOR

David Norman & Co

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Yu Pak Yan, Peter
Mr. Sheung Kwong Cho

AUDIT COMMITTEE

Ms. Kwan Shan (*Chairman*)
Mr. Wong Kui Shing, Danny
Mr. Mak Ka Wing, Patrick

REMUNERATION COMMITTEE

Mr. Wong Kui Shing, Danny (*Chairman*)
Mr. Mak Ka Wing, Patrick
Ms. Kwan Shan

NOMINATION COMMITTEE

Mr. Mak Ka Wing, Patrick (*Chairman*)
Mr. Wong Kui Shing, Danny
Ms. Kwan Shan

INVESTMENT COMMITTEE

Mr. Yu Pak Yan, Peter (*Chairman*)
Mr. Wong Kui Shing, Danny
Dr. Wong Yun Kuen

PRINCIPAL BANKER

Hang Seng Bank Limited

REGISTERED OFFICE

Unit 904, 9/F Wings Building
110–116 Queen's Road Central
Central, Hong Kong
Telephone: 3970 4010
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SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

Stock Code: 36
Board Lot Size: 3000

WEBSITE

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

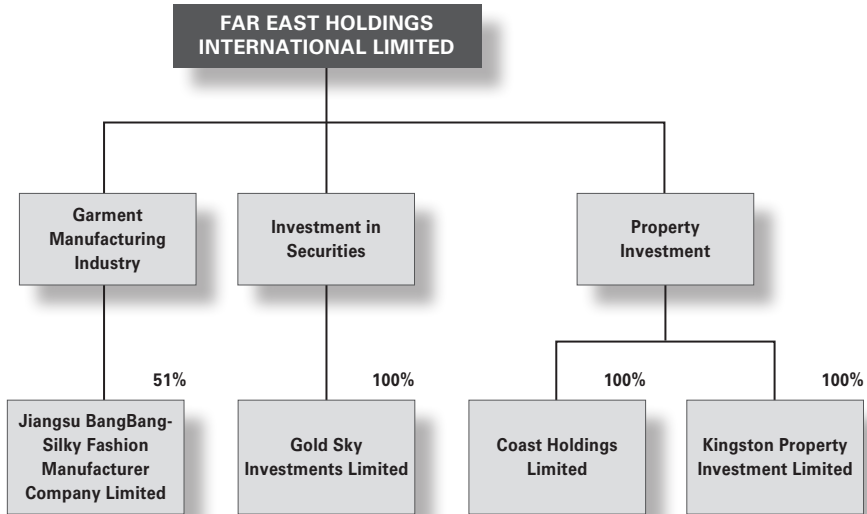
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This interim report is printed on environmentally friendly paper

CORPORATE PROFILE



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the six months ended 30 June 2017 (the “Period”), Far East Holdings International Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded revenue from operations of approximately HK\$4.8 million (2016: approximately HK\$4.8 million (restated)), representing a decrease of 0.2% as compared to the corresponding period in 2016. The Group’s loss for the Period attributable to owners of the Company was approximately HK\$59.5 million (2016: approximately HK\$121.4 million). The total comprehensive expense of the Group for the Period was approximately HK\$59.6 million (2016: approximately HK\$122.4 million), which was mainly due to decrease in fair value of held-for-trading investments of equity securities listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The loss per share for the Period was 5.46 HK cents (2016: 11.15 HK cents).

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 principal 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\$3.5 million for the Period, representing a decrease of 14.3% as compared to the corresponding period in 2016.

As this business is facing challenges in terms of increasing material and labour costs and falling per unit sales prices, management has implemented cost controls during the Period and will continue to down-size this business and seek to find ways to increase its income to offset its losses.

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK\$102.6 million (31 December 2016: approximately HK\$52.5 million) as at 30 June 2017. Increase in balance was due to the acquisition of Lead Power Investments Limited (“Lead Power”) during the Period. In addition, the Group recorded rental income of approximately HK\$1.3 million (2016: approximately HK\$0.7 million). Management will seek to identify further property investment opportunities in order to enhance and generate stable income stream to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment in Securities

The Group has focused on short-term securities trading since the establishment of its wholly-owned subsidiary, namely Gold Sky Investments Limited. During the Period, the Group has recorded fair value loss on held-for-trading investments of approximately HK\$58.2 million (2016: approximately HK\$131.9 million) attributable to unrealised loss of approximately HK\$40.6 million and realised loss of approximately HK\$17.6 million due to the fluctuation of Hong Kong equity market. Dividend income from held-for-trading investments of approximately HK\$0.5 million (2016: approximately HK\$0.8 million) was recorded for the Period.

As at 30 June 2017, held-for-trading investments amounted to approximately HK\$562.3 million (31 December 2016: approximately HK\$678.2 million). This value represented an investment portfolio comprising 51 (31 December 2016: 56) equity securities listed in Hong Kong of which 42 (31 December 2016: 47) equity securities are listed on the Main Board of the Stock Exchange and the remaining 9 (31 December 2016: 9) equity securities are listed on the Growth Enterprise Market of the Stock Exchange. The Group's held-for-trading investments were represented as follows:

Company Name/Stock Code	Notes	Number of shares held by the Group at 30 June 2017	Percentage of shareholdings at 30 June 2017 %	Unrealised Fair value gain/(loss) for the Period HK\$'000 (unaudited)	Dividend income for the Period HK\$'000 (unaudited)	Fair value at 30 June 2017 HK\$'000 (unaudited)	Percentage of total held-for-trading investments %	Percentage of total assets of the Group at 30 June 2017 %
Hong Kong Exchanges and Clearing Limited (stock code: 388)	2	264,767	0.02	5,451	535	53,430	9.5	7.0
Wang On Properties Limited (stock code: 1243)	3	25,000,000	0.16	10,500	-	39,000	6.9	5.1
OP Financial Investments Limited (stock code: 1140)	4	15,000,000	0.79	5,700	-	39,000	6.9	5.1
SkyNet Group Limited (stock code: 8176)	5	3,430,000	0.75	(377)	-	31,865	5.7	4.2
O Luxe Holdings Limited (stock code: 860)	6	34,128,000	0.77	5,802	-	31,056	5.5	4.1
Sino Golf Holdings Limited (stock code: 361)	7	100,000,000	1.92	-	-	31,000	5.5	4.1
Hong Kong Education (Int'l) Investments Limited (stock code: 1082)	8	20,000,000	3.65	7,800	-	29,800	5.3	3.9
Sino Hajijing Holdings Limited (stock code: 1106)	9	140,000,000	1.18	2,100	-	28,140	5.0	3.7
China Information Technology Development Limited (stock code: 8178)	10	190,000,000	3.33	(2,280)	-	24,700	4.4	3.2
Evergrande Health Industry Group Limited (stock code: 708)	11	15,000,000	0.17	1,500	-	23,550	4.2	3.1
HMV Digital China Group Limited (stock code: 8078)	12	63,200,000	0.47	(6,636)	-	17,696	3.2	2.3
KuangChi Science Limited (stock code: 439)	13	6,120,000	0.10	(551)	-	16,952	3.0	2.2
Newton Resources Limited (stock code: 1231)	14	18,886,000	0.47	(1,133)	-	14,165	2.5	1.9
Huayi Tencent Entertainment Company Limited (stock code: 419)	15	40,000,000	0.30	(5,600)	-	13,200	2.4	1.7

MANAGEMENT DISCUSSION AND ANALYSIS

Company Name/Stock Code	Notes	Number of	Percentage of	Unrealised	Dividend	Fair value	Percentage	Percentage of
		shares held	shareholdings	Fair value	income for	at 30 June	of total	total assets
		at 30 June	at 30 June	gain/(loss)	the Period	2017	held-for-	of the Group
		2017	2017	for the Period	HK\$'000	HK\$'000	trading	at 30 June
			%	HK\$'000	(unaudited)	(unaudited)	investments	2017
			(Note 1)	(unaudited)			%	%
Lajin Entertainment Network Group Limited (stock code: 8172)	16	30,000,000	0.71	(6,900)	–	12,600	2.2	1.7
Hsin Chong Construction Group Limited (stock code: 404)	17	35,000,000	0.61	(175)	–	12,250	2.2	1.6
Global Mastermind Holdings Limited (stock code: 8063)	18	90,870,000	2.56	(2,090)	–	11,995	2.1	1.5
Ding He Mining Holdings Limited (stock code: 705)	19	222,000,000	3.36	(17,760)	–	11,322	2.0	1.5
Solartech International Holdings Limited (stock code: 1166)	20	25,000,000	1.06	(1,000)	–	10,625	1.9	1.4
China Innovative Finance Group Limited (stock code: 412)	21	31,998,000	0.17	(7,360)	–	10,559	1.9	1.4
Yunfeng Financial Group Limited (stock code: 376)	22	2,000,000	0.08	(2,200)	–	8,940	1.6	1.2
Town Health International Medical Group Limited (stock code: 3886)	23	12,000,000	0.16	(6,840)	–	8,160	1.5	1.1
China Eco-Farming Limited (stock code: 8166)	24	50,000,000	0.82	2,350	–	8,000	1.4	1.1
International Entertainment Corporation (stock code: 1009)	25	4,000,000	0.34	2,680	–	7,520	1.3	1.0
China City Infrastructure Group Limited (stock code: 2349)	26	10,000,000	0.35	1,850	–	6,500	1.2	0.9
Others	27			(25,413)	10	60,245	10.7	7.9
				(40,582)	545	562,270	100	73.9

Notes:

- The percentage is calculated with reference to the monthly return of equity issuer on movements in securities for the month ended 30 June 2017 of the issuers publicly available on the website of the Stock Exchange.
- Hong Kong Exchanges and Clearing Limited and its subsidiaries (collectively referred to as the “HKEx Group”) own and operate the only stock exchange and futures markets in Hong Kong and clearing houses.

Pursuant to the HKEx Group’s interim report for the six months ended 30 June 2017, the HKEx Group’s recorded revenue of approximately HK\$5,379 million and the total comprehensive income was approximately HK\$3,598 million. The HKEx Group will continue to work closely with its regulators and other stakeholders. The HKEx Group is committed to providing a quality and diversified market which can help transform Hong Kong into China’s global wealth management centre.

The Group believes that the HKEx Group can uniquely contribute to Hong Kong’s development as China’s offshore wealth management centre, risk management centre and global asset pricing centre and the future prospect is optimistic.

Except for a scrip dividend of 2,871 shares in the HKEx Group of approximately HK\$0.5 million, there was no acquisition or disposal of the equity interest in the HKEx Group during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Wang On Properties Limited and its subsidiaries (collectively referred to as the “Wang On Group”) were principally engaged in property development and property investment businesses.

Pursuant to the Wang On Group’s annual report for the year ended 31 March 2017, the Wang On Group recorded revenue of approximately HK\$152 million and total comprehensive income of approximately HK\$28 million. The Wang On Group will be active in looking for opportunities to acquire commercial and industrial properties for investment in order to build a diversified and flexible asset portfolio and better cope with market changes.

The Group is optimistic about the property market and the performance of the Wang On Group in the future.

There was no acquisition or disposal of the equity interest in the Wang On Group during the Period.

4. OP Financial Investments Limited and its subsidiaries (collectively referred to as the “OP Financial Group”) were principally engaged in investment in a diversified portfolio of global investments in listed and unlisted enterprises thereby to achieve earnings in the form of medium to long term capital appreciation.

Pursuant to the OP Financial Group’s annual report for the year ended 31 March 2017, the OP Financial Group recorded revenue of approximately HK\$102 million and total comprehensive income of approximately HK\$205 million. Looking ahead, the OP Financial Group will focus on (i) strategic investment such as platforms to obtain long-term capital appreciation and create synergies and additional investment opportunities; and (ii) medium to short-term investment by leveraging on its capabilities of strong capital base and tailor-made integrated investment solutions.

The Group believes that the OP Financial Group has sufficient capital managed by experienced management team and will be able to become an excellent cross-border investment platform and its future business prospect is positive and growing.

There was no acquisition or disposal of the equity interest in the OP Financial Group during the Period.

5. SkyNet Group Limited and its subsidiaries (collectively referred to as the “SkyNet Group”) were principally engaged in the sale of beauty products, provision of therapy services, and provision of engineering products and related services.

Pursuant to the SkyNet Group’s interim report for the six month ended 30 June 2017, the SkyNet Group recorded revenue of approximately HK\$47 million and total comprehensive loss of approximately HK\$35 million. The speed of robotics market growth would exceed 100% with 2017 witnessing approximately RMB20 billion in the whole robotics market, thereby creating tremendous potential for the SkyNet Group’s market development in the future.

The Group is optimistic about the prospect of the SkyNet Group as they have obtained the parts manufacturers approval for inflight wireless local area network granted by granted by the Civil Aviation Administration of China.

During the Period, the Group has disposed of 75,000 shares in the SkyNet Group which led to a realised loss of HK\$25,000.

MANAGEMENT DISCUSSION AND ANALYSIS

6. O Luxe Holdings Limited and its subsidiaries (collectively referred to as the “O Luxe Group”) were principally engaged in exports and domestic trading, retail and wholesale of jewellery products, writing instruments and watches, mining, money lending and securities investments.

Pursuant to the O Luxe Group’s interim report for the six month ended 31 March 2017, the O Luxe Group recorded revenue of approximately HK\$233 million and total comprehensive income of approximately HK\$34 million. Looking forward, the O Luxe Group will continue to adopt stringent cost control measures, employ appropriate strategies to further diversify its source of income and actively explore new business opportunities to cope with existing market environment.

The Group believes that the diversification of the business strategies of the O Luxe Group will continue to generate revenue contribution in the near future.

During the Period, the Group has disposed of 1,116,000 shares in the O Luxe Group which led to a realised gain of HK\$129,000.

7. Sino Golf Holdings Limited and its subsidiaries (collectively referred to as the “Sino Golf Group”) were principally engaged in manufacturing and trading of golf equipment, golf bags and accessories and the development of integrated resort in Saipan.

Pursuant to the Sino Golf Group’s interim results announcement for the six months ended 30 June 2017, the Sino Golf Group recorded revenue of approximately HK\$96 million and total comprehensive loss of approximately HK\$18 million. The Sino Golf Group will continue to streamline the golf bags operations to enhance efficiency and launch active marketing initiatives to promote sales for the future. Taking into consideration the sales orders status and the prevailing market conditions, the management of the Sino Golf Group has adopted a positive view with caution on the outlook of the golf bags business for the ensuing period.

The Group believes that the operating performance of the Sino Golf Group will be improved as the Sino Golf Group is determined to continually develop the golf equipment business through strengthening the cooperation with existing customers as well as exploring business opportunities with other credible and potential customers in golf market.

There was no acquisition or disposal of the equity interest in the Sino Golf Group during the Period.

8. Hong Kong Education (Int’l) Investments Limited and its subsidiaries (collectively referred to as the “Hong Kong Education Group”) were principally engaged in the provision of private educational services, investment in securities, property investments and money lending business.

Pursuant to the Hong Kong Education Group’s interim report for the six months ended 31 December 2016, the Hong Kong Education Group recorded revenue of approximately HK\$81 million and total comprehensive loss of approximately HK\$232 million. Looking ahead, the Hong Kong Education Group will continue to seek for cooperation with quality education service providers in both Hong Kong and the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

In January 2017, the Hong Kong Education Group has successfully launched an intelligent e-learning system to maximize the learning efficiency of the students. The Group believes that the e-learning system can strengthen the Hong Kong Education Group's competitive edge and its pioneer position in the industry.

There was no acquisition or disposal of the equity interest in the Hong Kong Education Group during the Period.

9. Sino Haijing Holdings Limited and its subsidiaries (collectively referred to as the "Sino Haijing Group") were principally engaged in manufacturing and sale of packaging products, securities trading and other investing activities, ticketing agency business and money lending business.

Pursuant to the Sino Haijing Group's interim results announcement for the six months ended 30 June 2017, the Sino Haijing Group recorded revenue of approximately HK\$417 million and total comprehensive loss of approximately HK\$47 million.

With strong management team who has solid experience in tourism, entertainment and cultural industries, the Sino Haijing Group is optimistic about the prospects of the new projects in the PRC and Southeast Asia. It is expected that these new projects will generate considerable returns to the Sino Haijing Group in the future. The Sino Haijing Group will continue to review the performance of business portfolios and seek for other potential acquisition opportunities from time to time.

The Group expects the new projects is beneficial to the Sino Haijing Group in the future prospect.

There was no acquisition or disposal of the equity interest in the Sino Haijing Group during the Period.

10. China Information Technology Development Limited and its subsidiaries (collectively referred to as the "China Information Group") were principally engaged in software development, system integration and securities investments.

Pursuant to the China Information Group's interim report for the six months ended 30 June 2017, the China Information Group recorded revenue of approximately HK\$24 million and total comprehensive loss of approximately HK\$44 million. The China Information Group has continued to broaden the business scope and open up new income source. The business structure of the China Information Group has been more complete and refined upon the corporate actions.

The Group believes that the new income source will have positive impact on the future prospect of the China Information Group.

There was no acquisition or disposal of the equity interest in the China Information Group during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

11. Evergrande Health Industry Group Limited and its subsidiaries (collectively referred to as the “Evergrande Health Group”) were principally engaged in magazine publishing, distribution of magazine, digital business and provision of magazine content and community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing.

Pursuant to the Evergrande Health Group’s announcement of interim results for the six months ended 30 June 2017, the Evergrande Health Group recorded revenue of approximately HK\$576 million and total comprehensive income of approximately HK\$113 million. The Evergrande Health Group will continue to explore cross-sector integration with different industries such as financial, tourism, internet, sports, leisure and food industry, and cultivate new operation, new business trend and new model in mega health industry.

The Group believes that the business plan in relation to the cross-sector integration will create value to the shareholders of the Evergrande Health Group.

There was no acquisition or disposal of the equity interest in the Evergrande Health Group during the Period.

12. HMV Digital China Group Limited and its subsidiaries (collectively referred to as the “HMV Digital Group”) were principally engaged in the entertainment business, with a focus in television program and movie production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC, artiste management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities.

Pursuant to the HMV Digital Group’s interim report for the six months ended 31 December 2016, the HMV Digital Group recorded revenue of approximately HK\$331 million and total comprehensive income of approximately HK\$30 million. The HMV Digital Group will continue to develop its existing business such as artists and model management, entertainment and money lending. In addition, the HMV Digital Group will maintain a continuous production and launch of movies, and continue to acquire movie distribution rights in the market. And to cope with the fast changing market, the HMV Digital Group will put more focus on the newly developed filmed entertainment and new media exploitations.

As the HMV Digital Group operates cinemas in Xiamen, Guangzhou, Jieshi and Chongqing in the PRC, and started to generate incomes to the HMV Digital Group during the financial year, the Group believes there will be a positive prospect for the HMV Digital Group.

Except for the bonus shares of 36,100,000 shares in the HMV Digital Group, there was no acquisition or disposal of the equity interest in the HMV Digital Group during the Period.

13. KuangChi Science Limited and its subsidiaries (collectively referred to as the “KuangChi Group”) were principally engaged in the research and development and manufacture of innovative products for future technology business, and the provision of other innovative technology service solutions; the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials; and the property investment.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the KuangChi Group's annual report for the year ended 31 December 2016, the KuangChi Group recorded revenue of approximately HK\$290 million and total comprehensive income of approximately HK\$549 million. The KuangChi Group will continue to put its focus on the future technology business and is committed to creating future smart cities. The KuangChi Group has disposed of its paper business and property investment business during the financial year in order to focus all the resources to its core business.

The Group believes the realization of the non-core business will have positive impact to the future prospect of the KuangChi Group.

There was no acquisition or disposal of the equity interest in the KuangChi Group during the Period.

14. Newton Resources Ltd and its subsidiaries (collectively referred to as the "Newton Group") were principally engaged in mining, processing and sale of iron concentrates and gabbro-diabase, stone products in the PRC and carpark service.

Pursuant to the Newton Group's annual report for the year ended 31 December 2016, the Newton Group recorded revenue of approximately RMB85 million and total comprehensive loss of approximately RMB544 million. The Newton Group has diversified its income source by developing into an iron mining downstream business during the financial year in respect of iron ore trading business. The Newton Group also caught the opportunity in the car-park business. Such diversification provides the Newton Group with an opportunity to strengthen its performance in the long run.

The Group believes that the diversification will increase the revenue and improve the future prospect of the Newtown Group.

There was no acquisition or disposal of the equity interest in the Newton Group during the Period.

15. Huayi Tencent Entertainment Company Limited and its subsidiaries (collectively referred to as the "Huayi Tencent Group") were principally engaged in entertainment and media business; and provision of online and offline healthcare and wellness services.

Pursuant to the Huayi Tencent Group's announcement of interim results for the six months ended 30 June 2017, the Huayi Tencent Group recorded revenue of approximately HK\$67 million and total comprehensive loss of approximately HK\$82 million. The Huayi Tencent Group aims to build a comprehensive platform which integrates content production and online and offline entertainment channels, and becomes a new media business company with a leading position in China and is recognized in the international community.

The Group believes that the increase in average spending of residents on education, culture and entertainment in the PRC create a favourable development environment for the Huayi Tencent Group in the Chinese market.

There was no acquisition or disposal of the equity interest in the Huayi Tencent Group during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

16. Lajin Entertainment Network Group Limited and its subsidiaries (collectively referred to as the “Lajin Entertainment Group”) were principally engaged in provision of artists management services, and investment in movies, TV programs and internet contents.

Pursuant to the Lajin Entertainment Group’s interim report for the six months ended 30 June 2017, the Lajin Entertainment Group recorded revenue of approximately HK\$50 million and total comprehensive loss of approximately HK\$32 million. The Lajin Entertainment Group has other investments projects include equity investments in companies which are principally engaged in e-commerce platforms focusing the branding of individual celebrities; and some new media companies which integrate research, creation and production, and final broadcast of online new media contents.

The Group believes the other investments projects of the Lajin Entertainment Group will broaden its revenue source and beneficial to its future prospect.

There was no acquisition or disposal of the equity interest in the Lajin Entertainment Group during the Period.

17. Hsin Chong Group Holdings Limited and its subsidiaries (collectively referred to as the “Hsin Chong Group”) were principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment.

Pursuant to the Hsin Chong Group’s annual report for the year ended 31 December 2016, the Hsin Chong Group recorded revenue of approximately HK\$9,823 million and total comprehensive loss of approximately HK\$3,650 million. The Hsin Chong Group will continue to strengthen its strong market position and business base in Hong Kong and support the Government in its infrastructure and building plans.

Given that the Hsin Chong Group is one of the Asia’s longest-standing construction groups, the Group considered its future prospect is warranted.

There was no acquisition or disposal of the equity interest in the Hsin Chong Group during the Period.

18. Global Mastermind Holdings Limited and its subsidiaries (collectively referred to as the “Global Mastermind Group”) were principally engaged in the provision and operation of travel business, treasury management and money lending.

Pursuant to the Global Mastermind Group’s interim report for the six months ended 30 June 2017, the Global Mastermind Group recorded revenue of approximately HK\$24 million and total comprehensive loss of approximately HK\$11 million. The travel business environment is continuing to be challenging. The Global Mastermind Group’s profitability in travel business is facing pressure from the rising costs of operations and stiff price driven competition and will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions. The Global Mastermind Group will adopt a conservative investment approach towards its treasury management business in the coming quarters and will cautiously monitor Hong Kong equity, change the Global Mastermind Group’s equity portfolio mix from time to time and realise the equities held by the Global Mastermind Group into cash as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Given that the Global Mastermind Group's new business in the provision of securities and asset management services is in the final stage of applying for trading rights from the Stock Exchange, the Group believes that the new business of the Global Mastermind Group will broaden its revenue source and beneficial to its future prospect.

There was no acquisition or disposal of the equity interest in the Global Mastermind Group during the Period.

19. Ding He Mining Holdings Limited and its subsidiaries (collectively referred to as the "Ding He Group") were principally engaged in the mining of dolomite and manufacturing and sale of magnesium ingots in the state of Perak, Malaysia, exploration of mining resources in Yogyakarta Province in the Republic of Indonesia and bottling and sale of mineral water in Guangdong Province in the People's Republic of China.

Pursuant to the Ding He Group's announcement of interim results for the six months ended 30 June 2017, the Ding He Group recorded revenue of approximately HK\$0.3 million and total comprehensive loss of approximately HK\$14 million. The completion of the debt restructuring has turned around the Ding He Group's internal business environment from worse to ready for profit making, the Ding He Group is ready to take the next steps in its business plan, apart from improving the existing businesses, resolving past issues to clean up the corporate environment.

The Group believes that the completion of debt restructuring will have positive impact on the future prospect of the Ding He Group.

There was no acquisition or disposal of the equity interest in the Ding He Group during the Period.

20. Solartech International Holdings Limited and its subsidiaries (collectively referred to as the "Solartech Group") were principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties, trading of securities, provision of financing and management service and holding of mining right and exploration and evaluation assets.

Pursuant to the Solartech Group's interim report for the six months ended 31 December 2016, the Solartech Group recorded revenue of approximately HK\$248 million and total comprehensive income of approximately HK\$92 million. The Solartech Group will pay close attention to market information, prudently monitor worldwide economic conditions and in the major markets of the PRC, so as to be able to make operational plans in response to market changes and to strengthen the Solartech Group's market position in the cables and wires business. The Solartech Group will also research and consider the possibility of adding mineral products to its trading business so as to increase the income of the Solartech Group.

Given that the Solartech Group was licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO since February 2017, the Group expects the Solartech Group will record an increase in revenue from the securities business segment in the future.

There was no acquisition or disposal of the equity interest in the Solartech Group during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

21. China Innovative Finance Group Limited and its subsidiaries (collectively referred to as the “China Innovative Group”) were principally engaged in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending and investment holding, business factoring and securities brokerage business.

Pursuant to the China Innovative Group’s annual report for the year ended 31 March 2017, the China Innovative Group recorded revenue of approximately HK\$194 million and total comprehensive income of approximately HK\$99 million. The China Innovative Group will continue to implement a consistent mergers and acquisitions (“M&A”) strategy to realize its vision of becoming an integrated financial platform which offers a comprehensive spectrum of financial services. Currently, the China Innovative Group is closely watching overseas developed financial markets for appropriate M&A opportunities in an attempt to further diversify the business risks of the China Innovative Group and create value for the shareholders of the China Innovative Group.

The Group is optimistic about the China Innovative Group as it will continue to abide by its prudent, proactive business expansion and M&A strategy.

There was no acquisition or disposal of the equity interest in the China Innovative Group during the Period.

22. Yunfeng Financial Group Limited and its subsidiaries (collectively referred to as the “Yunfeng Financial Group”) were principally engaged in wealth management, securities brokerage, employee stock ownership plan administration, corporate finance advisory and investment research.

Pursuant to the Yunfeng Financial Group’s interim results announcement for the six months ended 30 June 2017, the Yunfeng Financial Group recorded revenue of approximately HK\$9 million and total comprehensive loss of approximately HK\$222 million. The focus of the Yunfeng Financial Group remains on improving the overall operating result through effective cost control and increase of revenue streams with different strategies based on market situations.

The Group believes there is room for growth in the future prospect of the Yunfeng Financial Group.

There was no acquisition or disposal of the equity interest in the Yunfeng Financial Group during the Period.

23. Town Health International Medical Group Limited and its subsidiaries (collectively referred to as the “Town Health Group”) were principally engaged in Healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities.

Pursuant to the Town Health Group’s interim results announcement for the six months ended 30 June 2017, the Town Health Group recorded revenue of approximately HK\$538 million and total comprehensive income of approximately HK\$77 million. The Town Health Group will strive to maintain its leading position in the healthcare service industry in Hong Kong and further its strategic objectives of consolidating the whole-industry value chain.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the increasing demand for healthcare services due to the economic growth and the aging population in the PRC, the Group is optimistic about the future prospect of the Town Health Group.

There was no acquisition or disposal of the equity interest in the Town Health Group during the Period.

24. China Eco-Farming Limited and its subsidiaries (collectively referred to as the “China Eco-Farming Group”) were principally engaged in the business of one-stop value chain services, property investment, trading of grocery food products, trading of consumables and agricultural products and provision of money lending services.

Pursuant to the China Eco-Farming Group’s interim report for the six months ended 30 June 2017, the China Eco-Farming Group recorded revenue of approximately HK\$30 million and total comprehensive loss of approximately HK\$43 million. The China Eco-Farming Group continues to allocate resources to existing segments together with identifying new opportunities to enhance its shareholders’ value.

The Group is optimistic about the future prospect of the one-stop value chain services of the China Eco-Farming Group.

There was no acquisition or disposal of the equity interest in the China Eco-Farming Group during the Period.

25. International Entertainment Corporation and its subsidiaries (collectively referred to as the “International Entertainment Group”) were principally engaged in hotel operations, leasing of properties for casino and ancillary leisure and entertainment operations.

Pursuant to the International Entertainment Group’s annual report for the year ended 31 March 2017, the International Entertainment Group recorded revenue of approximately HK\$291 million and total comprehensive loss of approximately HK\$40 million. The International Entertainment Group will continue to focus on its existing business operations and investments in the Philippines, and will prudently explore new opportunities. The International Entertainment Group will continue to consider a renovation plan to improve the properties of the International Entertainment Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays. The International Entertainment Group will also strive to make good use of available cash on hand for investment for better return to its shareholders.

The Group believes the renovation plan will have positive impact on the future prospect of the International Entertainment Group.

There was no acquisition or disposal of the equity interest in the International Entertainment Group during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

26. China City Infrastructure Group Limited and its subsidiaries (collectively referred to as the “China City Group”) were principally engaged in infrastructure businesses, property investment, property development, hotel business and property management in the PRC.

Pursuant to the China City Group’s interim results announcement for the six months ended 30 June 2017, the China City Group recorded revenue of approximately HK\$230 million and total comprehensive loss of approximately HK\$154 million. The China City Group started to the infrastructure businesses and is looking forward to benefiting from China’s vast market opportunities, rapid urbanization, rising environmental requirements. The China City Group will give first priority to infrastructure projects relating to urbanization in the PRC.

The Group expects the urbanization in the PRC is beneficial to the China City Group in the future prospect.

There was no acquisition or disposal of the equity interest in the China City Group during the Period.

27. It represented 26 listed securities and none of these investments represented more than 1% of the total assets of the Group as at 30 June 2017. There were 2 listed securities included in others, namely Hua Han Health Industry Holdings Limited (stock code: 587) and Up Energy Development Group Limited (stock code: 307) with carrying amounts of approximately HK\$14 million and HK\$0.4 million, respectively, based on the closing price as quoted on the Stock Exchange on the preceding trading day before the suspension of trading of shares in these companies. In view of the prolonged trading suspensions of trading in the shares of these companies, full provision for impairment of the investment in these companies have been made.

Prospects

As investment in securities accounts for a significant portion of the Group’s total assets, management will closely monitor the investment portfolio and capture opportunities arising from held-for-trading investments in a prudent manner and balance investment risks. Notwithstanding the overall operating result of investment in securities for the Period was in a loss position, the Group believes that following the implementation of the favorable financial policies in Hong Kong, such as the Shanghai-Hong Kong Stock Connect, mutual recognition of funds and the Shenzhen-Hong Kong Stock Connect, the Group is optimistic about the future equity securities markets in Hong Kong. Meanwhile, the Company has been exploring suitable opportunities to acquire investment properties in Hong Kong in order to generate more stable and recurrent rental income to the Group. Nonetheless, cost controls continue to be the focus of the garment industries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2017, the Group had bank balances and cash and deposits held at financial institutions of approximately HK\$68.1 million (31 December 2016: approximately HK\$60.5 million). Fundamentally, the Group's funding policy was to finance the business operations with internally-generated cash. As at 30 June 2017, the Group had no outstanding interest-bearing bank borrowings (31 December 2016: Nil).

Gearing Ratio

As the Group did not have any interest-bearing bank loans and was in a net cash position as at 30 June 2017, no gearing ratio (total debts as percentage of equity attributable to owners of the Company) information was presented (31 December 2016: Nil).

Current Ratio

The Group's current ratio (current assets to current liabilities) as at 30 June 2017 decreased to 168.3 (31 December 2016: 193.1). 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. As at 30 June 2017, the total number of issued ordinary shares of the Company was 1,089,118,593 shares (31 December 2016: 1,089,118,593).

Exposure to Foreign Exchange Fluctuations

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

Charges Over Assets of the Group

As at 30 June 2017, the Group did not have any charges on its assets (31 December 2016: Nil).

Contingent Liabilities

As at 30 June 2017, the Company had no contingent liabilities (31 December 2016: Nil).

Capital Commitment

As at 30 June 2017, the Group had no significant capital commitments (31 December 2016: HK\$53 million in respect of the acquisition of a subsidiary).

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals

During the Period, the Group has acquired the entire equity interest of Lead Power, a company engaged in property investment in Hong Kong, at a cash consideration of approximately HK\$53 million and Lead Power became a wholly owned subsidiary of the Company. Details of the transaction are set out in the Company's announcement dated 28 December 2016, 19 January 2017 and note 15 to the condensed consolidated financial statements.

Employees and Remuneration Policy

As at 30 June 2017, the Group had approximately 93 employees in Hong Kong and the PRC (31 December 2016: 91 employees). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonus may be granted to reward and motivate well-performed employees.

INTERIM DIVIDEND

No dividends were paid, declared or proposed during the Period. The Board have determined that no dividend will be paid in respect of the Period.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATION

As at 30 June 2017, none of the Directors or chief executive of the Company and their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that no shareholder has notified the Company of any interest, direct or indirect, or short position in 5% or more of the issued share capital of the Company.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period and up to the date of this report was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

DISCLOSURE OF ADDITIONAL INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all 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 chief executive officer and prior to the appointment of Dr. Wong Yun Kuen as the chairman of the Board with effect from 18 July 2017, no individual was appointed as chairman of the Board. The responsibilities of the chairman and the daily operation of the Group’s business is handled by the executive Directors collectively. The Board is of the view that although there are no chief executive officer and chairman of the Board, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who meet from time to time to discuss issues affecting the operations of the Group. As there is a clear division of responsibilities of each Director, the vacancies of chief executive officer and chairman did not have any material impact on the operations of the Group. The Board will continue to review the effectiveness of the Group’s structure as business continues to develop in order to assess whether any changes, including the appointment of a chief executive officer, is necessary.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As stated above, the Company did not officially have a chairman until the appointment of Dr. Wong Yun Kuen as the chairman of the Board with effect from 18 July 2017. All Directors have attended the annual general meeting on 5 June 2017 and one of the executive Directors was elected chairman of the said meeting.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2016 Annual Report of the Company are set out below:

Name of Director	Details of change
Dr. Wong Yun Kuen <i>Chairman and executive Director</i>	re-designated from an independent non-executive Director to an executive Director of the Company and appointed as the chairman of the Board and ceased to be a member of each of the audit committee, remuneration committee and nomination committee of the Company with effect from 18 July 2017.
Ms. Kwan Shan <i>Independent non-executive Director</i>	appointed as the chairman of the audit committee of the Company, ceased to be the chairman of the nomination committee of the Company and remains as a member of the nomination committee with effect from 18 July 2017; resigned as an independent non-executive director of Good Resources Holdings Limited (stock code: 109) with effect from May 2017; and resigned as an executive director of Yueshou Environmental Holdings Limited (stock code: 1191) with effect from May 2017.

DISCLOSURE OF ADDITIONAL INFORMATION

Name of Director	Details of change
Mr. Wong Kui Shing, Danny <i>Independent non-executive Director</i>	appointed as an independent non-executive Director, chairman of the remuneration committee and a member of each of the audit committee, nomination committee and investment committee of the Company with effect from 18 July 2017.
Mr. Mak Ka Wing, Patrick <i>Independent non-executive Director</i>	appointed as an independent non-executive Director, chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company with effect from 18 July 2017.
Mr. Fok Chi Tak <i>Executive Director</i>	resigned as an executive Director with effect from 18 July 2017.
Mr. Chan Ming Sun, Jonathan <i>Independent non-executive Director</i>	resigned as an independent non-executive Director and ceased to be the chairman of the audit committee, remuneration committee and member of investment committee of the Company with effect from 18 July 2017.

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. The audit committee comprises three independent non-executive Directors, namely, Ms. Kwan Shan (chairman of the audit committee), Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.

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 Group's unaudited interim financial statements for the six months ended 30 June 2017.

By Order of the Board
Far East Holdings International Limited
Wong Yun Kuen
Chairman

Hong Kong, 31 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended	
		30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
			(Restated)
Revenue	3	4,796	4,808
Cost of sales		(3,614)	(4,294)
Gross profit		1,182	514
Dividend income from held-for-trading investments		545	794
Other income		904	647
Other gains and losses	4	(58,161)	(131,864)
Selling and distribution costs		(26)	(51)
Administrative expenses		(4,305)	(4,758)
Loss before tax		(59,861)	(134,718)
Income tax credit	5	–	12,657
Loss for the period	6	(59,861)	(122,061)
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from the translation of foreign operations		305	(352)
Other comprehensive income (expense) for the period			
		305	(352)
Total comprehensive expense for the period		(59,556)	(122,413)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended	
		30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(59,473)	(121,393)
Non-controlling interests		(388)	(668)
		(59,861)	(122,061)
Total comprehensive expense attributable to:			
Owners of the Company		(59,320)	(121,573)
Non-controlling interests		(236)	(840)
		(59,556)	(122,413)
Loss per share			
Basic (HK cents)	8	(5.46)	(11.15)
Diluted (HK cents)	8	(5.46)	(11.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	9	102,615	52,516
Property, plant and equipment	9	20,170	20,612
Prepaid lease payments		466	481
		123,251	73,609
CURRENT ASSETS			
Prepaid lease payments		19	19
Held-for-trading investments	10	562,270	678,190
Inventories		1,898	1,984
Trade and other receivables	11	1,771	1,844
Amount due from a non-controlling interest		4,764	5,542
Tax recoverable		–	8
Deposits held at financial institutions	10	55,893	48,758
Bank balances and cash		12,179	11,726
		638,794	748,071
CURRENT LIABILITIES			
Trade and other payables	12	3,699	3,778
Tax payable		97	97
		3,796	3,875
NET CURRENT ASSETS		634,998	744,196
TOTAL ASSETS LESS CURRENT LIABILITIES		758,249	817,805
NON-CURRENT LIABILITY			
Deferred tax liabilities		780	780
NET ASSETS		757,469	817,025
CAPITAL AND RESERVES			
Share capital	13	632,610	632,610
Reserves		117,911	177,231
Equity attributable to owners of the Company		750,521	809,841
Non-controlling interests		6,948	7,184
TOTAL EQUITY		757,469	817,025

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2017 (audited)	632,610	6,233	170,998	809,841	7,184	817,025
Loss for the period	-	-	(59,473)	(59,473)	(388)	(59,861)
Other comprehensive income for the period						
Exchange differences arising from the translation of foreign operations	-	153	-	153	152	305
Total comprehensive income (expense) for the period	-	153	(59,473)	(59,320)	(236)	(59,556)
At 30 June 2017 (unaudited)	632,610	6,386	111,525	750,521	6,948	757,469
At 1 January 2016 (audited)	632,610	6,773	224,885	864,268	8,330	872,598
Loss for the period	-	-	(121,393)	(121,393)	(668)	(122,061)
Other comprehensive expense for the period						
Exchange differences arising from the translation of foreign operations	-	(180)	-	(180)	(172)	(352)
Total comprehensive expense for the period	-	(180)	(121,393)	(121,573)	(840)	(122,413)
At 30 June 2016 (unaudited)	632,610	6,593	103,492	742,695	7,490	750,185

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Note	Six months ended	
		30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		56,806	(160,536)
INVESTING ACTIVITIES			
Withdrawal of deposits with financial institutions		51,350	157,218
Placement of deposits held at financial institutions		(58,293)	(14,000)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	15	(49,647)	–
Acquisition of property, plant and equipment		(3)	(40)
Others		–	(63)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(56,593)	143,115
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		213	(17,421)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		11,726	32,755
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		240	(180)
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash		12,179	15,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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”).

The financial information relating to the year ended 31 December 2016 that is included in this report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

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

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

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 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 30 June 2017

	Industrial HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Consolidated HK\$'000 (unaudited)
Segment and external revenue	3,503	-	1,293	4,796
Segment results	(941)	(57,436)	1,115	(57,262)
Other income				904
Unallocated expenses				(3,503)
Loss before tax				(59,861)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued) Segment revenues and results (Continued)

Six months ended 30 June 2016

	Industrial HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Consolidated HK\$'000 (unaudited)
			(Restated)	(Restated)
Segment and external revenue	4,088	–	720	4,808
Segment results	(1,622)	(131,070)	663	(132,029)
Other income				1,367
Unallocated expenses				(4,056)
Loss before tax				(134,718)

Segment results represent the (loss) profit from each segment without allocation of other income and corporate expenses. 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 income from held-for-trading investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value loss on held-for-trading investments	(58,161)	(131,864)

5. INCOME TAX CREDIT

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Deferred tax:		
Hong Kong Profits Tax	-	12,657

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both periods.

For the six months ended 30 June 2017, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	15	29
Depreciation of property, plant and equipment	537	749
Directors' remuneration and other staff costs	4,287	4,380
Legal and professional fee	187	432

7. 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 (2016: Nil).

8. LOSS PER SHARE

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

	Six months ended	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
Loss for the purpose of loss per share	(59,473)	(121,393)
Number of shares:		
Weighted average number of ordinary shares for the purposes of loss per share	1,089,118,593	1,089,118,593

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group spent HK\$3,000 (2016: HK\$40,000) on purchase of property, plant and equipment. Investment properties of HK\$50,099,000 (2016: Nil) were acquired during the period on acquisition of assets through acquisition of subsidiaries, details of which are set out in note 15.

The fair value of the Group's investment properties at 30 June 2017 was determined by the directors of the Company based on the market approach. The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out as at that date by Messrs. Roma Appraisals Limited ("Roma"), an independent qualified professional surveyor not connected to the Group. Roma is a member of the Hong Kong Institute of Surveyors who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair values were determined based on the market approach. The market approach uses prices and other relevant information generated by market transactions involving comparable properties. No change in fair value of investment properties has been recognised in profit or loss for the six months ended 30 June 2017 (2016: Nil).

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2017 and 31 December 2016. There were no transfers into or out of Level 3 during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. HELD-FOR-TRADING INVESTMENTS/DEPOSITS HELD AT FINANCIAL INSTITUTIONS

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Listed equity securities:		
Hong Kong	562,270	678,190

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 30 June 2017, the Group's five largest held-for-trading investments contributed to approximately 34.5% of the Group's held-for-trading investments and such investments contributed approximately HK\$27,076,000 gain from changes in fair value of held-for-trading investments recognised in profit or loss for the current interim period.

As at 30 June 2017, the Group's deposits held at financial institutions were held in securities trading accounts in one (31 December 2016: one) financial institution for the purpose of the Group's securities investment operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (31 December 2016: 90 days) to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, at the end of the reporting period:

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Current	1,188	711
Past due:		
1 to 30 days	44	180
31 to 60 days	93	555
61 to 90 days	131	–
More than 90 days	52	–
Total trade receivables	1,508	1,446
Other receivables	263	398
	1,771	1,844

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. TRADE AND OTHER PAYABLES

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Trade payables	47	46
Other payables and accruals	3,652	3,732
	3,699	3,778

At 30 June 2017 and 31 December 2016, all trade payables were aged over 90 days based on the invoice date.

13. SHARE CAPITAL

	Number of shares		Share capital	
	30.6.2017 (unaudited)	31.12.2016 (audited)	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Issued and fully paid	1,089,118,593	1,089,118,593	632,610	632,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. 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).

Financial assets	Fair value as at 30 June 2017 HK\$'000	Fair value		Fair value hierarchy	Valuation techniques and key inputs
		as at 31 December 2016 HK\$'000			
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the condensed consolidated statement of financial position	562,270	678,190		Level 1	Quoted bid prices in an active market

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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 decline of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss.

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 19 January 2017, the Group acquired 100% of the issued share capital of Lead Power Investments Limited (“Lead Power”) for a cash consideration of HK\$53,424,800. Lead Power and its subsidiary are principally engaged in property investment and their major assets are office units in Hong Kong classified as investment properties. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The net assets acquired in the transaction were as follows:

	HK\$'000
Investment properties	50,099
Property, plant and equipment	21
Other receivables	13
Bank balances and cash	3,778
Other payables	(486)
	<hr/> 53,425
Satisfied by:	
Cash consideration paid	53,425
Net cash outflow arising on acquisition:	
Cash consideration paid	53,425
Bank balances and cash acquired	(3,778)
	<hr/> 49,647

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. RELATED PARTY TRANSACTION

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	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
Short-term benefits	990	990
Post-employment benefits	-	-
	990	990

17. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.