

遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 36

FEH

INTERIM REPORT

2016



PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Pak Yan, Peter
Mr. Fok Chi Tak

Independent Non-executive Directors

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

COMPANY SECRETARY

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

SOLICITOR

David Norman & Co

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Unit 904, 9/F
Wings Building
110–116 Queen's Road Central
Central, Hong Kong
Telephone: 3970 4010
Facsimile: 3970 4019
Email: admin@fehholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

Stock Code: 36
Board Lot Size: 3000

WEBSITE

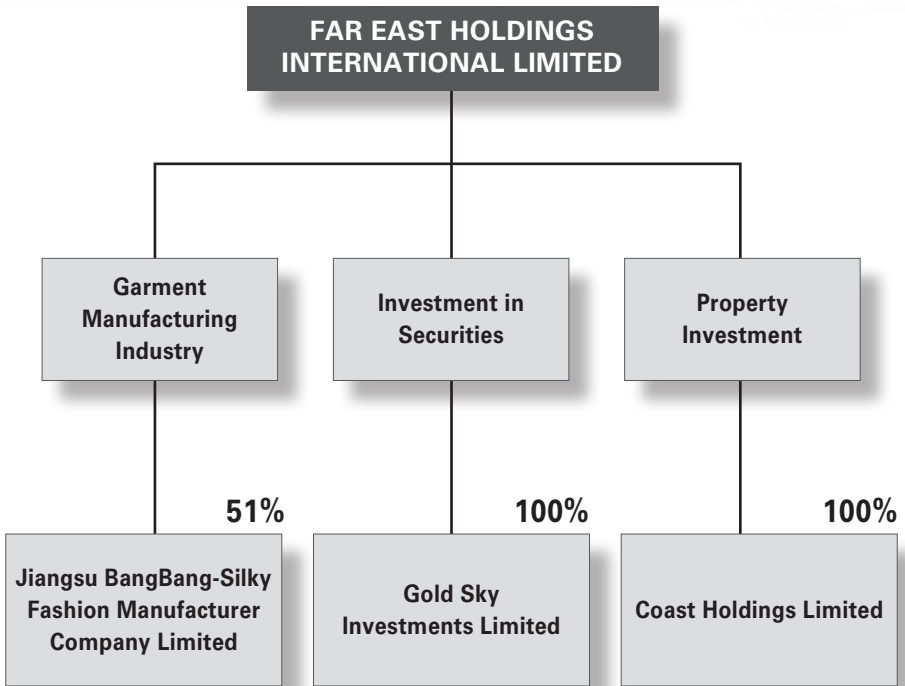
<http://www.feholdings.com.hk>

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CORPORATE PROFILE



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the six months period ended 30 June 2016 (the “Period”), Far East Holdings International Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded revenue from operations of approximately HK\$4.1 million, representing a decrease of 29.1% as compared to the corresponding period in 2015. The Group’s loss for the Period attributable to owners of the Company was approximately HK\$121.4 million (2015: profit attributable to owners of the Company of approximately HK\$53.3 million). The total comprehensive expense of the Group for the Period was approximately HK\$122.4 million (2015: total comprehensive income of approximately HK\$43.2 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 11.15 HK cents (2015: earnings per share of 6.61 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\$4.1 million for the Period, representing a decrease of 29.1% as compared to the corresponding period in 2015. This business is facing challenges in terms of the increasing material and labour 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. Management will continue to down-size and find ways to increase its income to offset its losses. Management is currently looking for ways to improve productivity and profitability.

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK\$52.5 million (31 December 2015: approximately HK\$52.5 million) as at 30 June 2016. During the Period, the Group recorded rental income of approximately HK\$0.7 million (2015: Nil). Management will seek to identify further investment opportunities as and when opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS (Continued)

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\$131.9 million (2015: fair value gain of approximately HK\$56.6 million) due to the fluctuation of Hong Kong equity market. Dividend income from held-for-trading investments of approximately HK\$0.8 million (2015: approximately HK\$0.7 million) was recorded for the Period. In view of the fair value loss on held-for-trading investments, a reversal of deferred tax liability of approximately HK\$12.7 million was recognised for the Period.

As at 30 June 2016, held-for-trading investments amounted to approximately HK\$654.1 million (31 December 2015: approximately HK\$628.0 million). This value represented an investment portfolio comprising 58 (31 December 2015: 31) equity securities listed in Hong Kong of which 48 (31 December 2015: 26) equity securities are listed on the Main Board of the Stock Exchange and the remaining 10 (31 December 2015: 5) equity securities are listed on the Growth Enterprise Market of the Stock Exchange. The Group's held-for-trading investments were represented as follows:

Company Name/Stock Code	Percentage of shareholdings at 30 June 2016	Unrealised Fair value gain/(loss) for the Period	Dividend income for the Period	Fair value at 30 June 2016	Percentage of total held-for-trading investments	Percentage of total assets of the Group at 30 June 2016
	%	HK\$'000	HK\$'000	HK\$'000	%	%
Hong Kong Exchanges and Clearing Limited (388)	0.02%	(2,712)	731	48,546	7.4%	6.4%
China Information Technology Development Limited (8178)	3.33%	(5,700)	-	37,050	5.7%	4.9%
Huayi Tencent Entertainment Co Limited (419) <i>(formerly known as China Jiu hao Health Industry Corporation Limited)</i>	0.30%	(14,400)	-	27,600	4.2%	3.7%
China 3D Digital Entertainment Limited (8078)	0.82%	12,166	-	26,544	4.1%	3.5%
Hsin Chong Group Holdings Limited (404)	0.61%	(700)	-	26,250	4.0%	3.5%
China Innovative Finance Group Limited (412) <i>(formerly known as Heritage International Holdings Ltd)</i>	0.17%	(960)	-	25,598	3.9%	3.4%
Sino Golf Holdings Limited (361)	4.27%	(200)	-	22,600	3.5%	3.0%
O Luxe Holdings Limited (860)	1.44%	10,889	-	21,146	3.2%	2.8%
Ding He Mining Holdings Limited (705)	4.03%	4,380	-	21,090	3.2%	2.8%
OP Financial Investments Limited (1140)	0.81%	(3,000)	-	21,000	3.2%	2.8%
Lajin Entertainment Network Group Limited (8172)	1.07%	(8,400)	-	19,200	2.9%	2.5%
KuangChi Science Limited (439)	0.11%	(1,102)	-	18,666	2.9%	2.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Company Name/Stock Code	Percentage of shareholdings at 30 June 2016	Unrealised Fair value gain/(loss) for the Period	Dividend income for the Period	Fair value at 30 June 2016	Percentage of total held-for-trading investments	Percentage of total assets of the Group at 30 June 2016
	%	HK\$'000	HK\$'000	HK\$'000	%	%
Hua Han Health Industry Holdings Limited (587) <i>(formerly known as Prosperity International Holdings (H.K.) Limited)</i>	0.36%	(2,075)	–	18,128	2.8%	2.4%
Convoy Global Holdings Limited (1019) <i>(formerly known as Convoy Financial Holdings Limited)</i>	0.33%	(3,998)	–	17,743	2.7%	2.4%
HengTen Networks Group Limited (136)	0.07%	(12,750)	–	16,250	2.5%	2.2%
Sino Haijing Holdings Limited (1106)	3.90%	8,570	–	15,820	2.4%	2.1%
SkyNet Group Limited (8176) <i>(formerly known as EDS Wellness Holdings Limited)</i>	0.89%	(8,486)	–	15,600	2.4%	2.1%
Evergrande Health Industry Group Limited (708)	0.17%	(9,840)	–	15,450	2.4%	2.1%
Town Health International Medical Group Limited (3886)	0.15%	(3,960)	–	15,240	2.3%	2.0%
Hong Kong Education (Int'l) Investments Limited (1082)	4.38%	6,775	–	15,200	2.3%	2.0%
Newton Resources Ltd (1231)	0.47%	944	–	15,109	2.3%	2.0%
Wang On Properties Limited (1243)	0.16%	12,773	–	15,075	2.3%	2.0%
Others (Note)		(45,722)	–	179,206	27.4%	23.8%
		(67,508)	731	654,111	100%	86.9%

Note: It represented 36 (31 December 2015: 18) listed securities and none of these investments represented more than 2.0% (31 December 2015: 2.5%) of the total assets of the Group as at 30 June 2016.

Prospects

The Group is working with business partners in working out a long-term and viable strategy for the garment business. Some diversification efforts and cost control have been made and management is working on a more holistic solution for this segment. While investment in securities accounted 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. Management will continue to seek other investment opportunities to broaden the investment strategy and balance investment risks.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2016, the Group had bank balances and cash and deposits held at financial institutions of approximately HK\$16.9 million (31 December 2015: approximately HK\$177.7 million). Fundamentally, the Group's funding policy was to finance the business operations with internally-generated cash. As at 30 June 2016, the Group had no outstanding interest bearing bank borrowings (31 December 2015: 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 2016, no gearing ratio (total debts as percentage of equity attributable to owners of the Company) information was presented (31 December 2015: Nil).

Current Ratio

The Group's current ratio (current assets to current liabilities) as at 30 June 2016 decreased to 206.7 (31 December 2015: 218.7). 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 2016, the total number of issued ordinary shares of the Company was 1,089,118,593 shares (31 December 2015: 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 2016, the Group did not have any charges on its assets (31 December 2015: Nil).

Contingent Liabilities

As at 30 June 2016, the Company had no contingent liabilities (31 December 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

As at 30 June 2016, the Group had no significant capital commitments (31 December 2015: Nil).

Material Acquisitions and Disposals

The Group made no material acquisition or disposal in the six months ended 30 June 2016 and up to date of this report.

Employees and Remuneration Policy

As at 30 June 2016, the Group had approximately 91 employees in Hong Kong and the PRC (31 December 2015: 107 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 directors of the Company (the “Directors”) 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 2016, none of the Directors or chief executive of the Company and their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

As at 30 June 2016, 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 chairman and chief executive. The responsibilities of the chairman and the daily management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chairman and chief executive officer, are necessary.

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

As stated above, the Company did not officially have a chairman. All Directors have attended the annual general meeting on 6 June 2016 and one of the executive Directors was elected chairman of the said meeting.

DISCLOSURE OF ADDITIONAL INFORMATION

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 2015 Annual Report of the Company are set out below:

Name of Director	Details of change
Chan Ming Sun, Jonathan <i>independent non-executive Director</i>	<ul style="list-style-type: none">appointed as an independent non-executive director of Dining Concept Holdings Limited (stock code: 8056) since July 2016
Wong Yun Kuen <i>independent non-executive Director</i>	<ul style="list-style-type: none">Appointed as an executive director of Ngai Shun Holdings Limited (stock code: 1246) since July 2016
Kwan Shan <i>independent non-executive Director</i>	<ul style="list-style-type: none">Appointed as an executive director of Yueshou Environmental Holdings Limited (stock code: 1191) since April 2016

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, 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 Group's unaudited interim financial statements for the six months ended 30 June 2016.

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

Hong Kong, 26 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Revenue	3	4,088	5,767
Cost of sales		(4,248)	(6,212)
Gross loss		(160)	(445)
Dividend income from available-for-sale investments		–	71
Dividend income from held-for-trading investments		794	681
Other income		1,367	1,080
Other gains and losses	4	(131,864)	76,624
Selling and distribution costs		(51)	(41)
Administrative expenses		(4,804)	(15,423)
Finance costs		–	(1,285)
(Loss) profit before tax		(134,718)	61,262
Income tax credit (expense)	5	12,657	(9,335)
(Loss) profit for the period	6	(122,061)	51,927
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		(352)	132
Fair value gain on available-for-sale investments		–	10,073
Reclassification adjustment upon disposal of available-for-sale investments		–	(18,958)
Other comprehensive expense for the period		(352)	(8,753)
Total comprehensive (expense) income for the period		(122,413)	43,174

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(121,393)	53,263
Non-controlling interests		(668)	(1,336)
		(122,061)	51,927
Total comprehensive (expense) income attributable to:			
Owners of the Company		(121,573)	44,444
Non-controlling interests		(840)	(1,270)
		(122,413)	43,174
(Loss) earnings per share			
Basic (HK cents)	8	(11.15)	6.61
Diluted (HK cents)	8	(11.15)	6.61

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	9	52,516	52,516
Property, plant and equipment	9	21,183	21,927
Prepaid lease payments		526	566
		74,225	75,009
CURRENT ASSETS			
Prepaid lease payments		21	22
Held-for-trading investments	10	654,111	628,026
Inventories		2,631	2,729
Trade and other receivables	11	992	1,500
Amount due from a non-controlling interest		4,545	4,009
Tax recoverable		–	10
Deposits held at financial institutions	10	1,792	144,917
Bank balances and cash		15,154	32,755
		679,246	813,968
CURRENT LIABILITIES			
Trade and other payables	12	3,251	3,722
Tax payable		35	–
		3,286	3,722
NET CURRENT ASSETS		675,960	810,246
TOTAL ASSETS LESS CURRENT LIABILITIES		750,185	885,255
NON-CURRENT LIABILITY			
Deferred tax liabilities		–	12,657
NET ASSETS		750,185	872,598
CAPITAL AND RESERVES			
Share capital	13	632,610	632,610
Reserves		110,085	231,658
Equity attributable to owners of the Company		742,695	864,268
Non-controlling interests		7,490	8,330
TOTAL EQUITY		750,185	872,598

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
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
At 1 January 2015 (audited)	255,092	7,403	8,885	155,785	427,165	16,049	443,214
Profit (loss) for the period	–	–	–	53,263	53,263	(1,336)	51,927
Other comprehensive income (expense) for the period							
Exchange differences arising from the translation of foreign operations	–	66	–	–	66	66	132
Fair value gain on available-for-sale investments	–	–	10,073	–	10,073	–	10,073
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(18,958)	–	(18,958)	–	(18,958)
	–	66	(8,885)	–	(8,819)	66	(8,753)
Total comprehensive income (expense) for the period	–	66	(8,885)	53,263	44,444	(1,270)	43,174
Issue of shares upon open offer (Note 13)	80,492	–	–	–	80,492	–	80,492
Transaction costs attributable to Open Offer (Note 13)	(2,012)	–	–	–	(2,012)	–	(2,012)
Placing of shares (Note 13)	306,705	–	–	–	306,705	–	306,705
Transaction costs on placing of shares (Note 13)	(7,667)	–	–	–	(7,667)	–	(7,667)
At 30 June 2015 (unaudited)	632,610	7,469	–	209,048	849,127	14,779	863,906

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(160,536)	(249,494)
INVESTING ACTIVITIES			
Withdrawal of deposits with financial institutions		157,218	205,551
Disposal of subsidiaries	16	–	120,880
Proceeds from disposal of available-for-sale investments		–	30,912
Proceeds from disposal of investment properties		–	14,750
Withdrawal of pledged bank deposits		–	7
Placement of deposits held at financial institutions		(14,000)	(253,530)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	15	–	(69,490)
Acquisition of property, plant and equipment		(40)	(56)
Others		(63)	335
NET CASH FROM INVESTING ACTIVITIES		143,115	49,359
FINANCING ACTIVITIES			
Proceeds from placing of shares		–	306,705
Proceeds from issue of shares upon Open Offer		–	80,492
Transaction costs on placing of shares		–	(7,667)
Transaction costs paid upon Open Offer		–	(2,012)
Repayment of bank borrowings		–	(1,879)
Others		–	(1,284)
NET CASH FROM FINANCING ACTIVITIES		–	374,355
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(17,421)	174,220
CASH AND CASH EQUIVALENTS AT 1 JANUARY		32,755	74,170
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(180)	80
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash		15,154	248,470

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2015 that is included in this interim report 2016 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 2015 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

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 2016

	Industrial HK\$’000	Securities investment HK\$’000	Other operation HK\$’000	Consolidated HK\$’000 (unaudited)
Segment and external revenue	4,088	–	–	4,088
Segment results	(1,622)	(131,070)	(453)	(133,145)
Other income				1,367
Unallocated expenses				(2,940)
Loss before tax				(134,718)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (Continued) Segment revenues and results (Continued) Six months ended 30 June 2015

	Industrial HK\$'000	Securities investment HK\$'000	Other operation HK\$'000	Consolidated HK\$'000 (unaudited)
Segment and external revenue	5,767	–	–	5,767
Segment results	(3,122)	57,276	(519)	53,635
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- forsale investments				18,846
Gain on disposal of derivative financial instruments				659
Gain on disposal of subsidiaries				527
Profit before tax				61,262

Segment results represent the (loss) profit from each segment without allocation of other income, corporate expenses, finance costs, loss on disposal of property, plant and equipment, gain on disposal of 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 income from held-for-trading investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Fair value (loss) gain on held-for-trading investments	(131,864)	56,594
Gain on disposal of available-for-sale investments	–	18,846
Gain on disposal of derivative financial instruments	–	659
Gain on disposal of subsidiaries (Note 16)	–	527
Loss on disposal of property, plant and equipment	–	(2)
	(131,864)	76,624

5. INCOME TAX CREDIT(EXPENSE)

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong profits tax	12,657	(9,335)

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

For the six months ended 30 June 2016, Hong Kong profits tax had not been provided for as the Group had no assessable profit for the period. A reversal of deferred tax liability was recorded for the period in view of the unrealised loss on held-for-trading investments.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25%. 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 2016

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
(Loss) profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	29	53
Depreciation of property, plant and equipment	749	525
Directors' remuneration and other staff costs	4,380	9,170
Legal and professional fee	432	3,621

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 (2015: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
(Loss) profit for the purpose of (loss) earnings per share	(121,393)	53,263
<hr/>		
Number of shares:		
Weighted average number of ordinary shares for the purposes of (loss) earnings per share	1,089,118,593	805,300,742

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

During the current interim period, the Group spent HK\$40,000 on purchase of property, plant and equipment. There were no additions or disposals of investment properties during the period.

The fair value of the Group's investment properties at 30 June 2016 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 2015 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 2016 (2015: Nil).

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2016 and 31 December 2015. There were no transfers into or out of Level 3 during the period.

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

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Listed equity securities:		
Hong Kong	654,111	628,026

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

As at 30 June 2016, the Group's five largest held-for-trading investments contributed to approximately 25.4% of the Group's held-for-trading investments and such investments contributed 16.8% of the loss from changes in fair value of held-for-trading investments recognised in profit or loss for the current interim period.

As at 30 June 2016, the Group's deposits held at financial institutions were held in securities trading accounts in one (31 December 2015: 99.9% in one) financial institution for the purpose of the Group's securities investment operation.

11. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (31 December 2015: 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:

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Current	694	1,046
Past due:		
0 to 30 days	–	–
31 to 60 days	–	–
Total trade receivables	694	1,046
Other receivables	298	454
	992	1,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. TRADE AND OTHER PAYABLES

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Trade payables	48	49
Other payables and accruals	3,203	3,673
	3,251	3,722

At 30 June 2016 and 31 December 2015, all trade payables were aged over 90 days based on the invoice date.

13. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	2016 HK\$'000	2015 HK\$'000
Issued and fully paid:				
At 1 January (audited)	1,089,118,593	536,613,062	632,610	255,092
Shares issued upon				
Open Offer (<i>Note i</i>)	-	268,306,531	-	78,480
Placing of shares (<i>Note ii</i>)	-	284,199,000	-	299,038
At 30 June (unaudited)	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 2016

13. SHARE CAPITAL (Continued)

Notes:

- (i) Pursuant to an ordinary resolution passed at a board meeting of the Company on 12 February 2015, an issue of shares by the Company at a price of HK\$0.30 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 268,306,531 new shares were issued on 13 February 2015, resulting in gross proceeds of approximately HK\$80,492,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK\$2,012,000.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Financial assets	Fair value	Fair value	Fair value hierarchy	Valuation techniques and key inputs
	as at 30 June 2016	as at 31 December 2015		
	HK\$'000	HK\$'000		
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the condensed consolidated statement of financial position	654,111	628,026	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 decline of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 30 June 2015, the Group acquired 100% of the issued share capital of Coast Holdings Limited ("Coast Holdings") for a cash consideration of HK\$70,232,000. Coast Holdings 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:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. DISPOSAL OF SUBSIDIARIES

On 17 February 2015, 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 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 Limited ("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 12 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:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. 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	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Short-term benefits	990	2,430
Post-employment benefits	–	27
	990	2,457

18. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.