遠東控股國際有限公司
FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 36

2018
ANNUAL REPORT

Contents

The English text of this annual report shall prevail over the Chinese text

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Dr. Wong Yun Kuen *(Chairman)*
Mr. Sheung Kwong Cho

Independent Non-executive Directors

Ms. Kwan Shan
Mr. Wong Kui Shing, Danny
Mr. Mak Ka Wing, Patrick

COMPANY SECRETARY

Mr. Sheung Kwong Cho

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

Dr. Wong Yun Kuen
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

Dr. Wong Yun Kuen *(Chairman)*
Mr. Wong Kui Shing, Danny
Mr. Sheung Kwong Cho

PRINCIPAL BANKER

Hang Seng Bank Limited

REGISTERED OFFICE

Unit 902, 9/F, 299 QRC
287–299 Queen's Road Central
Sheung Wan, Hong Kong
Telephone: 2110 8886
Facsimile: 2110 1159
Email: admin@feholdings.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.0036.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2018 (the "Year Under Review"), Far East Holdings International Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue of approximately HK$8.5 million (2017: approximately HK$9.1 million), representing a decrease of approximately 6.6% as compared to that of last year. The Group's loss attributable to owners of the Company was approximately HK$106.0 million (2017: profit attributable to owners of the Company of approximately HK$69.5 million). The total comprehensive loss of the Group for the Year Under Review was approximately HK$104.8 million (2017: total comprehensive income of approximately HK$67.7 million), which was mainly attributable to fair value loss on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), offset by fair value gain on investment properties. The basic loss per share for the Year Under Review was 9.73 HK cents (2017: basic earnings per share of 6.38 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had cash and bank balances and deposits held at a financial institution amounting to approximately HK$40.4 million (2017: approximately HK$92.6 million). Fundamentally, the Group's funding policy is to finance the business operations with internally-generated cash. As at 31 December 2018, the Group did not have any outstanding interest-bearing bank borrowings (2017: nil). The Group did not have any financial instruments used for hedging purposes during the Year Under Review (2017: nil).

GEARING RATIO

As at 31 December 2018, the Group did not have any interest-bearing bank borrowings. The Group was in a net cash position and had no gearing (2017: nil).

CURRENT RATIO

The Group's current ratio (current assets to current liabilities) as at 31 December 2018 decreased to 170.8 (2017: 187.3). On the whole, the financial position and liquidity of the Group is healthy.

CAPITAL STRUCTURE

The Group has mainly relied on its equity and internally-generated cash flows to finance its operations. During the Year Under Review, there was no change to the share capital of the Company. As at 31 December 2018, the total number of issued ordinary shares of the Company was 1,089,118,593 (2017: 1,089,118,593) shares.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign exchange fluctuations during the Year Under Review.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31 December 2018, the Company had no contingent liabilities (2017: nil).

Capital Commitments

As at 31 December 2018, the Group had no capital commitment (2017: nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK$567.2 million as at 31 December 2018 (2017: approximately HK$648.4 million), representing 72.4% (2017: 71.7%) of the total assets of the Group.

During the Year Under Review, the Group recorded fair value loss on held-for-trading investments of approximately HK$127.4 million (2017: fair value gain of approximately HK$53.0 million). Details of the held-for-trading investments are set out on pages 5 to 12 of this annual report.

During the Year Under Review, the Group has acquired the bonds in a principal amount of HK$5,000,000 at a total consideration (including transaction cost) of HK$5,012,500. The bonds is interest bearing at 15% per annum and payable in cash quarterly in arrears with a maturity date on the date falling on the second anniversary of the relevant issue date of the bonds. Details of the transaction are set out in the Company's announcement dated 6 November 2018.

MATERIAL RISK FACTORS

The Group's held-for-trading investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk due to the fluctuation of fair value of held-for-trading investments. Management closely monitors the market condition of listed securities and regularly reviews the exposure to the equity price risk on held-for-trading investments. Details of the Group's financial risk and analysis are set out in note 31(b)(iii) to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

There was no material acquisition nor disposal conducted by the Group during the Year Under Review.

DIVIDEND

For the year ended 31 December 2018, the board (the "Board") of directors (the "Directors") of the Company does not recommend any final dividend (2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2018, the Group had approximately 88 employees in Hong Kong and the People's Republic of China (the "PRC") (2017: 93 employees). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and sustainable development through promoting and adopting green practices in its business activities. Initiatives within the Group include, but are not limited to, encouraging employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

BUSINESS REVIEW AND PROSPECTS

The Group's core business continues to be in the 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 Industries

For the two years ended 31 December 2018 and 2017, the garment products business of the Group recorded revenue of approximately HK$5.3 million and HK$6.6 million, respectively, representing a decrease of approximately 19.7% in 2018 as compared to 2017. As this business is still facing challenges in terms of increasing material and labour costs and falling per unit sales prices, management has implemented cost controls during the Year Under Review.

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a total carrying amount of approximately HK$164.5 million (2017: approximately HK$138.2 million) as at 31 December 2018. Increase in balance of approximately HK$26.3 million due to fair value gain on investment properties of approximately HK$6.6 million and reclassification from property, plant and equipment to investment properties of approximately HK$19.7 million. For the years ended 31 December 2018 and 2017, the Group recorded property rental income of approximately HK$3.2 million and HK$2.5 million, respectively.

On 3 January 2019, the Group has entered into a sale and purchase agreement with a third party, pursuant to which the Group has agreed to acquire 51% of the entire issued share capital in Joy Ease Limited (the "Acquisition"), a company incorporated in the British Virgin Islands and principally engaged in investment in and holding of a property at the commercial podium (shop) on lower ground floor, upper ground floor, first floor, second floor, third floor, offices and flat roof on fourth floor, and the remaining portions of the external walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong (the "Property"). The Group expects the Acquisition can broaden the Group's property investment portfolio, enhance and generate stable income stream to the Group. Details of the Acquisition are set out in the Company's announcement dated 3 January 2019 and circular dated 26 February 2019.

Investment in Securities

During the Year Under Review, the Group recorded fair value loss on held-for-trading investments of approximately HK$127.4 million (2017: fair value gain of approximately HK$53.0 million) attributable to unrealised loss of approximately HK$127.8 million, offset by a realised gain of approximately HK$0.4 million. Dividend income from held-for-trading investments amounting to approximately HK$3.2 million (2017: approximately HK$2.0 million) was recorded during the Year Under Review.

As at 31 December 2018, held-for-trading investments amounted to approximately HK$567.2 million (2017: approximately HK$648.4 million). This value represented an investment portfolio comprising 47 (2017: 49) equity securities listed in Hong Kong of which 38 (2017: 40) equity securities are listed on the Main Board of the Stock Exchange and the remaining 9 (2017: 9) equity securities are listed on the GEM of the Stock Exchange. The Group's held-for-trading investments were represented as follows:

Company name/(stock code)	Notes	No. of shares	Percentage of shareholdings at 31 December 2018* (Note 1)	Carrying amount at 31 December 2017	Unrealised fair value gain/(loss) for the year ended 31 December 2018	Dividend income for the year ended 31 December 2018	Fair value at 31 December 2018	Percentage of total held-for-trading investments at 31 December 2018*	Percentage of total assets of the Group at 31 December 2018*
				HK$'000	HK$'000	HK$'000	HK$'000	%	%
Evergrande Health Industry Group Limited (708)	2	15,000,000	0.17%	46,350	108,150	–	154,500	27.2	19.7
Hong Kong Exchanges and Clearing Limited (388)	3	275,559	0.02%	64,274	(3,583)	1,750	62,442	11.0	7.9
OP Financial Limited (1140) *(formerly known as OP Financial Investments Limited)*	4	15,000,000	0.51%	41,700	2,250	597	43,950	7.8	5.6
Wang On Properties Limited (1243)	5	28,700,000	0.19%	32,500	(6,625)	435	29,848	5.3	3.8
Sino Golf Holdings Limited (361)	6	100,000,000	1.92%	27,000	(2,000)	–	25,000	4.4	3.2
Redco Properties Group Limited (1622)	7	5,000,000	0.14%	–	(2,790)	144	22,300	3.9	2.8
SuperRobotics Limited (8176)	8	3,430,000	0.68%	44,178	(23,598)	–	20,580	3.6	2.6
Landing International Development Limited (582)	9	7,999,200	0.27%	123,988	(104,310)	–	19,678	3.5	2.5
China Information Technology Development Limited (8178)	10	190,000,000	3.33%	25,840	(7,980)	–	17,860	3.1	2.3
Newton Resources Limited (1231)	11	18,886,000	0.47%	17,753	–	–	17,753	3.1	2.3
Ming Lam Holdings Limited (1106) *(formerly known as Sino Haijing Holdings Limited)*	12	140,000,000	1.05%	24,920	(8,540)	–	16,380	2.9	2.1
China Star Entertainment Limited (326)	13	15,000,000	0.54%	2,475	8,074	–	13,050	2.3	1.7
K. H. Group Holdings Limited (1557)	14	6,000,000	1.50%	–	137	–	12,120	2.1	1.5
China Ocean Fishing Holdings Limited (8047)	15	19,552,000	0.46%	–	746	–	10,753	1.9	1.4
China Shandong Hi-Speed Financial Group Limited (412)	16	31,998,000	0.13%	10,719	(640)	–	10,079	1.8	1.3
Yunfeng Financial Group Limited (376)	17	2,000,000	0.06%	10,900	(1,600)	–	9,300	1.7	1.2
Global Mastermind Holdings Limited (8063)	18	90,870,000	2.13%	12,358	(3,998)	–	8,360	1.5	1.1
Huayi Tencent Entertainment Company Limited (419)	19	40,000,000	0.30%	14,200	(6,440)	–	7,760	1.4	1.0
Hong Kong Education (Int'l) Investments Limited (1082)	20	14,792,000	2.70%	9,467	(1,923)	–	7,544	1.3	1.0
Others	21			139,746	(73,209)	309	57,989	10.2	7.4
				648,368	(127,879)	3,235	567,246	100	72.4

* The percentages are subject to rounding error.

Notes:

1. The percentage of shareholdings is calculated with reference to the monthly return of equity issuer on movements in securities for the month ended 31 December 2018 of the issuers publicly available on the website of the Stock Exchange.

2. Evergrande Health Industry Group Limited and its subsidiaries (collectively referred to as the "Evergrande Health Group") were principally engaged in healthcare, health management, highend medical therapy and elderly care under the membership system.

   Pursuant to the Evergrande Health Group's interim report for the six months ended 30 June 2018, the Evergrande Health Group recorded revenue of approximately RMB1,141 million and total comprehensive income of approximately RMB198 million. The Evergrande Health Group continues to enrich its drug and medical equipment product warehouse. Through cooperating with renowned original pharmaceutical companies and medical instrument institutions, the Evergrande Health Group will improve the product supply chain system for drugs and medical instruments, and will introduce more high quality medical and health products with application at major medical institutions, benefiting the majority of patients. The Group believes that the aforementioned business plans 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 Year Under Review.

3. 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 exchange in Hong Kong and their related clearing houses.

   Pursuant to the HKEX Group's annual report for the year ended 31 December 2018, the HKEX Group's recorded revenue of approximately HK$14,252 million and total comprehensive income was approximately HK$9,309 million. The HKEX Group has a strongly positioned robust business with clear strategic goals; an excellent and focused management team; a committed and talented workforce; and many opportunities in the future. In view of the above, the Group believe that the future prospect of the HKEX Group is positive.

   Except for a scrip dividend of 7,527 shares of the HKEX Group of approximately HK$1.8 million, there was no acquisition or disposal of the equity interest in the HKEX Group during the Year Under Review.

4. OP Financial Limited (formerly known as 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 interim report for the six months ended 30 September 2018, the OP Financial Group recorded revenue of approximately HK$1,292 million and total comprehensive loss of approximately HK$35 million. The Group believes the operating performance of the OP Financial Group will be improved as the OP Financial Group expects to establish a capital network in the healthcare industry. Each network node is an active healthcare service provider, while the maximum number of people could be reached through these network nodes. The OP Financial Group firmly believes that the network could provide a huge cooperative platform for the new healthcare service providers and creating diversified investment return for the OP Financial Group and their shareholders.

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

5. 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 interim report for the six months ended 30 September 2018, the Wang On Group recorded revenue of approximately HK$2,730 million and total comprehensive income of approximately HK$862 million. In view of the low unemployment rate and the market dominated by end-users in Hong Kong, it is not expected to significantly impact demand and the number of foreclosures, the Group is optimistic about the property market and the financial performance of the Wang On Group in the future.

   During the Year Under Review, the Group has additionally acquired 3,700,000 shares of the Wang On Group at an acquisition cost of approximately HK$4 million.

6. 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 report for the six months ended 30 June 2018, the Sino Golf Group recorded revenue of approximately HK$152 million and total comprehensive loss of approximately HK$23 million. The Group believes that the operating performance of the Sino Golf Group will be improved as the Sino Golf Group will continue to pursue a cautious business approach to closely monitor the golf equipment and golf bags business and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders of the Sino Golf Group.

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

7. Redco Properties Group Limited and its subsidiaries (collectively referred to as the "Redco Properties Group") were principally engaged in property development, property investment and project management business in the PRC.

   Pursuant to the Redco Properties Group's interim report for the six months ended 30 June 2018, the Redco Properties Group recorded revenue of approximately RMB1,738 million and total comprehensive income of approximately RMB573 million. As the Redco Properties Group will continue to expand territories of their real estate business, consolidate the business in cities with their presence, and strive to enter the market of other provincial capitals and strategically targeted second-tier cities with strong economy and potential of development, the Group believes that the future prospect of the Redco Properties Group is optimistic.

   The Group acquired 5,000,000 shares of the Redco Properties Group at an acquisition cost of approximately HK$25 million during the Year Under Review.

8. SuperRobotics Limited and its subsidiaries (collectively referred to as the "SuperRobotics 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 SuperRobotics Group's interim report for the six months ended 30 June 2018, the SuperRobotics Group recorded revenue of approximately HK$31 million and total comprehensive loss of approximately HK$46 million. The SuperRobotics Group will continue to focus on three robotic production lines: police use, commercial use and civilian use, in accordance with market conditions and the status of product development, In the second half of the year, the SuperRobotics Group will put great effort into streamlining the product lines of intelligent robots, with its resources focus on high-growth and high-value-added product categories, entering certain rising industries swiftly and achieving the leading position in the niche market. The Group is optimistic about the future prospect of the SuperRobotics Group in the robotics market.

   There was no acquisition or disposal of the equity interest in the SuperRobotics Group during the Year Under Review.

9. Landing International Development Limited and its subsidiaries (collectively referred to as the "Landing Group") were principally engaged in development and operation of the integrated leisure and entertainment resort, gaming and entertainment facilities and property development.

   Pursuant to the Landing Group's interim report for the six months ended 30 June 2018, the Landing Group recorded revenue of approximately HK$1,752 million and total comprehensive loss of approximately HK$433 million. The Landing Group has been investing in Jeju Shinhwa World in Jeju, South Korea since late 2013. On 21 February 2018, the Landing Group obtained conditional approval to relocate its casino (the "Landing Casino") in Hyatt Regency Hotel Jeju, South Korea to Jeju Shinhwa World. The Landing Casino was then relocated on 25 February 2018. During the Year Under Review, Jeju Shinhwa World regularly attracted many local and foreign visitors and generated a new segment revenue of approximately HK$164 million. The Group believes that the future prospect of the Landing Group is optimistic in view of its latest development of Jeju Shinhwa World.

   As a result of the Landing Group has consolidated its shares from 50 to 1 during the Year Under Review, the Group's equity interest in the Landing Group decreased from 399,960,000 shares to 7,999,200 shares.

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 2018, the China Information Group recorded revenue of approximately HK$31 million and total comprehensive loss of approximately HK$7 million. The China Information Group will continue to walk with two feet, steady growth in current businesses and the exploration of new businesses, so as to create value to the China Information Group and bring benefits to the shareholders of the China Information Group. The Group believes that the business plan of the China Information Group 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 Year Under Review.

11. 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 interim report for the six months ended 30 June 2018, the Newton Group recorded revenue of approximately RMB118 million and total comprehensive loss of approximately RMB85 million. In view of the Newton Group endeavours to capture those prosperous investment opportunities as and when they arise so as to achieve sustainable development of the Newtown Group and create value for the shareholders of the Newton Group in the long run, the Group believes that the future prospect of the Newtown Group is optimistic.

    There was no acquisition or disposal of the equity interest in the Newton Group during the Year Under Review.

12. Ming Lam Holdings Limited (formerly known as Sino Haijing Holdings Limited) and its subsidiaries (collectively referred to as the "Ming Lam 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 Ming Lam Group's interim report for the six months ended 30 June 2018, the Ming Lam Group recorded revenue of approximately HK$560 million and total comprehensive loss of approximately HK$40 million. With strong management team who has solid experience in tourism, entertainment and cultural industries, the Ming Lam 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 Ming Lam Group in the future. The Group believes these new projects is beneficial to the Ming Lam Group in the future prospect.

    There was no acquisition or disposal of the equity interest in the Ming Lam Group during the Year Under Review.

13. China Star Entertainment Limited and its subsidiaries (collectively referred to as the "China Star Group") were principally engaged in investment, production and distribution of films and television drama series, provision of artist management services and properties development and investment.

    Pursuant to the China Star Group's interim report for the six months ended 30 June 2018, the China Star Group recorded revenue of approximately HK$3 million and total comprehensive income of approximately HK$1,075 million. The Group believes the future prospect of the China Star Group is positive in view of its experience in film/television drama series production and distribution network in the film/television drama series industry and the China Star Group's confidence in the production of film/television drama series operations and maximizing its value and return.

    Increase in equity interest in the China Star Group from 5,000,000 shares to 15,000,000 shares held by the Group due to the subscription for the right issue of 10,000,000 shares at a subscription price of HK$0.25 per shares during the Year Under Review.

14. K.H. Group Holdings Limited and its subsidiaries (collectively referred to as the "K.H. Group") were principally engaged in provision of foundation services and leasing of machinery in Hong Kong.

    Pursuant to the K.H. Group's interim report for the six months ended 30 September 2018, the K.H. Group recorded revenue of approximately HK$94 million and total comprehensive loss of approximately HK$2 million. The Group believes the operating performance of the K.H. Group will be improved as the K.H. Group remains prudently optimistic about the prospects of the foundation industry in Hong Kong. The K.H. Group will continue to exercise due care in pursuing its existing core business and promoting its development plans so as to balance the risks and opportunities in the foundation industry in Hong Kong.

    The Group acquired 6,000,000 shares of the K.H. Group at an acquisition cost of approximately HK$12 million during the Year Under Review.

15. China Ocean Fishing Holdings Limited and its subsidiaries (collectively referred to as the "China Ocean Group") were principally engaged in provision of supply chain management services, money lending business and ocean fishing business.

    Pursuant to the China Ocean Group's interim report for the six months ended 30 September 2018, the China Ocean Group recorded revenue of approximately HK$548 million and total comprehensive loss of approximately HK$13 million. Taken into account the China Ocean Group will continue to proactively seek other promising investment and business opportunities to broaden the source of income of the China Ocean Group and enhance value to the shareholders of the China Ocean Group through investment and/or acquisitive business or projects that have promising outlooks and prospects, and with the China Ocean Group's new management team having extensive experience in the marine fishing business, the China Ocean Group will also explore further opportunities in the marine fishing business, the Group is optimistic about the future prospect of the China Ocean Group.

    The Group acquired 19,552,000 shares of the China Ocean Group at an acquisition cost of approximately HK$10 million during the Year Under Review.

16. China Shandong Hi-Speed Financial Group Limited and its subsidiaries (collectively referred to as the "China Shandong Hi-Speed 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 Shandong Hi-Speed Group's interim report for the six months ended 30 September 2018, the China Shandong Hi-Speed Group recorded revenue of approximately HK$282 million and total comprehensive loss of approximately HK$596 million. In view of the China Shandong Hi-Speed Group will also look for potential acquisition targets that will create synergy with the China Shandong Hi-Speed Group and enhance profitability, the Group believes the operating performance of the China Shandong Hi-Speed Group will be improved in the future.

    There was no acquisition or disposal of the equity interest in the China Shandong Hi-Speed Group during the Year Under Review.

17. 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 report for the six months ended 30 June 2018, the Yunfeng Financial Group recorded revenue of approximately HK$15 million and total comprehensive loss of approximately HK$190 million. The Yunfeng Financial Group will continue to push forward on the completion of the acquisition of an equity interest in MassMutual Asia Limited ("MassMutual") that enable internal cross-referrals of existing customers of the Yunfeng Financial Group and MassMutual, thereby facilitating a wider customer reach and further expanding the financial service ecosystem of the Yunfeng Financial Group which covers an expansive range of financial products and services. The Group believes the acquisition of the equity interest in MassMutual is beneficial to the Yunfeng Financial Group.

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

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 2018, the Global Mastermind Group recorded revenue of approximately HK$16 million and total comprehensive loss of approximately HK$25 million. Given that the Global Mastermind Group will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions, the Group is optimistic about the future prospects of the Global Mastermind Group.

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

19. 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 interim report for the six months ended 30 June 2018, the Huayi Tencent Group recorded revenue of approximately HK$58 million and total comprehensive loss of approximately HK$23 million. The Huayi Tencent Group will concentrate on the investment in Korean film and television ("TV") productions. In view of this focus and the potential easing of restriction on Korean contents by the Chinese authority, it is expected that the investment in existing Korean film and TV projects will generate considerable return for the Huayi Tencent Group. The Group believes the future prospect of the Korean film and TV projects is optimistic.

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

20. 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 annual report for the year ended 30 June 2018, the Hong Kong Education Group recorded revenue of approximately HK$109 million and total comprehensive loss of approximately HK$25 million. The Group believes the future prospect of the Hong Kong Education Group is positive as the Hong Kong Education Group will improve the course design and format of delivery, and maintain reasonable courses fees. The Hong Kong Education Group will also take cautious steps to carry out business expansion and operation enhancement in order to unleash market potentials.

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

21. Others comprised 28 (2017: 30) listed securities and none of these investments account for more than 1.0% of the total assets of the Group as at 31 December 2018. There were 5 listed securities whose shares have been suspended for trading, namely Up Energy Development Group Limited (stock code: 307), Hsin Chong Group Holdings Limited (stock code: 404), Hua Han Health Industry Holdings Limited (stock code: 587) and Town Health International Medical Group Limited (stock code: 3886) whose securities have been suspended for a prolonged period and an unrealised fair value loss of approximately HK$27 million has been recognised in the prior year. No fair value adjustments have been made regarding these 4 listed securities during the Year Under Review. In April 2018, the trading of shares in Ding He Mining Holdings Limited (stock code: 705) has been suspended and lead to a fair value loss of HK8.2 million recorded during the Year Under Review. Breakdown of these 28 listed securities is as follows:

Company name/(stock code)	**No. of shares**	**Percentage of shareholdings at 31 December 2018***	**Fair value at 31 December 2018**	**Percentage of total held-for-trading investments at 31 December 2018***	**Percentage of total assets of the Group at 31 December 2018***
			HK$'000	%	%
Eternity Investment Limited (764)	35,006,588	0.92%	6,126	1.1	0.8
Lajin Entertainment Network Group Limited (8172)	30,000,000	0.71%	5,910	1.0	0.7
Huanxi Media Group Limited (1003)	3,000,000	0.10%	4,860	0.9	0.6
EverChina International Holdings Company Limited (202)	15,000,000	0.21%	4,200	0.7	0.5
International Entertainment Corporation (1009)	4,000,000	0.29%	4,000	0.7	0.5
New Century Group Hong Kong Limited (234)	32,000,000	0.55%	3,968	0.7	0.5
Get Nice Financial Group Limited (1469)	4,000,000	0.16%	3,800	0.7	0.5
Global Mastermind Capital Limited (905) *(Formerly known as Mastermind Capital Limited)*	16,568,000	2.37%	3,479	0.6	0.4
KuangChi Science Limited (439)	6,120,000	0.10%	3,060	0.5	0.4
China City Infrastructure Group Limited (2349)	10,000,000	0.32%	3,050	0.5	0.4
Aurum Pacific (China) Group Limited (8148)	12,940,909	1.02%	2,291	0.4	0.3
China Internet Investment Finance Holdings Limited (810)	10,170,000	1.55%	2,217	0.4	0.3
Metallurgical Corporation of China Limited (1618)	1,077,000	0.04%	2,025	0.4	0.3
Solartech International Holdings Limited (1166)	25,000,000	1.05%	2,000	0.4	0.2
Fullsun International Holdings Group Company Limited (627) *(Formerly known as U-Right International Holdings Limited)*	2,000,000	0.02%	1,520	0.3	0.2
China Eco-Farming Limited (8166)	5,000,000	0.64%	1,195	0.2	0.2
Hong Kong Building and Loan Agency Limited (145)	20,000,000	0.87%	1,080	0.2	0.1
Esprit Holdings Limited (330)	500,000	0.03%	780	0.1	0.1
HMV Digital China Group Limited (8078)	63,200,000	0.46%	758	0.1	0.1
CST Group Limited (985)	32,000,000	0.08%	736	0.1	0.1
Forebase International Holdings Limited (2310)	1,300,000	0.19%	436	0.1	0.1
HK Life Sciences and Technologies Group Limited (8085)	12,000,000	0.21%	432	0.1	0.1
Prosperity International Holdings (H.K.) Limited (803)	2,000,000	0.02%	66	0.0	0.0
Up Energy Development Group Ltd (307)	3,200,000	0.07%	–	0.0	0.0
Hsin Chong Group Holdings Limited (404)	35,000,000	0.61%	–	0.0	0.0
Hua Han Health Industry Holdings Limited (587)	26,272,000	0.37%	–	0.0	0.0
Ding He Mining Holdings Limited (705)	222,000,000	3.36%	–	0.0	0.0
Town Health International Medical Group Limited (3886)	12,000,000	0.16%	–	0.0	0.0
			57,989	10.2	7.4

* The percentages are subject to rounding error.

Outlook

In recent years, the Group recorded successive decrease in revenue derived from its garment products and taken into account the Chinese economy grew in 2018 at its slowest rate since 1990, the Group is not optimistic in its garment industries in 2019.

During the Year Under Review, the Hang Seng Index fell by 14 per cent for its worst performance in seven years. The Group's fair value loss in the investment in securities at record high since the Group has developed the investment in securities as the ordinary course of business of the Group in 2014. Notwithstanding the Group believes the performance of the investment portfolio held by the Group as at 31 December 2018 will be improved in the future, the overall investing sentiment was hampered by the impending withdrawal of the United Kingdom from the European Union and the trade tensions between the United States and the PRC. The Group expects the stock market in Hong Kong continued to fluctuate in 2019. Management will closely monitor the investment portfolio and capture opportunities arising from held-for-trading investments in a prudent manner and balance investment risks.

In view of the above, the Group has entered into a sale and purchase agreement to acquire the Property through the Acquisition subsequent to the Year Under Review in order to enhance and generate stable income stream to the Group. The Group expects the completion of the Acquisition will take place in the first half of 2019 and the Group will record significant increase in revenue attributable to the rental income derived from the Property in the forthcoming year.

Dr. Wong Yun Kuen
Chairman

Hong Kong, 22 March 2019

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen

Dr. Wong, aged 61, joined the Group in December 2014 as an independent non-executive Director. In July 2017, Dr. Wong has been re-designated from an independent non-executive Director to executive Director and further appointed as the chairman of the Board, the chairman of investment committee of the Company and a director of certain subsidiaries of the Company.

Dr. Wong received his Ph.D. degree from Harvard University, and was a "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities and Investment Institute.

Dr. Wong is currently an executive director and the chairman of UBA Investments Limited (stock code: 768). Dr. Wong is a non-executive director of China Sandi Holdings Limited (stock code: 910). Dr. Wong is the independent non-executive director of GT Group Holdings Limited (stock code: 263), Kingston Financial Group Limited (stock code: 1031), DeTai New Energy Group Limited (stock code: 559), Tech Pro Technology Development Limited (stock code: 3823), Synergis Holdings Limited (stock code: 2340) and Asia Coal Limited (stock code: 835). The securities of the above companies are listed on the Main Board of the Stock Exchange. Dr. Wong is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203), whose securities are listed on the GEM of the Stock Exchange.

Dr. Wong was an executive director of Boill Healthcare Holdings Limited (stock code: 1246) from July 2016 to December 2018. He was also an independent non-executive director of Cocoon Holdings Limited (stock code: 428) from September 2004 to January 2015, Bauhaus International (Holdings) Limited (stock code: 483) from October 2004 to December 2016 and Sincere Watch (Hong Kong) Limited (stock code: 444) from September 2012 to December 2017. The securities of these companies are listed on the Main Board of the Stock Exchange.

Mr. Sheung Kwong Cho

Mr. Sheung, aged 38, joined the Group in May 2015 as the financial controller. In June 2016, he was appointed as the company secretary and authorized representative of the Company. In October 2017, Mr. Sheung has been further appointed as an executive Director and the director of certain subsidiaries of the Company. Mr. Sheung is also a member of the investment committee of the Company.

Mr. Sheung holds a Bachelor of Commerce degree from Macquarie University in Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and has more than 13 years of experience in corporate governance, mergers and acquisitions, auditing and financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Shan

Ms. Kwan, aged 47, joined the Group in December 2014 as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. In July 2017, Ms. Kwan has ceased to be the chairman of the nomination committee of the Company and remains as a member of the nomination committee and further appointed as the chairman of the audit committee of the Company.

Ms. Kwan has more than 20 years of experience in the accounting and finance field in listed companies. Ms. Kwan holds a Master of Corporate Governance and a Bachelor's Degree in Accountancy both from The Hong Kong Polytechnic University. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants. Ms. Kwan is currently a company secretary of Good Resources Holdings Limited (stock code: 109).

Ms. Kwan was an executive director of China Gem Holdings Limited (stock code: 1191) from April 2016 to May 2017, and an independent non-executive director of Good Resources Holdings Limited (stock code: 109) from June 2015 to May 2017. The securities of these companies are listed on the Main Board of the Stock Exchange.

Mr. Wong Kui Shing, Danny

Mr. Wong, aged 59, joined the Group in July 2017 as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee, nomination committee and investment committee of the Company. Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market.

Mr. Wong is currently an executive director of Huiyin Holdings Group Limited (stock code: 1178) and a non-executive director of TFG International Group Limited (stock code: 542). The securities of the above companies are listed on the Main Board of the Stock Exchange. Mr. Wong is also an executive director, the chairman of the board and chief executive officer of China Information Technology Development Limited (stock code: 8178) and an executive director of Larry Jewelry International Company Limited (stock code: 8351). The securities of the above companies are listed on the GEM of the Stock Exchange.

Mr. Wong was an executive director and chief executive officer of TFG International Group Limited (stock code: 542) from August 2015 to February 2019. Mr. Wong was a vice chief executive officer of InvesTech Holdings Limited (stock code: 1087) from June 2015 to September 2015 and a non-executive director from September 2015 to June 2017. Mr. Wong was an executive director and managing director of Emperor Culture Group Limited (stock code: 491) from December 2009 to January 2015 and was an independent non-executive director of Tech Pro Technology Development Limited (sock code: 3823) from September 2017 to February 2019. The securities of the above companies are listed on the Main Board of the Stock Exchange. Mr. Wong was also a non-executive director of Shi Shi Services Limited (stock code: 8181) from October 2015 to January 2017, whose securities are listed on the GEM of the Stock Exchange.

Pursuant to the listing enforcement notice/announcement of the Stock Exchange dated 16 October 2008, Mr. Wong, together with another former director of China Oil and Gas Group Limited ("China Oil and Gas Group") (stock code: 603), had admitted breaching the directors' declaration, undertaking and acknowledgement with regard to directors given by each of them to the Stock Exchange in the form set out in Appendix 5B to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in failing to use their best endeavours to procure China Oil and Gas Group's compliance with the Listing Rules in relation to the failure of China Oil and Gas Group to publish its annual results and annual report for the year ended 31 July 2005 by 30 November 2005 and the interim results and interim report for the six months ended 31 January 2006 by 30 April 2006. Accordingly, the Listing Committee of the Stock Exchange publicly criticised Mr. Wong and another former director of China Oil and Gas Group for their respective breaches mentioned above.

Mr. Mak Ka Wing, Patrick

Mr. Mak, aged 54, joined the Group in July 2017 and was appointed as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. Mr. Mak is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years' legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998.

Mr. Mak is currently an independent non-executive director of Fresh Express Delivery Holdings Group Co., Ltd. (stock code: 1175), whose securities are listed on the Main Board of the Stock Exchange.

Mr. Mak was an independent non-executive director of Fullsun International Holdings Group Co., Limited (stock code: 627) from January 2009 to August 2018, Convoy Global Holdings Limited (stock code: 1019) from March 2017 to November 2017, Tianli Holdings Group Limited (stock code: 117) from September 2013 to July 2015 and Golden Shield Holdings (Industrial) Limited (in liquidation) (stock code: 2123) from November 2014 to May 2015. The securities of these companies are listed on the Main Board of the Stock Exchange. A winding up order against Golden Shield Holdings (Industrial) Limited (in liquidation) was made by the High Court of Hong Kong on 11 May 2015 and the Official Receiver was appointed as its Provisional Liquidator. The subject winding-up petition was filed by a former legal adviser of Golden Shield Holdings (Industrial) Limited (in liquidation) in respect of a claim of approximately HK$833,000.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 13 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 53 to 118.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 119 of this annual report.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the investment properties and property, plant and equipment held by the Group as at 31 December 2018 are set out in notes 17 and 18 to the consolidated financial statements respectively. Particulars of the properties and property interests of the Group are set out on page 120 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders of the Company ("Shareholders") as at 31 December 2018 comprised the retained profits of approximately HK$119,402,000 (2017: HK$123,882,000).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year (2017: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 14 to 16 of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business during the year.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Dr. Wong Yun Kuen *(Chairman)*
Mr. Sheung Kwong Cho

Independent Non-Executive Directors

Ms. Kwan Shan
Mr. Wong Kui Shing, Danny
Mr. Mak Ka Wing, Patrick

Pursuant to articles 73 and 74 of the articles of association of the Company (the "Articles") and code provision A.4.2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, Dr. Wong Yun Kuen and Ms. Kwan Shan shall retire by rotation from office at the forthcoming annual general meeting of the Company (the "AGM"). They, being eligible, have offered themselves for re-election as Directors at the AGM.

Details of the Directors offering themselves for re-election are set out in the circular of the Company dated 12 April 2019.

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Dr. Wong Yun Kuen and Mr. Sheung Kwong Cho are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report were:

Mr. Duncan Chiu
Mr. Derek Chiu

DIRECTORS' SERVICE CONTRACTS

Mr. Sheung Kwong Cho has entered into a service agreement with the Company in relation to his appointment as the financial controller, company secretary and authorised representative of the Company. He has no fixed term of service unless terminated by at least one month's written notice served by either party at any time during the then existing term.

Dr. Wong Yun Kuen, Ms. Kwan Shan, Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick were appointed to the Board pursuant to their respective letters of appointment, for a term of one year, and such appointment may be terminated in accordance with its terms.

Save as disclosed above, none of the Directors who is proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2018, none of the Directors or chief executives 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.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO discloses no person as having a notifiable interest or short position in the share capital of the Company as at 31 December 2018.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, form each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales to the Group's five largest and the Group's largest customer accounted for approximately 90.45% and 42.47% of the total turnover for the year, respectively.

Aggregate purchases from the Group's five largest and the Group's largest supplier accounted for approximately 87.11% and 45.79% of the total purchases for the year, respectively.

At no time during the year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's number of issued shares) have an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 41 to 48 of this annual report.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code.

During the year ended 31 December 2018, the Audit Committee met three times to consider the financial reporting matters. 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, risk management and internal control system, and financial reporting matters including the review of the consolidated financial statements. As at the date of this annual report, 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 final results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results was in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares during the year and up to the latest practicable date of this annual report.

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 12 and 14 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

AUDITOR

BDO Limited have been appointed as the auditor of the Company with effect from 30 November 2017 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu as auditor of the Company. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2018 were audited by BDO Limited who will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed in the forthcoming annual general meeting of the Company.

APPRECIATION

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

On behalf of the Board

Dr. Wong Yun Kuen
Chairman

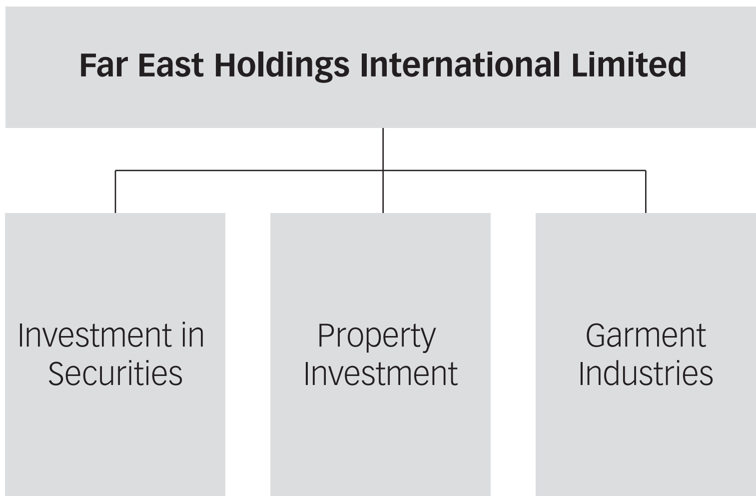
Hong Kong, 22 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT US

The Group was listed on the Main Board of the Stock Exchange since 1973. The Group's core business continues to be in the PRC and Hong Kong. The principal activities include manufacturing and export of garment products, property investment and investment in securities.

The Group's Business Structure



ABOUT THIS REPORT

This is the third Environmental, Social and Governance Report (the "ESG Report") published by the Company for the Year Under Review. By reporting the policies, measures and performances of the Group in environmental, social and governance ("ESG") aspects, it allows all stakeholders to understand its progress and development direction. The ESG Report is available on the website of the Company (www.0036.com.hk) and website of the Stock Exchange.

Reporting Boundary

The ESG Report focuses on the ESG performance of the Group's business segments of securities investment and property investment for the Year Under Review for the financial year from 1 January 2018 to 31 December 2018. The reporting scope is in line with the previous ESG Report, which covers operations of the Group's registered office in Hong Kong[1]. The business segment of manufacturing and export of garment products is not included due to downsizing of this business.

Reporting Standard

The Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of the ESG Report.

To provide stakeholders with an overview of the Group's performance in ESG aspects, the ESG Report not only discloses environmental key performance indicators under the "comply or explain" provisions but also reports additional social KPIs under the "recommended disclosures" as set out in the ESG Reporting Guide. A complete index was disclosed on pages 38 to 40 of this annual report.

Data Preparation

The Group has established internal controls and a formal review process to ensure that any information presented in the ESG Report is as accurate and reliable as possible. The board of directors has overall responsibility for the establishment and disclosure of relevant measures and KPIs. The ESG Report were reviewed and approved by the Board on 22 March 2019.

Feedback Mechanism

Stakeholder comments and suggestions can help define and strengthen the Group's future sustainability strategy. They may send their feedback and opinion to the registered office of the Company by post, fax or email. The address of the registered office and contact information of the Company are as follows:

Far East Holdings International Limited
Address: Unit 902, 9/F, 299QRC, 287–299 Queen's Road Central, Sheung Wan, Hong Kong
Email: admin@feholdings.com.hk
Fax: (852) 2110 1159

1 The principal subsidiaries of the Company are Gold Sky Investments Limited, Gold Sky Property Investment Limited, Wings Property Investments Limited and Coast Holdings Limited.

MESSAGE FROM THE MANAGEMENT

The Group is delighted to present to you the third ESG Report. Issues related to sustainability permeate every facet of business nowadays. We believe the ESG Report will serve as a channel for us to communicate with stakeholders in order to improve our performance.

Consistent with the prior years, the Group adopted a number of green office measures to enhance energy efficiency and efficiency of resource use. To enhance the wellbeing of employees, we launched training initiatives to elevate their skills. In addition, the Group also encouraged employees to take part in a number of community services.

The Group owes its success to the community where it operates. Conducting responsible investment is one way by which it can contribute to the society's shift towards a low-carbon economy. To enhance our impact in this aspect, the Group will consider formulating specific mechanisms to screen investment choices based on assessment of their environmental impact to promote a greener and healthier society.

In the constantly changing environment, the Group's operations are susceptible to different risk factors associated with sustainability issues. It is on the Group's agenda to conduct assessment of ESG related risks on an annual basis and to improve its ESG governance. The Group is confident that an accountable governance structure led by members of the Board will help it effectively execute and manage its sustainability measures and policies.

In the future, the Group will continue to examine the risks and opportunities posed by sustainability issues. It will remain open to new ideas and strategies contributed by our employees, partners and other members of society. As the Group gradually builds more experience in sustainability management, it will be able to create greater value for its stakeholders.

Dr. Wong Yun Kuen
Chairman
Far East Holdings International Limited

ESG GOVERNANCE

The Board has the overall responsibility for the oversight of the Group's policies, initiatives and performance on ESG matters, including employment, environmental protection, community involvement and product responsibility.

The Board continues to explore ways to further strengthen the ESG Governance of the Group. It is on its agenda to establish an ESG working group in the future. The working group will be delegated with the authority from the Board to formulate the Group's ESG policies, including product responsibility and community investment, review and monitor ESG practices, respond to emerging ESG issues and make recommendations to the Board where appropriate to improve the Group's ESG performance.

Risk Management

The Group considers risk management as an integral part of daily management processes and good corporate governance. Risk management mechanism assists the Group to evaluate business risks that may prevent or endanger the achieving of its business objectives in a dynamic business environment where economic, industry, regulatory and operating conditions continues to change.

The Board is responsible for the oversight of the Group's risk management and internal control system. As part of the systems, the Audit Committee is responsible for the review of their effectiveness and report to the Board on major findings and relevant recommendations. During the Year Under Review, the Audit Committee and an independent accounting firm conducted a review, and the internal control systems are effective with appropriate measures in place to manage the risks.

The Group noticed that the current risk assessment and internal control system does not cover environmental and social issues comprehensively. Looking ahead, the Group will consider conducting annual review on industry-relevant ESG risks which enables itself to formulate action plan in a timely manner.

STAKEHOLDER ENGAGEMENT

Understanding and responding to the needs of the stakeholders is a key step to achieving better outcomes for the stakeholders and the business on the journey to sustainability.

The stakeholders are those who have a considerable influence on the Group's business, and whom our business has a significant impact on. The Group engages its key stakeholders via multiple channels to gather their feedback and strive for continuous improvement. Meetings, interviews, and other communication channels are held across operations for internal and external stakeholder groups.

Employees	Suppliers
A range of initiatives to promote healthy workplace and well-being amongst our employees.	Setting specifications and requirements with annual evaluation to ensure the quality of materials purchased.

Customers	Communities
Regular communication with customers to improve the products and services we deliver, and enhance their satisfaction.	Engaging and supporting the community through encouraging employees to participate in volunteer service.

Material Assessment

To identify the most important environmental and social issues for the Group and its stakeholders, the professional consultant we appointed conducted a materiality assessment. Combining the insights of the management interview and expert advice, the Group has identified three material issues from the 11 environmental and social aspects of the ESG Reporting Guide to be the focuses of the ESG Report.

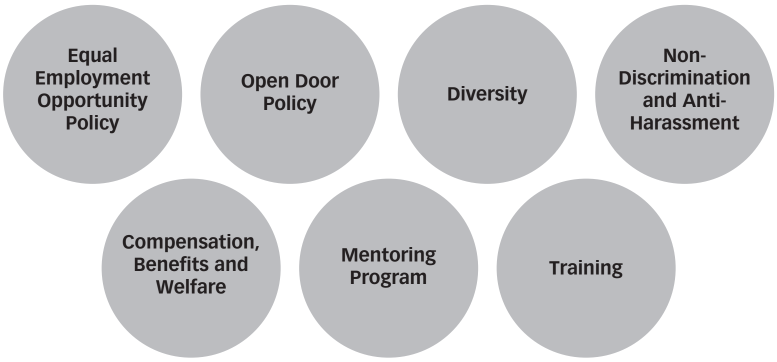
Development and training	Use of resources	Community investment

Looking ahead, the Group will explore ways to engage a wider range of its stakeholders and look into other forms of engagement exercise.

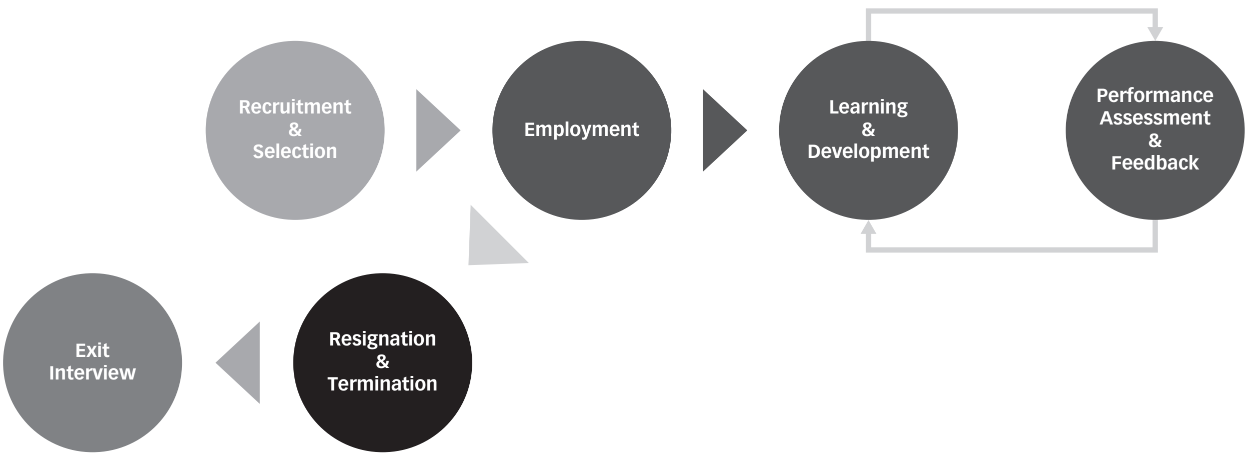
CARING FOR OUR EMPLOYEES

As a responsible and caring employer, the Group is committed to creating a work environment where values not only health and well-being of employees, equal opportunities and diversity, but also development opportunities that empower employees to succeed. Our commitments are underlined in our employee management system which is supported by a set of policies and initiatives from recruitment onwards.

Commitments and Policies



Employee Management System



Training and Development

Learning and development is a key driver of talent engagement and retention. The Group provides learning and development opportunities through which employees are able to acquire skills and knowledge to increase job satisfaction and self-efficacy in terms of career growth. The employee handbook of the Group (the "Employee Handbook") and the internal control policies and procedures manual (the "IC Manual") set out the Group's way in development and training. Below is an extract showing the key approach:

Mentoring program	Training	Performance appraisal system
• To help new employees with transition into the Company and new position through assigning a mentor • Mentors provide a support network through providing guidance at work, identifying strengths and development opportunities and offering friendship	• To provide training that offer skills and knowledge to enhance job performance, satisfaction and employees' competencies	• To discuss performance development opportunities through on-going conversations between employees and their managers, and formal performance reviews conducted periodically

During the Year Under Review, our approach was supported by a number of internal and external training opportunities, such as external training sessions that provided insights into corporate and regulatory updates, alongside mentoring program, and performance development and career advancement.

Employee Management System

The Group respects every employee and dedicates itself to driving equality and diversity in workplace. Our approach is underlined in the policy of Equal Employment Opportunity, and Non-Discrimination. Recruitment and hiring, compensation, benefits, termination and all other employment arrangements are fairly based on the capabilities and performance of employees in respective of their race, colour, religion, sex, age, national origin, citizenship, disability, or any other protected characteristics as established by law.

Our employment policies, including but not limited to compensation and dismissal, remuneration, rest days, and other benefits and welfare, are communicated through the Employee Handbook. Remuneration packages, benefits and working conditions are reviewed periodically.

Having an open flow of communication is essential to build trust among employees and higher levels of engagement. With the aim to create a communication-friendly workplace, the Group has the Open Door Policy in place to encourage employees to share their concerns and ideas openly. In addition, the Group schedules exit interview with terminating employees to collect feedback, which is constructive to identifying ways to improve employee satisfaction and reduce turnover.

Employee Health, Safety and Well-Being

The Group strives to provide a safe and healthy environment for employees. Communications is a key to promote healthy workplace and employee wellness. To embed employee understanding, we provide guidance through the Employee Handbook, revolving the following major areas.

- Safety and health requirements
- Safety instructions, rules, policy and procedures
- Safety devices and safety equipment
- Abuse of alcohol and illegal drugs
- Pandemic diseases
- Fire hazards
- Accidents and emergencies

To promote employee wellness, we engage our employees through circulating tips in day-to-day routine that helps employees to stay fit and fine. The Group plans to review the medical plan and considers providing regular physical health check-ups to cater for health-related needs of employees.

Labour Standards

The Group acts in accordance with governing laws on labour and human rights, and do not permit any forms of child and forced labour in workplace. The Group stays informed of regulatory requirements concerning child labour and forced labour. As a preventive practice, it is responsible for inspecting the verifying identity documents of applicants during the recruitment process. We communicate the guidelines on payroll deduction, overtime work, compensation, and resignation and termination to our employees through the Employee Handbook.

The Group acts in accordance with laws and regulations in relation to employment, health and safety, and labour standards, including but not limited to the Employment Ordinance, the Employees' Compensation Ordinance, the Personal Data (Privacy) Ordinance and Occupational Safety and Health Ordinance of Hong Kong.

During the Year Under Review, the Group did not discover any non-compliance cases in relation to health and safety, employment, and child labour or forced labour.

PROTECTING THE ENVIRONMENT

Recognising the risks and opportunities presented to businesses and communities by climate change, the Group is committed to reducing its environmental impacts of its daily operations. The Group has in place a Green Office Policy which outlines its commitment and approach to protecting the environment and utilizing resources in an efficient and responsible manner.

Emissions and Resource Management

As a key step to establishing a carbon management strategy, the Group commissioned a professional consultancy to conduct carbon assessment to quantify the greenhouse gas ("GHG") emissions arisen from its operations. The quantification process is in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

GHG emissions	**2018**	2017
Scope 1 emissions (in tonnes CO_2-e)[2]	**23.9**	21.4
Scope 2 emissions (in tonnes CO_2-e)[3]	**8.3**	18.6
Scope 3 emissions (in tonnes CO_2-e)[4]	**5.9**	8.0
Total GHG emissions (in tonnes CO_2-e)	**38.1**	48.0
Intensity of GHG emissions (tonnes CO_2-e/employee)[5]	**9.5**	12.0

Air emissions	**2018**	2017
Nitrogen oxides (NOx) (in kg)	**4.2**	3.8
Sulphur oxides (SOx) (in kg)	**0.1**	0.1
Respirable suspended particulates (RSP) (in kg)	**0.3**	0.3

The primary source of GHG emissions was Scope 1 direct emissions which is mainly contributed by mobile combustion from passenger cars, accounting for approximately 63% of the total GHG emissions. The key air pollutants produced included NOx, SOx and RSP, which were emitted by passenger cars.

During the Year Under Review, total GHG emissions recorded a slight decrease compared to 2017. The drop is mainly contributed by a reduction in electricity consumption, which was due to relocating office to where utilises central air-conditioning system.

2 Scope 1 includes direct emissions from combustion of fuel (i.e. petrol) in mobile sources and fugitive emissions from refrigeration equipment.

3 Scope 2 includes energy indirect emissions by electricity purchased from power company.

4 Scope 3 includes other indirect emissions by methane gas generation at landfill in Hong Kong due to disposal of paper waste, fresh water processing, sewage processing and business travel by employees.

5 Environmental performance on intensity basis excludes three independent non-executive Directors.

User behaviour has an impact on energy and resource consumption, and GHG emissions. During the Year Under Review, the Group continued its efforts in engaging and educating employees on green practices at the workplace in line with the Green Office Policy, revolved around:

- Energy Conservation
- Water Use
- Paper Use
- Waste Management and Recycling
- Purchasing
- Green Transportation
- Green Meeting
- Organic and Environmentally Friendly Catering

For details on the environmental performance during the Year Under Review, please refer to the chapter of 'ESG Performance Summary' on page 34 of this annual report.

In the future, the Group will progress towards a more comprehensive resource management approach, reviewing and reporting energy and water performance regularly, as well as sharing such practices with other business segments. To reduce fuel consumption and emissions, the Group will consider purchasing electric vehicles in future.

The Environment and Natural Resources

Considering the Group's business nature, the Group is not aware of any other significant impact on the environment and natural resources.

The portfolio of the Group's investment properties comprised commercial units located in Hong Kong. The Group continues to encourage tenants to adopt green practices in operating leases. The Group provides tips, such as to reuse the fit-out, equipment and furniture left behind by tenants, and to consider choosing equipment with higher energy efficiency. The Group engages the tenants through a number of communication channels, including telephone, email and meetings. The Group will continue to strengthen its engagement with tenants on adopting green practices.

The Group adheres to relevant environmental laws and regulations, including but not limited to the Ozone Layer Protection Ordinance and the Waste Disposal Ordinance of Hong Kong. During the Year Under Review, the Group did not identify any non-compliance with relevant environmental laws and regulations.

INVESTING IN SOCIETY

As a caring enterprise, it is our goal to engage and support the communities where we operate. With this mission in mind, the Group seeks to connect to and contribute to the communities through understanding their needs and taking part in volunteer service.

During the Year Under Review, the Group supported volunteering programs engaging and serving the elderly organised by Hong Kong Movie Star Sports Association and Senior Citizen Home Safety Association, with a total of 133 hours contributed.

Highlights of community service throughout the Year Under Review:

Home Visit to the Elderly
Organiser: Hong Kong Movie Star Sports Association Social interactions bring joy and love to seniors living in homes. Our employees volunteered to visit elderly residents in their private homes and reported their needs to social workers. They chatted with the elderly and delivered daily necessities such as rice. They packed gift bags with rice and rice dumplings and delivered them to the elderly so that they could enjoy the Dragon Boat Festival.

Outings with the Elderly
Organiser: Hong Kong Movie Star Sports Association Many of the elderly have little contact with the outside world because of their medical conditions or immobility. We supported the volunteering program organising excursions for the Elderly. Our employees volunteered to bring seniors in their care out to attractions in Hong Kong, such as Ocean Park and Aviation Discovery Centre.

In the future, the Group will continue to review its community engagement plan, and consider identifying focus areas of contribution and community investment initiatives where its sectorial expertise can be deployed.

OPERATING PRACTICES

The Group is committed to upholding the standard of good corporate governance and business integrity in all its business activities. The IC Manual provides a clear framework of the Group's objectives and requirements concerning data privacy, anti-corruption and supply chain management.

Protection of data privacy

Data privacy and data security are cornerstones of a customer's trust in the investment sector. Oversight of compliance with the Group's policies and procedures relating to privacy and confidentiality is the responsibility of the Privacy and Confidentiality Leader ("PCL"), which is assumed by the financial controller. PCL regularly reviews regulatory requirements and compliance, and maintain the infrastructure required to safeguard confidential information.

The Group has a set of measures designed to preserve privacy and safeguard confidential information that it handles in all its business activities. To respect customer choice and consent, the Group collects, retains and uses only the required information, and keep it safe on the Group's network in accordance with its information storage procedures. All employees are required to sign a confidentiality agreement and acknowledge that they are aware of their obligation as data users under relevant regulatory requirements.

The Group abides by laws and regulations in relation to product responsibility, including but not limited to Personal Data (Privacy) Ordinance of Hong Kong. During the Year Under Review, the Group did not identify any non-compliance with laws and regulations relating to product responsibility.

In the future, the Group will consider establishing a product responsibility policy with increasing focus on areas such as customer communication and data protection relating to the operations of the Group.

Anti-corruption

Ensuring that our business is conducted in a fair, ethical and legal manner has always been at the core of our operations. The Group takes a zero tolerance approach to bribery, extortion, fraud and money laundering. The Employee Handbook and the IC Manual give guidance on the standards and practices for operating with fairness, honesty and integrity. They clarify our expectations on employees working at the Group that anti-corruptions laws and regulations are adhered to where we operate.

As stated in the IC Manual, employees or any other person can raise concerns on possible improprieties or non-compliance without fear of reprisal or retribution. All complaints and allegations will be sent to the executive directors for investigation. The Group will notify the confidential informant of the results of an investigative process.

The Group abides by relevant laws and regulations in relation to corruption, including but not limited to the Prevention of Bribery Ordinance of Hong Kong. During the Year Under Review, the Group did not identify any non-compliance or legal cases that involve the Group and its employees concerning bribery, extortion, fraud and money laundering.

Supply Chain Management

During the Year Under Review, the Group mainly sourced office supplies and professional services from 26 suppliers in Hong Kong. The Group takes into account a range of factors, revolving price, reputation, product safety, environmental performance and social responsibility, when selecting the suppliers. For example, the Group currently sources printer paper from brands that actively manages its carbon footprint and those that have a greater percentage of recycled content in their products.

ESG PERFORMANCE SUMMARY

Environmental Performance[6]

GHG emissions	2018	2017
Scope 1 emissions (in tonnes CO_2-e)[7]	**23.9**	21.4
Scope 2 emissions (in tonnes CO_2-e)[8]	**8.3**	18.6
Scope 3 emissions (in tonnes CO_2-e)[9]	**5.9**	8.0
Total GHG emissions (in tonnes CO_2-e)	**38.1**	48.0
Intensity of GHG emissions (tonnes CO_2-e/employee)	**9.5**	12.0

Air emissions	2018	2017
Nitrogen oxides (NOx) (in kg)	**4.2**	3.8
Sulphur oxides (SOx) (in kg)	**0.1**	0.1
Respirable suspended particulates (RSP) (in kg)	**0.3**	0.3

Energy	2018	2017
Petrol consumption (in MWh)	**79.3**	68.9
Electricity consumption (in MWh)	**10.5**	23.6
Total energy consumption (in MWh)	**89.8**	92.5
Intensity of energy consumption (MWh/employee)	**22.5**	23.1

Water	2018	2017
Total water consumption (in cubic meter)	**24**	33
Intensity of water consumption (cubic meter/employee)	**6.0**	8.3

Waste[10]	2018	2017
Total hazardous waste produced (in tonnes)	**0.004**	Data not available
Intensity of hazardous waste produced (tonnes/employee)	**0.001**	
Total non-hazardous waste produced (in tonnes)	**0.10**	0.06
Intensity of non-hazardous waste produced (tonnes/employee)	**0.03**	0.02

6 Environmental performance on intensity basis excludes three independent non-executive Directors.

7 Scope 1 includes direct emissions from combustion of fuel (i.e. petrol) in mobile sources and fugitive emissions from refrigeration equipment.

8 Scope 2 includes energy indirect emissions by electricity purchased from power company.

9 Scope 3 includes other indirect emissions by methane gas generation at landfill in Hong Kong due to disposal of paper waste, fresh water processing, sewage processing and business travel by employees.

10 Hazardous and non-hazardous waste are collected and handled by property management company.

Social Performance

Total workforce	2018		2017	
Total workforce	7		7	
Distribution by gender	Male	Female	Male	Female
Total workforce by gender	4	3	4	3
Workforce ratio by gender	1.33 : 1		1.33 : 1	
Distribution by employment type	Male	Female	Male	Female
Full-time	4	3	4	3
Part-time	0	0	0	0
Distribution by age group	Male	Female	Male	Female
Below 30	0	0	0	0
30 to 50	1	2	1	2
Above 50	3	1	3	1
Distribution by employee category	Male	Female	Male	Female
Senior management	4	1	4	1
Middle management	0	1	0	1
General staff	0	1	0	1

New employees	2018		2017	
Number of new employees	0		3	
New employees rate	–		43%	
Distribution by gender	Male	Female	Male	Female
Number of new employees by gender	0	0	2 (50%)	1 (33%)
Distribution by age group	Male	Female	Male	Female
Below 30	0	0	0	0
30 to 50	0	0	0	0
Above 50	0	0	2 (67%)	1 (100%)
Distribution by employee category	Male	Female	Male	Female
Senior management	0	0	2 (50%)	0
Middle management	0	0	0	0
General staff	0	0	0	1 (100%)

Employee turnover	2018		2017	
Total employee turnover	**0**		3	
Employee turnover rate	**–**		43%	
Distribution by gender	**Male**	**Female**	Male	Female
Number of employee turnover by gender	**0**	**0**	3 (75%)	0
Distribution by age group	**Male**	**Female**	Male	Female
Below 30	**0**	**0**	0	0
30 to 50	**0**	**0**	2 (50%)	0
Above 50	**0**	**0**	1 (25%)	0
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**0**	**0**	3 (75%)	0
Middle management	**0**	**0**	0	0
General staff	**0**	**0**	0	0

Work-related fatality and/or injury	2018		2017	
Gender	**Male**	**Female**	Male	Female
Number of work-related fatalities/injury	**0**	**0**	0	0
Work-related fatality/injury rate	**0%**	**0%**	0%	0%
Lost days due to work injury	**0**	**0**	0	0
Number of days of absence from work	**0**	**0**	0	0

Employee trained	2018		2017	
Number of employees received training	**7**		7	
Rate of employees received training	**100%**		100%	
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**4**	**1**	4	1
Middle management	**0**	**1**	0	1
General staff	**0**	**1**	0	1

Total employee training hours	2018		2017	
Total training hours	**1,880**		1,873	
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**40**	**30**	40	30
Middle management	**–**	**1,800**[11]	–	1,800[11]
General staff	**–**	**10**	–	3

Average employee training hours	2018		2017	
Average training hours	**268.6**		267.6	
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**10**	**30**	10	30
Middle management	**–**	**1,800**	–	1,800
General staff	**–**	**10**	–	3

11 The training hours of Middle management in 2018 and 2017 include training hours of on-job training.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	30–31
A1.1	The types of emissions and respective emissions data.	30, 34
A1.2	Greenhouse gas emissions in total and intensity.	30, 34
A1.3	Total hazardous waste produced and intensity.	34
A1.4	Total non-hazardous waste produced and intensity.	34
A1.5	Description of measures to mitigate emissions and results achieved.	30–31
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	30–31, 34
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	30–31
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	34
A2.2	Water consumption in total and intensity.	34
A2.3	Description of energy use efficiency initiatives and results achieved.	30–31
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	No issue in sourcing water
A2.5	Total packaging material used for finished products.	Not applicable
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	31
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	31

Material Aspect	Content	Page Index
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	27–29
B1.1	Total workforce by gender, employment type, age group and geographical region.	35
B1.2	Employee turnover rate by gender, age group and geographical region.	36
B2 Health and Safety		
General Disclosure	Information on: (a the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	29
B2.1	Number and rate of work-related fatalities.	36
B2.2	Lost days due to work injury.	36
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	29
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	27–28
B3.1	The percentage of employees trained by gender and employee category.	37
B3.2	The average training hours completed per employee by gender and employee category.	37
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	29
B4.1	Description of measures to review employment practices to avoid child and forced labour.	29

Material Aspect	Content	Page Index
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	33
B5.1	Number of suppliers by geographical region.	33
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	33
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	33
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	33
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	33
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting year and the outcomes of the cases.	33
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	33
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	32
B8.2	Resources contributed to the focus area.	32

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in this annual report for the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

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

The Company did not officially have 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.

(b) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Wong Kui Shing, Danny, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 15 June 2018 due to business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

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 the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year Under Review.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board, while the management of the Company is responsible for the daily management and operations of the Group. The Board is directly accountable to the Shareholders and is responsible for preparing the accounts.

During the Year Under Review, the management of the Company provided (i) sufficient explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before it for approval; and (ii) all the Directors with timely updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Board Composition

The Board currently comprises five Directors, whose biographical details are set out in the "Profile of the Directors" on pages 14 to 16 of this annual report. Two of the Directors are executive and three are independent non-executive. The three independent non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required to devote sufficient business time to the business and affairs of the Group.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company at www.0036.com.hk.

To the best of the knowledge and belief of the Directors, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

Appointment, Re-election and Removal of Directors

In accordance with article 73 of the Articles, at the annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office.

In accordance with article 78 of the Articles, a director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

In accordance with article 80 of the Articles, the Company may by an ordinary resolution remove any Director (including a managing or other executive Director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.

The Company has taken out appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against the Directors arising from the corporate activities.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation in respect of his/her independence during the Year Under Review pursuant to Rule 3.13 of the Listing Rules. All the independent non-executive Directors are still considered to be independent.

Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and considers and approves the overall strategies and policies of the Group. An agenda accompanying the Board/committee papers is distributed to the Directors/members of the Board committees with reasonable notice in advance of the meetings. Minutes of the Board meetings and Board committees meetings, which record in sufficient details the matters considered by the Board/members of the Board committees and decisions reached, including any concerns raised by the Directors/members of the Board committees or dissenting views expressed, are kept by the company secretary of the Company and open for inspection by the Directors. Full Board meetings were held for any material transactions instead of by way of written resolutions and the independent non-executive Directors who, and whose close associates, have no material interest in the transactions were present at such meetings. All the Directors have separate and independent access to the Company's senior management to fulfill their duties, and to independent professional advice in appropriate circumstances upon reasonable request, at the expense of the Company.

During the year ended 31 December 2018, thirteen Board meetings and one general meeting were held. The attendance record of each Director at the Board meetings and the general meeting is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Dr. Wong Yun Kuen	13/13	1/1
Mr. Sheung Kwong Cho	13/13	1/1
Independent Non-Executive Directors		
Ms. Kwan Shan	13/13	1/1
Mr. Wong Kui Shing, Danny	12/13	0/1
Mr. Mak Ka Wing, Patrick	6/13	1/1

* The meeting was annual general meeting held on 15 June 2018.

Continuous Professional Development

According to the records maintained by the Company, the Directors have participated in the following forms of continuous professional development to develop and refresh their knowledge and skills in compliance with the requirements of the CG Code on continuous professional development for the year ended 31 December 2018:

Directors	Attending in-house briefings	Giving talks	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors				
Dr. Wong Yun Kuen	✓	✓	✓	✓
Mr. Sheung Kwong Cho	✓	–	✓	✓
Independent non-executive Directors				
Ms. Kwan Shan	–	–	✓	✓
Mr. Wong Kui Shing, Danny	–	–	✓	✓
Mr. Mak Ka Wing, Patrick	–	–	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman is held by Dr. Wong Yun Kuen. The Company has not had a designated chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The existing independent non-executive Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company.

During the Year Under Review, the independent non-executive Directors made positive contributions to the development of the Company's strategies and policies through independent, constructive and informed comments.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and internal control system of the Group. The Group's risk management and internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, detailed risk identification procedures and risk management process, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

During the Year Under Review, the Board through the Audit Committee had conducted review on the risk management of the Group. The review covered risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement.

The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. During the Year Under Review, the Board, through the Audit Committee and an independent accounting firm, has conducted a review of the effectiveness of the internal control system of the Company and is satisfied that the internal control systems within the Group are effective.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the auditors of the Company received approximately HK$588,000 for audit services (2017: HK$580,000) and nil for non-audit services (2017: nil).

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparation of the consolidated financial statements of the Group for the year ended 31 December 2018 which give a true and fair view of the state of affairs of the Group, and are prepared in accordance with the applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements of the Group. The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 52 of this annual report.

BOARD COMMITTEES

The Board has established the following Board committees to oversee the particular aspects of the Group's affairs.

Audit Committee

The Audit Committee was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code and are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Audit Committee is principally responsible for reviewing with the management of the Company, the accounting principles and practices adopted by the Group and the auditing, risk management and internal control system, financial reporting matters including the review of the consolidated financial statements, and appointment, re-appointment and removal of external auditor and approving its remuneration and terms of engagement and any questions of resignation or dismissal of that auditor. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. Currently, the Audit Committee comprises all the independent non-executive Directors, namely, Ms. Kwan Shan (chairman of the Audit Committee), Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.

The works performed by the Audit Committee during the Year Under Review are mainly as follows:

(i) reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and the related interim results announcement and made recommendations to the Board that the same be approved;

(ii) reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;

(iii) reviewed external auditor's report to the Audit Committee for the year ended 31 December 2018;

(iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 15 June 2018;

(v) reviewed corporate governance internal control systems, internal audit report and effectiveness of risk management system;

(vi) reviewed the terms of reference of the Audit Committee and concluded that revision was required on 24 December 2018;

(vii) reviewed the fees for audit and non-audit services provided by the external auditor; and

(viii) met with the external auditor in the absence of management.

During the year ended 31 December 2018, three meetings were held. The attendance record of each member of the Audit Committee is as follows:

	Audit Committee meeting attended/ Eligible to attend
Ms. Kwan Shan (chairman of the Audit Committee)	3/3
Mr. Wong Kui Shing, Danny	3/3
Mr. Mak Ka Wing, Patrick	2/3

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board with written terms of reference. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the CG Code, and the same are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management of the Company. No Director is involved in deciding his own remuneration. Currently, the Remuneration Committee comprises all the independent non-executive Directors, namely, Mr. Wong Kui Shing, Danny (chairman of the Remuneration Committee), Ms. Kwan Shan and Mr. Mak Ka Wing, Patrick.

During the Year Under Review, the Company's policy and the structure of the remuneration of all the Directors and senior management of the Company have been reviewed by the Remuneration Committee and recommendations have been made to the Board for approval.

During the year ended 31 December 2018, one Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Mr. Wong Kui Shing, Danny (chairman of the Remuneration Committee)	1/1
Ms. Kwan Shan	1/1
Mr. Mak Ka Wing, Patrick	0/1

Nomination Committee

The nomination committee (the "Nomination Committee") was established by the Board with written terms of reference. The revised terms of reference of the Nomination Committee adopted on 24 December 2018 are consistent with the provisions set out in the relevant section of the CG Code, and the same are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition. Currently, the Nomination Committee comprises all the independent non-executive Directors, namely, Mr. Mak Ka Wing, Patrick (chairman of the Nomination Committee), Ms. Kwan Shan and Mr. Wong Kui Shing, Danny.

The Board approved the adoption of the Board Diversity Policy (the "Policy") in 2013 and revised in December 2018. It sets out the approach to achieve diversity on the Board to enhance the quality of its performance. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. The Nomination Committee will monitor the implementation of the Policy and review the Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will also discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

During the Year Under Review, the structure, size and composition of the Board has been reviewed by the Nomination Committee and the independence of the independent non-executive Directors has been assessed by the Nomination Committee.

During the year ended 31 December 2018, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is as follows:

	Nomination Committee meeting attended/ Eligible to attend
Mr. Mak Ka Wing, Patrick (chairman of the Nomination Committee)	0/1
Ms. Kwan Shan	1/1
Mr. Wong Kui Shing, Danny	1/1

Investment Committee

The investment committee of the Company (the "Investment Committee") was established by the Board with written terms of reference.

The Investment Committee is principally responsible for reviewing and evaluating any investment projects proposed by the Group and making recommendations to the Board on such investment projects. It also monitors the investments of the Group. Currently, the Investment Committee comprises Dr. Wong Yun Kuen (chairman of the Investment Committee) and Mr. Sheung Kwong Cho, both of whom are executive Directors, and Mr. Wong Kui Shing, Danny, an independent non-executive Director.

During the Year Under Review, the Investment Committee provided guidance and recommendations to the Board on investment projects.

CORPORATE GOVERNANCE FUNCTIONS

During the Year Under Review, the Board was responsible for performing the functions set out in code provision D.3.1 of the CG Code. The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

During the Year Under Review, the company secretary of the Company was Mr. Sheung Kwong Cho ("Mr. Sheung"). The biographical details of Mr. Sheung were disclosed on page 14 of this annual report. Mr. Sheung confirmed that he has received not less than 15 hours professional training during the Year Under Review.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communications with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publications of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.0036.com.hk. The Directors and members of various committees of the Board will attend the AGM and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company at www.0036.com.hk.

DIVIDEND POLICY

The Company do not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to the Company, future prospects, legal and tax considerations and other factors the Board deems appropriate. The Directors will consider if there is material adverse impact on the Group's financial and liquidity position arising out of the dividend payments. Dividends may be paid out by way of cash or by other means that the Group considers appropriate.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meeting by Shareholders

The procedures for Shareholders to convene a general meeting (including making proposals/moving a resolution at the general meeting) can be found in article 41 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

Procedures for Making Enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office of the Company by post or by fax at (852) 2110 1159 or by email to admin@feholdings.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting Forward Proposals at General Meetings

The procedures for Shareholders to put forward proposals at the general meetings can be found in article 41 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.0036.com.hk. The procedures for Shareholders to propose a person for election as a Director are available on the website of the Company at www.0036.com.hk.

INVESTOR RELATIONS

Changes in the Articles of Association of the Company

During the Year Under Review, the Company has not made any change to the Articles, the Articles are available on the Company's website (www.0036.com.hk).

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE MEMBERS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED
遠東控股國際有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 118, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recording of held-for-trading investments

We identified the recording of held-for-trading investments as a key audit matter due to the significance to the consolidated financial statements, and that the held-for-trading investments may not be recorded correctly given the high volume of securities trading transactions recorded throughout the year as set out in note 31(b)(iii) to the consolidated financial statements.

The carrying amount of held-for-trading investments amounted to approximately HK$567.2 million as at 31 December 2018 as set out in note 21 to the consolidated financial statements, which represent 72.4% of total assets of the Group as at 31 December 2018. Moreover, fair value loss on held-for-trading investments amounted to approximately HK$127.4 million for the year ended 31 December 2018 as set out in note 9 to the consolidated financial statements.

Our procedures in relation to the recording of held-for-trading investments included:

- Obtaining an understanding of the key controls over recording of held-for-trading investments;
- Agreeing the carrying amount of held-for-trading investments as at 31 December 2018 to the quoted market prices available on The Stock Exchange of Hong Kong Limited;
- Agreeing the Group's investment portfolio as at 31 December 2018 to confirmations received directly from the securities broker; and
- In respect of the acquisitions and disposals of held-for-trading investments during the year ended 31 December 2018, agreeing to the contract notes and securities broker's statements, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220

Hong Kong, 22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*7*	**8,547**	9,139
Cost of sales		**(6,648)**	(6,726)
Gross profit		**1,899**	2,413
Dividend income from held-for-trading investments		**3,235**	2,046
Other income	*8*	**773**	1,039
Other (losses) and gains	*9*	**(121,311)**	84,752
Selling and distribution costs		**(13)**	(49)
Administrative expenses		**(7,372)**	(8,432)
(Loss)/profit before income tax	*10*	**(122,789)**	81,769
Income tax credit/(expense)	*11*	**15,107**	(14,963)
(Loss)/profit for the year		**(107,682)**	66,806
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of property	*18ii*	**3,283**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(432)**	855
Other comprehensive income for the year		**2,851**	855
Total comprehensive (loss)/income for the year		**(104,831)**	67,661
(Loss)/profit for the year attributable to:			
Owners of the Company		**(105,995)**	69,450
Non-controlling interests		**(1,687)**	(2,644)
		(107,682)	66,806
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(102,934)**	69,883
Non-controlling interests		**(1,897)**	(2,222)
		(104,831)	67,661
(Loss)/earnings per share — Basic (HK cents)	*16*	**(9.73)**	6.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	17	**164,500**	138,167
Property, plant and equipment	18	**2,857**	19,938
Corporate bond	20	**5,000**	–
Prepaid lease payments	19	**400**	464
		172,757	158,569
Current assets			
Prepaid lease payments	19	**18**	20
Held-for-trading investments	21	**567,246**	648,368
Inventories	22	**1,506**	1,955
Trade and other receivables	23	**1,277**	1,354
Amount due from a non-controlling interest	24	**–**	1,085
Tax recoverable		**224**	197
Deposits held at a financial institution	25	**34,955**	82,477
Bank balances and cash	25	**5,415**	10,074
		610,641	745,530
Current liabilities			
Trade and other payables	26	**3,576**	3,670
Tax payable		**–**	310
		3,576	3,980
Net current assets		**607,065**	741,550
Total assets less current liabilities		**779,822**	900,119
Non-current liabilities			
Deferred tax liabilities	27	**–**	15,433
Net assets		**779,822**	884,686

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	*28*	**632,610**	632,610
Reserves		**144,162**	247,114
Equity attributable to owners of the Company		**776,772**	879,724
Non-controlling interests		**3,050**	4,962
Total equity		**779,822**	884,686

The consolidated financial statements on pages 53 to 118 were approved and authorised for issue by the Board of Directors (the "Board") on 22 March 2019 and are signed on its behalf by:

Wong Yun Kuen
DIRECTOR

Sheung Kwong Cho
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Exchange reserve** *HK$'000*	**Properties revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2017	632,610	6,233	–	170,998	809,841	7,184	817,025
Profit/(loss) for the year	–	–	–	69,450	69,450	(2,644)	66,806
Other comprehensive income for the year							
Exchange differences arising on translation of foreign operations	–	433	–	–	433	422	855
Total comprehensive income for the year	–	433	–	69,450	69,883	(2,222)	67,661
Balance at 31 December 2017 and 1 January 2018	632,610	6,666	–	240,448	879,724	4,962	884,686
Balance at 31 December 2017 as originally presented	632,610	6,666	–	240,448	879,724	4,962	884,686
Initial application of HKFRS 9	–	–	–	(18)	(18)	(15)	(33)
Restated balance as at 1 January 2018	632,610	6,666	–	240,430	879,706	4,947	884,653
Loss for the year	–	–	–	(105,995)	(105,995)	(1,687)	(107,682)
Other comprehensive income for the year							
Exchange differences arising on translation of foreign operations	–	(222)	–	–	(222)	(210)	(432)
Gain on revaluation of property (note 18(ii))	–	–	3,283	–	3,283	–	3,283
Total comprehensive income for the year	–	(222)	3,283	(105,995)	(102,934)	(1,897)	(104,831)
Balance at 31 December 2018	632,610	6,444	3,283	134,435	776,772	3,050	779,822

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
OPERATING ACTIVITIES		
(Loss)/profit before income tax	**(122,789)**	81,769
Adjustments for:		
Scrip dividend received from held-for-trading investments	**(1,750)**	(1,209)
Interest income	**(763)**	(174)
Fair value gain on investment properties	**(6,598)**	(35,552)
Unrealised loss/(gain) on held-for-trading investments	**127,879**	(56,132)
Loss allowance/impairment loss on amount due from a non-controlling interest	**470**	3,764
Amortisation of prepaid lease payments	**38**	51
Depreciation of property, plant and equipment	**469**	1,013
Operating cash flows before movements in working capital	**(3,044)**	(6,470)
(Increase)/decrease in held-for-trading investments	**(45,007)**	87,163
Decrease in inventories	**351**	168
(Increase)/decrease in trade and other receivables	**(10)**	606
Decrease in amount due from a non-controlling interest	**583**	883
Increase/(decrease) in trade and other payables	**23**	(742)
CASH (USED IN)/FROM OPERATIONS	**(47,104)**	81,608
Hong Kong Profits Tax paid	**(663)**	(287)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(47,767)**	81,321
INVESTING ACTIVITIES		
Withdrawal of deposits held at a financial institution	**53,555**	233,350
Interest received	**763**	174
Placement of deposits with a financial institution	**(6,033)**	(267,069)
Acquisition of property, plant and equipment	**(14)**	(91)
Acquisition of assets through acquisition of a subsidiary	**–**	(49,647)
Acquisition of corporate bond	**(5,000)**	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**43,271**	(83,283)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,496)**	(1,962)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,074**	11,726
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(163)**	310
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**5,415**	10,074

1. GENERAL

Far East Holdings International Limited ("the Company") is a limited liability company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Unit 902, 9/F, 299 QRC, 289–299 Queen's Road Central, Hong Kong, which is also its principal place of business.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int-22	Foreign Currency Transactions and Advance Considerations

Except for those summarised below, the other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

A. HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairments and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

A. *HKFRS 9 — Financial Instruments (continued)*

(i) *Classification and measurement of financial instruments (continued)*

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on retained profits and non-controlling interests ("NCI") as of 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Retained profits	
Retained profits as at 31 December 2017	240,448
Increase in ECLs in trade receivables (note 2(a)A(ii) below)	(5)
Increase in ECLs in other receivables (note 2(a)A(ii) below)	(2)
Increase in ECLs in amount due from a non-controlling interest (note 2(a)A(ii) below)	(11)
Restated retained profits as at 1 January 2018	240,430
NCI	
NCI as at 31 December 2017	4,962
Increase in ECLs in trade receivables (note 2(a)A(ii) below)	(5)
Increase in ECLs in other receivables (note 2(a)A(ii) below)	(1)
Increase in ECLs in amount due from a non-controlling interest (note 2(a)A(ii) below)	(9)
Restated NCI as at 1 January 2018	4,947

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

A. HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

A. HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

A. *HKFRS 9 — Financial Instruments (continued)*

(i) *Classification and measurement of financial instruments (continued)*

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39	Carrying amount as at 1 January 2018 under HKFRS 9
			HK$'000	*HK$'000*
Held-for-trading investments	Held-for-trading	FVTPL	648,368	648,368
Trade and other receivables	Loans and receivables (note 2(a)A(ii)(a))	Amortised cost	1,196	1,183
Amount due from a non-controlling interest	Loans and receivables (note 2(a)A(ii)(b))	Amortised cost	1,085	1,065
Deposits held at a financial institution	Loans and receivables	Amortised cost	82,477	82,477
Bank balances and cash	Loans and receivables	Amortised cost	10,074	10,074

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECLs model. HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

A. HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

A. HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	Current	Past due 1 to 30 days	Past due 30 to 60 days	Past due 60 to 90 days	Total
Expected credit loss rate *(%)*	**1%**	**1%**	**1%**	**1%**	
Gross carrying amount *(HK$'000)*	**885**	**104**	**14**	**4**	**1,007**
Loss allowance *(HK$'000)*	**9**	**1**	**–**	**–**	**10**

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 was HK$10,000. No further loss allowances for trade receivables during the year ended 31 December 2018.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables and amount due from a non-controlling interest. Applying the ECL model resulting an increase in the recognition of ECL by HK$3,000 and HK$20,000 on 1 January 2018 and further increase by Nil and HK$470,000 on ECL for the year ended 31 December 2018 on other receivables and amount due from a non-controlling interest respectively.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"). The determination of the business model within which a financial asset is held.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

B. *HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")*

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

There is no significant impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. Further, there was no material impact on the Groups' consolidated statement of cash flow for the year ended 31 December 2018.

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

C. *Amendments to HKAS 40, Investment Property — Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

D. HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and equipment as at 31 December 2018 amounted to approximately HK$627,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except for the above, the Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the investment properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and building in Hong Kong	Over 50 years or the remaining terms of the relevant lease if shorter
Building in the People's Republic of China (the "PRC")	Over the shorter of the lease terms of land or estimated useful life of 50 years
Leasehold improvements	10% or over the terms of the lease, whichever is shorter
Lifts, electrical and office equipment	10%–20%
Motor vehicles	20%–30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn property rental incomes or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn property rental incomes, the Group chooses not to classify and account for these property interests as investment property.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Leasehold land and building

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)(A) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)(A) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)(A) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)(A) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)(B) Financial instrument (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor’s financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)(B) Financial instrument (accounting policies applied until 31 December 2017) (continued)

(ii) Impairment loss on financial assets (continued)

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and other monetary liabilities, are initially recognised at fair value, net of directly attributable transaction cost incurred, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Impairment on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Garment production

Customers obtain control of the garment products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the garment products. There is generally only one performance obligation. Invoices are usually payable within 30 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

The Group has neither right of return nor volume rebate. Therefore, the Directors of the Company believes that there is no impact on the variable costs after adopting HKFRS 15.

(ii) Property rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(iv) Dividend income is recognised when the right to receive the dividend is established.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue recognition (accounting policies applied until 31 December 2017)

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Property rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

(k) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgments in applying accounting policies

(i) Investment property

The Group has temporarily sub-let a vacant warehouse but has decided not to treat this property as an investment property because it is not the Group's intention to hold this property in the long-term for capital appreciation or rental income. Accordingly, this property is continuously accounted for as an item of other property, plant and equipment.

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted price in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 17); and
- Held-for-trading investments (note 21)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker ("CODM") that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Industrial — manufacturing and sale of garments
- Securities investment — short-term securities investment
- Property investment — property investment

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the CODM for assessment of segment performance.

(a) Segment revenues and results

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

For the year ended 31 December 2018

	Industrial *HK$'000*	Securities investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External revenue	5,301	–	3,246	8,547
Segment results	(3,513)	(124,383)	9,059	(118,837)
Other operating income				773
Unallocated expenses				(4,725)
Loss before income tax				(122,789)

6. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2017

	Industrial *HK$'000*	Securities investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External revenue	6,613	–	2,526	9,139
Segment results	(5,719)	55,121	37,305	86,707
Other operating income				835
Unallocated expenses				(5,773)
Profit before income tax				81,769

Segment results represent the profit/(loss) from each segment including items disclosed in other segment information below, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other operating income and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The segment results of the securities investment segment include the fair value gain or loss on held-for-trading investments, dividend income from held-for-trading investments and administrative expenses directly attributable to the securities investment segment.

6. SEGMENT REPORTING (continued)

(b) Other segment information

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

For the year ended 31 December 2018

	Industrial *HK$'000*	Securities investment *HK$'000*	Property Investment *HK$'000*	Unallocated amount *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	**(270)**	**–**	**(31)**	**(168)**	**(469)**
Loss allowance for amount due from a non-controlling interest (note 24)	**(470)**	**–**	**–**	**–**	**(470)**
Fair value loss on held-for-trading investments	**–**	**(127,439)**	**–**	**–**	**(127,439)**
Fair value gain on investment properties	**–**	**–**	**6,598**	**–**	**6,598**

For the year ended 31 December 2017

	Industrial *HK$'000*	Securities investment *HK$'000*	Property Investment *HK$'000*	Unallocated amount *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	(290)	–	(435)	(288)	(1,013)
Impairment loss on amount due from a non-controlling interest (note 24)	(3,764)	–	–	–	(3,764)
Fair value gain on held-for-trading investments	–	52,964	–	–	52,964
Fair value gain on investment properties	–	–	35,552	–	35,552

(c) Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities as a whole on a consolidated basis and assets or liabilities are not allocated to the operating segments, therefore no analysis of segment assets and liabilities is presented.

6. SEGMENT REPORTING (continued)

(d) Revenue from major products and services

Disaggregation of revenue from contracts with customers

The following is an analysis of revenue is disaggregated by major product and service line.

	Garment production	
Time of revenue recognition (within the scope of HKFRS 15)	**2018**	2017
	HK$'000	*HK$'000*
At a point in time	**5,301**	6,613

(e) Geographical information

The Group's revenue from external customers analysed by the geographical location of the customers and information about its non-current assets, by the geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**3,966**	4,999	**169,567**	154,884
Japan	**3,978**	3,470	**–**	–
Other regions in the People's Republic of China (the "PRC")	**603**	670	**3,190**	3,685
	8,547	9,139	**172,757**	158,569

(f) Information about major customers

Revenue from three (2017: four) customers individually contributing over 10% of total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A (from industrial segment)	**N/A**	2,473
Customer B (from industrial segment)	**N/A**	974
Customer C (from industrial segment)	**3,630**	2,316
Customer D (from property investment segment)	**1,506**	1,506
Customer E (from property investment segment)	**1,380**	N/A

7. REVENUE

Revenue includes the net invoiced value of goods sold and property rental income earned by the Group. The amount of each significant category of revenue recognised during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Sales of goods	**5,301**	6,613
Revenue from other sources		
— Property rental income	**3,246**	2,526
	8,547	9,139

8. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Included in other income are:		
Interest income from banks and a financial institution	**652**	174
Interest income from a corporate bond	**111**	–

9. OTHER (LOSSES) AND GAINS

	2018	2017
	HK$'000	*HK$'000*
Fair value (loss)/gain on held-for-trading investments	**(127,439)**	52,964
Fair value gain on investment properties (note 17)	**6,598**	35,552
Loss allowance for/impairment loss on amount due from a non-controlling interest	**(470)**	(3,764)
	(121,311)	84,752

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
(Loss)/profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment		
— Cost of sales	221	260
— Administrative expenses	248	753
Amortisation of prepaid lease payments	38	51
Auditor's remuneration (including remuneration for non-audit services)	588	580
Cost of inventories recognised as an expense	6,591	6,644
Employee costs	8,035	7,759
Operating lease rental in respect of rented office equipment	11	18
Operating lease rental in respect of rented premises	275	–

11. INCOME TAX CREDIT/(EXPENSE)

	2018 HK$'000	2017 HK$'000
The income tax credit/(expense) comprises:		
Current tax:		
Hong Kong Profits Tax	(26)	(310)
Under provision in respect of prior year	(300)	–
Deferred tax credit/(charge)	15,433	(14,653)
	15,107	(14,963)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% (2017: 16.5%). The profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

11. INCOME TAX CREDIT/(EXPENSE) (continued)

The income tax credit/(expense) for the years can be reconciled to the (loss)/profit before income tax per the consolidated statement of profit or loss and other comprehensive income is as follows:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(122,789)**	81,769
Tax at the domestic income tax rate of 16.5% (2017: 16.5%) (note)	**20,260**	(13,492)
Tax effect of expenses not deductible for tax purposes	**(8,773)**	(108)
Tax effect of income not taxable for tax purposes	**8,684**	418
Tax effect of tax losses not recognised	**(4,795)**	(1,863)
Utilisation of tax losses previously not recognised	**5**	82
Tax effect of tax concession	**26**	–
Under provision in respect of prior year	**(300)**	–
Income tax credit/(expense)	**15,107**	(14,963)

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used (which is the Hong Kong Profits Tax rate).

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five Directors (2017: eight Directors), disclosed pursuant to the Listing Rules and the Companies Ordinance, are as follows:

For the year ended 31 December 2018

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Dr. Wong Yun Kuen (note i)	**720**	**–**	**18**	**738**
Mr. Sheung Kwong Cho (note ii)	**204**	**884**	**18**	**1,106**
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny (note v)	**207**	**–**	**–**	**207**
Mr. Mak Ka Wing, Patrick (note vi)	**207**	**–**	**–**	**207**
Ms. Kwan Shan	**207**	**–**	**–**	**207**
	1,545	**884**	**36**	**2,465**

12. DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2017

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total emoluments *HK$'000*
Executive Directors				
Dr. Wong Yun Kuen (note i)	327	–	9	336
Mr. Sheung Kwong Cho (note ii)	34	147	3	184
Mr. Yu Pak Yan, Peter (note iii)	600	–	–	600
Mr. Fok Chi Tak (note iv)	395	–	–	395
Independent Non-Executive Directors				
Dr. Wong Yun Kuen (note i)	99	–	–	99
Mr. Wong Kui Shing, Danny (note v)	91	–	–	91
Mr. Mak Ka Wing, Patrick (note vi)	91	–	–	91
Ms. Kwan Shan	190	–	–	190
Mr. Chan Ming Sun, Jonathan (note vii)	100	–	–	100
	1,927	147	12	2,086

Notes:

(i) Dr. Wong Yun Kuen has been re-designated from independent non-executive Director to executive Director and he has been appointed as the chairman of the Board with effect from 18 July 2017.

(ii) Mr. Sheung Kwong Cho has been appointed as an executive Director with effect from 31 October 2017.

(iii) Mr. Yu Pak Yan, Peter has resigned as an executive Director with effect from 31 October 2017.

(iv) Mr. Fok Chi Tak has resigned as an executive Director with effect from 18 July 2017.

(v) Mr. Wong Kui Shing, Danny has been appointed as an independent non-executive Director with effect from 18 July 2017.

(vi) Mr. Mak Ka Wing, Patrick has been appointed as an independent non-executive Director with effect from 18 July 2017.

(vii) Mr. Chan Ming Sun, Jonathan has resigned as an independent non-executive Director with effect from 18 July 2017.

The executive Directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Group. The independent non-executive Directors' emoluments shown above were paid for their services as directors of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EMPLOYEE COSTS

	2018 HK$'000	2017 HK$'000
Employee costs (including Directors' emoluments (note 12)) comprise		
Wages and salaries	**6,816**	6,567
Retirement benefit scheme contributions	**1,219**	1,192
	8,035	7,759

14. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2017: four) were Directors of the Company whose emoluments are set out in note 12 above. The emolument of the remaining three (2017: one) highest paid individual was as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**814**	488
Retirement benefit scheme contributions	**24**	18
	838	506

The emolument was within the following band:

	2018 No. of individuals	2017 No. of individuals
Nil to HK$1,000,000	**3**	1

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

16. (LOSS)/EARNINGS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company	**(105,995)**	69,450

	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,089,118,593**	1,089,118,593

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

17. INVESTMENT PROPERTIES

	2018 *HK$'000*	2017 *HK$'000*
FAIR VALUE		
At 1 January (level 3 recurring fair value)	**138,167**	52,516
Acquired on acquisition of assets through acquisition of a subsidiary (note 29)	**–**	50,099
Reclassification from property, plant and equipment (note 18(ii))	**19,735**	–
Fair value gain recognised in profit and loss	**6,598**	35,552
At 31 December (level 3 recurring fair value)	**164,500**	138,167

All of the Group's property interests held under operating leases to earn property rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. INVESTMENT PROPERTIES (continued)

The fair values of the Group's investment properties as at 31 December 2018 and 2017 have been arrived at on the basis of a valuation carried out by Roma Appraisals Limited, an independent qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation technique is direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There are no change to the valuation technique in compared with 31 December 2017.

The fair values of investment properties are a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided above.

There were no transfers into or out of Level 3 during the year.

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.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties is the sales prices of properties nearby the Group's investment properties, which ranged from HK$5,130/sq.ft to HK$30,000/sq.ft (2017: HK$4,200/sq.ft to HK$29,700/sq.ft) where sq.ft is a common unit of area used in Hong Kong. An increase in the sales prices would result in an increase in fair value measurement of the investment properties, and vice versa. The carrying amounts of investment properties shown above comprise:

	2018	2017
	HK$'000	*HK$'000*
Commercial property units located in Hong Kong	**164,500**	138,167

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK$'000	Building in the PRC HK$'000	Leasehold improvements HK$'000	Lifts, electrical and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2017	17,317	11,764	401	29,150	2,610	61,242
Additions	–	–	–	91	–	91
Disposals	–	–	20	–	–	20
Exchange realignment	–	873	–	2,154	29	3,056
At 31 December 2017 and 1 January 2018	17,317	12,637	421	31,395	2,639	64,409
Additions	–	–	–	14	–	14
Reclassification as investment property (note ii)	(17,317)	–	–	–	–	(17,317)
Exchange realignment	–	(740)	–	(1,827)	(25)	(2,592)
At 31 December 2018	–	11,897	421	29,582	2,614	44,514
Accumulated depreciation						
At 1 January 2017	519	8,768	381	28,850	2,112	40,630
Provided for the year	346	268	40	71	288	1,013
Exchange realignment	–	664	–	2,137	27	2,828
At 31 December 2017 and 1 January 2018	865	9,700	421	31,058	2,427	44,471
Reclassification as investment property (note ii)	(865)	–	–	–	–	(865)
Provided for the year	–	248	–	53	168	469
Exchange realignment	–	(580)	–	(1,815)	(23)	(2,418)
At 31 December 2018	–	9,368	421	29,296	2,572	41,657
Net book value						
At 31 December 2018	–	2,529	–	286	42	2,857
At 31 December 2017	16,452	2,937	–	337	212	19,938

Notes:

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

(ii) The Group transferred an own-used property to investment property during the year ended 31 December 2018, when the management had changed the use of the property for generating the rental income. At the date of change, the net book value of the property was HK$16,452,000, while the fair value of the property was HK$19,735,000. The difference of HK$3,283,000 has been recognised as gain on revaluation of property in other comprehensive income.

19. PREPAID LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current	**18**	20
Non-current	**400**	464
	418	484

20. CORPORATE BOND

On 7 November 2018, the Group acquired an unsecured corporate bond with a principal amount of HK$5,000,000, carrying interest at the rate of 15% per annum, which is paid in cash quarterly. The principal amount will be repaid by maturity date in November 2020.

On initial recognition and subsequent measurements, the Directors consider that the principal amount of corporate bond approximate its fair value.

21. HELD-FOR-TRADING INVESTMENTS

	2018 HK$'000	2017 HK$'000
Listed equity securities:		
Hong Kong	**567,246**	648,368

As at 31 December 2018, held-for-trading investments represent an investment portfolio comprising 47 (2017: 49) equity securities listed in Hong Kong of which 38 (2017: 40) equity securities are listed on the Main Board of the Stock Exchange and the remaining 9 (2017: 9) equity securities are listed on GEM of the Stock Exchange.

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

22. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**1**	690
Work in progress	**487**	1,238
Finished goods	**1,018**	27
	1,506	1,955

23. TRADE AND OTHER RECEIVABLES

For sale of goods, the Group allows an average credit period of 90 days (2017: 90 days) to its trade customers. The following is an aging analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Current	**943**	885
Past due:		
1 to 30 days	**–**	104
31 to 60 days	**–**	14
61 to 90 days	**–**	4
Total trade receivables	**943**	1,007
Prepayments, deposits and other receivables	**334**	347
	1,277	1,354

23. TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade debtors, based on invoice date, as of the end of reporting period are as follows:

	2018	2017
	HK$'000	*HK$'000*
1 to 30 days	**697**	262
31 to 60 days	**181**	237
61 to 90 days	**65**	386
91 to 180 days	**–**	122
Total trade receivables	**943**	1,007

There is no trade receivables past due as at 31 December 2018. As at 31 December 2017, included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$122,000 which were past due at the end of the reporting period. The Group did not hold any collateral over these balances and the average age of these receivables was 110 days.

During the year ended 31 December 2018, loss allowance for trade receivable has been recorded as the Group considers the default risk of that amount is high and the recoverability of such is uncertain.

The table below reconciles the loss allowance for trade receivables for the year:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**–**	–
Initial application of HKFRS 9	**10**	–
Restated balance at 1 January and balance at 31 December	**10**	–

During the year ended 31 December 2018, loss allowance for other receivable has been recorded as the Group considers the default risk of that amount is high and the recoverability of such is uncertain.

The table below reconciles the loss allowance for other receivable for the year:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**–**	–
Initial application of HKFRS 9	**3**	–
Restated balance at 1 January and balance at 31 December	**3**	–

24. AMOUNT DUE FROM A NON-CONTROLLING INTEREST

As at 31 December 2018, the amount due from a non-controlling interest before considering impairment amounted to HK$4,178,000 (2017: HK$5,026,000) is unsecured and interest-free.

The amount due from a non-controlling interest, net is trade in nature and the Group has a policy of allowing a credit period of 90 days (2017: 90 days) to the non-controlling interest. The aged analysis of the receivable past due but not impaired is as follows:

	2018 **HK$'000**	2017 HK$'000
Current	**–**	206
Past due but not impaired:		
1 to 30 days	**–**	193
31 to 60 days	**–**	55
61 to 90 days	**–**	–
91 to 180 days	**–**	238
181 to 270 days	**–**	393
271 to 365 days	**–**	–
Over 365 days	**–**	–
	–	1,085

As at 31 December 2017, included in the amount due from a non-controlling interest is a trade receivable balance of HK$879,000 which was past due but not impaired at the end of the reporting period as the Group considers that the default risk is low after assessing the past payment history of the non-controlling interest, settlement after the end of the reporting period and no disagreement with the non-controlling interest on those balance. The Group did not hold any collateral over this balance. The average age of this receivable is 233 days.

During the year ended 31 December 2018, a loss allowance for amount due from a non-controlling interest of HK$470,000 (2017: impairment loss of HK$3,764,000) has been recorded as the Group considers the default risk of that amount is high and the recoverability of such is uncertain.

The table below reconciles the loss allowance/impairment loss on the amount due from non-controlling interest for the year:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**3,941**	–
Initial application of HKFRS 9	**20**	–
Restated balance at 1 January	**3,961**	–
Loss allowance/impairment loss recognised	**470**	3,764
Exchange realignment	**(253)**	177
At 31 December	**4,178**	3,941

The Group recognised loss allowance based on accounting policy stated in note 4(f)(A)(ii) and note 4(f)(B)(ii).

25. DEPOSITS HELD AT A FINANCIAL INSTITUTION/BANK BALANCES AND CASH

Bank balances and deposits held at a financial institution carry interest at market rates which range from 0.001% to 1.8% (2017: 0.001% to 1.8%) per annum. The deposits held at a financial institution are in relation to securities trading accounts which the Group maintained with this institution.

26. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables — over 90 days	**44**	49
Other payables and accruals	**3,532**	3,621
	3,576	3,670

27. DEFERRED TAX

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

	Unrealised gain on held-for-trading investments	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2016 and 1 January 2017	29,852	(29,072)	780
Charge to profit or loss	24,935	(10,282)	14,653
At 31 December 2017 and 1 January 2018	54,787	(39,354)	15,433
Credit to profit or loss	(13,694)	(1,739)	(15,433)
At 31 December 2018	41,093	(41,093)	–

At the end of the reporting period, the Group has unused tax losses of HK$534,231,000 (2017: HK$449,703,000) available for offset against future profits. A deferred tax asset in respect of HK$249,048,000 (2017: HK$238,507,000) of such losses has been recognised. No deferred tax asset in respect of the remaining tax losses of HK$285,183,000 (2017: HK$211,196,000) has been recognised due to the unpredictability of future profit streams. Included in the unrecognised tax losses are tax losses of HK$18,538,000 which will lapse in 2019 to 2023 (2017: tax losses of HK$17,914,000 which will lapse in 2018 to 2022), the remaining tax losses may be carried forward indefinitely.

28. SHARE CAPITAL

	Number of shares		Share capital	
	2018	2017	**2018**	2017
			HK$'000	*HK$'000*
Issued and fully paid:				
At 1 January and 31 December	**1,089,118,593**	1,089,118,593	**632,610**	632,610

29. ACQUISITION OF ASSETS TROUGH ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

In prior year, the Group acquired 100% of the issued share capital of Lead Power Investments Limited ("Lead Power") for a cash consideration of HK$53,425,000 on 19 January 2017. Lead Power was principally engaged in property investment and its major assets were office units in Hong Kong classified as investment properties. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

	HK$'000
Property, plant and equipment	20
Investment properties	50,099
Other receivables and deposits	13
Bank balances and cash	3,778
Other payables	(485)
	53,425
Satisfied by:	
Cash consideration paid	53,425
Net cash outflow arising on acquisition:	
Cash consideration paid	53,425
Bank balance and cash acquired	(3,778)
	49,647

30. RESERVES

The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity.

The following describes the nature and purpose of each reserve within owners' equity:

Reserves	Description and purpose
Exchange reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Properties revaluation reserve	Gains/losses arising on the revaluation of property (other than investment properties). The balance on this reserve is wholly undistributable.
Retained profits	Cumulative net gains and losses recognised in profit or loss.

The Company	**Retained profits** ***HK$'000***
Balance at 1 January 2018	**123,882**
Loss for the year	**(4,480)**
At 31 December 2018	**119,402**

	Retained profits *HK$'000*
Balance at 1 January 2017	141,634
Loss for the year	(17,752)
At 31 December 2017	123,882

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 *HK$'000*	2017 *HK$'000*
Financial assets		
FVTPL	**567,246**	648,368
Financial assets at amortised cost (including cash and cash equivalents)	**46,579**	94,832
Financial liabilities		
Amortised cost	**3,524**	2,166

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	2018 *HK$'000*	2017 *HK$'000*
United States dollars ("US$")	**761**	2,006

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Currency risk* (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in the relevant foreign currency against the functional currency of respective group entity. 10% (2017: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% (2017: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2017: a decrease in post-tax loss) where the relevant foreign currency strengthens 10% (2017: 10%) against the functional currency of respective group entity. For a 10% (2017: 10%) weakening of the relevant foreign currency against the functional currency of respective group entity, there would be an opposite impact on the post-tax results and the balances below would be negative.

	2018	2017
	HK$'000	*HK$'000*
Effect on post-tax results:		
US$ against Renminbi	**64**	168

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

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits held at a financial institution (see note 25 for details).

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

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

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Price risk

The Group engaged in short-term securities investment and is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. Management manages the exposure to price risk by maintaining a portfolio of investments with different risks and return profiles.

Sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective held-for-trading investments had been 10% (2017: 10%) higher/lower, the post-tax profit of the Group for the year would increase/decrease by HK$47,365,000 (2017: post-tax loss would decrease/increase by HK$54,139,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

Trade receivables

The Group measures loss allowances for trade receivables an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate *(%)*	**Gross carrying amount** *(HK$'000)*	**Loss allowance** *(HK$'000)*
Current (not past due)	**1**	**953**	**10**
		953	**10**

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Trade receivables (continued)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Movement in trade receivables, net of loss allowance during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at 31 December under HKAS 39	**953**	1,007
Impact of initial application of HKFRS 9 (note 2(a)A)	**(10)**	–
Adjusted balance at 1 January	**943**	1,007
Amounts written off during the year	**–**	–
Impairment losses recognised during the year	**–**	–
Balance at 31 December	**943**	1,007

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Other receivables

Movement in other receivable, net of loss allowance during the year is as follow:

	2018 **HK$'000**	2017 HK$'000
Balance at 31 December under HKAS 39	**337**	347
Impact of initial application of HKFRS 9 (note 2(a)A)	**(3)**	–
Adjusted balance at 1 January	**334**	347
Impairment losses recognised during the year	**–**	–
Balance at 31 December	**334**	347

The following significant changes in the gross carrying amounts of other receivables contributed to the increase in the loss allowance during 2018:

— Origination of new other receivables net of those settled resulted in an increase in loss allowance of HK$3,000;

— Increase in days past due over 30 days resulted in an increase in loss allowance of HK$nil.

Amount due from a non controlling interest

Movement in amount due from a non-controlling interest , net of loss allowance during the year is as follow:

	2018 **HK$**	2017 HK$
Balance at 31 December under HKAS 39	**490**	1,085
Impact of initial application of HKFRS 9 (note 2(a)A)	**(20)**	–
Adjusted balance at 1 January	**470**	1,085
Impairment losses recognised during the year	**(470)**	–
Balance at 31 December	**–**	1,085

The following significant changes in the gross carrying amounts of amount due from a non-controlling interest contributed to the increase in the loss allowance during 2018:

— Origination of new amount due from a non-controlling interest net of those settled resulted in an increase in loss allowance of HK$20,000;

— Increase in days past due over 30 days resulted in an increase in loss allowance of HK$470,000.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

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

The Group has no bank loan facilities as at 31 December 2018 and 31 December 2017.

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

Liquidity tables

	Weighted average interest rate	**On demand or less than 1 month**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2018**
	%	***HK$'000***	***HK$'000***	***HK$'000***
2018				
Non-derivative financial liabilities				
Trade and other payables	**–**	**3,524**	**3,524**	**3,524**

	Weighted average interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount at 31.12.2017
	%	*HK$'000*	*HK$'000*	*HK$'000*
2017				
Non-derivative financial liabilities				
Trade and other payables	–	2,166	2,166	2,166

31. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

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 **2018** ***HK$'000***	 2017 *HK$'000*	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities in Hong Kong classified as held-for-trading investments in the consolidated statement of financial position	**567,246**	648,368	Level 1	Quoted prices in an active market

There were no transfers between Level 1, 2 and 3 in the current and prior years.

The Group is exposed to equity price risk through its investments in listed equity securities classified as held-for-trading investments. During the year ended 31 December 2018, the depreciation of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss.

(ii) Financial instruments that are recorded at amortised cost

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

32. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The Group considers total equity when reviewing its capital risk management, which was HK$779,822,000 as at 31 December 2018 (2017: HK$884,686,000).

33. OPERATING LEASES

The Group as lessee

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

	2018 ***HK$'000***	2017 *HK$'000*
Within one year	**459**	11
In the second to fifth year inclusive	**168**	15
	627	26

Operating lease payments represent rentals payable by the Group for the use of its office equipment and premises. Leases are negotiated for a term of one to three years (2017: one to three years).

33. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned from investment properties during the year was HK$3,246,000 (2017: HK$2,526,000). Direct operating expenses incurred for investment properties that generated property rental income during the year amounted to HK$125,000 (2017: HK$98,000). The properties are expected to generate rental yields of 2% (2017: 1.8%) on an ongoing basis. The properties held have committed tenants for one to two years (2017: one to three years).

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

	2018 ***HK$'000***	2017 *HK$'000*
Within one year	**3,033**	1,910
In the second to fifth year inclusive	**610**	1,374
	3,643	3,284

34. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remunerations of Directors and other members of key management of the Group during the year is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Short-term benefits	**2,429**	2,837
Post-employment benefits	**36**	27
	2,465	2,864

The remunerations of Directors and key executives are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

35. INTEREST IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/operations	Paid up issued registered capital	Proportion of ownership interest held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities
Coast Holdings Limited	Hong Kong	HK$100,000 Ordinary shares	–	–	**100%**	100%	Property investment
Far East Holdings China Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	–	–	Investment holding
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	–	–	**100%**	100%	Investment holding
Far East Technology International Limited	Hong Kong	HK$10,000 Ordinary shares	–	–	**100%**	100%	Investment holding
Gold Sky Investments Limited	Hong Kong	HK$1 Ordinary shares	**100%**	100%	–	–	Securities investment
Gold Sky Finance Limited	Hong Kong	HK$100 Ordinary shares	–	–	**100% (note ii)**	–	Dormant
Gold Sky Property Investment Limited (Formerly known as River Joy Limited)	Hong Kong	HK$1 Ordinary share	**100%**	100%	–	–	Property investment
Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.	The PRC*	US$3,940,000 paid up registered capital	–	–	**51%**	51%	Manufacturing and sale of garment products
Joy Wide Limited	British Virgin Islands (the "BVI")/Hong Kong	US$1 Ordinary share	**100%**	100%	–	–	Investment holding
Jubilee Star Limited	Hong Kong	HK$1 Ordinary share	–	–	**100%**	100%	Dormant
Lead Power Investments Limited	BVI/Hong Kong	US$1 Ordinary share	–	–	**100%**	100% (note i)	Investment holding
Marvel Star Group Limited	BVI/Hong Kong	US$1 Ordinary share	**100%**	100%	–	–	Investment holding
Wings Property Investments Limited (Formerly known as Kingston Property Investment Limited)	Hong Kong	HK$20,000 Ordinary shares	–	–	**100%**	100% (note i)	Property investment

* Sino-foreign equity joint venture

Note:

(i) The Group acquired the entire equity interest of the subsidiary during the year ended 31 December 2017 as detailed in note 30.

(ii) The Group incorporated the subsidiary during the year ended 31 December 2018.

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

36. NON-CONTROLLING INTERESTS

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.	The PRC	**49%**	49%	**(1,687)**	(2,644)	**3,050**	4,962

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.

	2018	2017
	HK$'000	*HK$'000*
Current assets	**5,200**	8,923
Non-current assets	**3,190**	3,685
Current liabilities	**(1,841)**	(2,159)
Equity attributable to owners of the Company	**3,499**	5,487
Non-controlling interests	**3,050**	4,962

36. NON-CONTROLLING INTERESTS (continued)

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. (continued)

	2018	2017
	HK$'000	*HK$'000*
Revenue	**5,301**	6,613
Expenses	**(8,742)**	(12,005)
Loss for the year	**(3,441)**	(5,392)
Loss attributable to owners of the Company	**(1,754)**	(2,748)
Loss attributable to the non-controlling interests	**(1,687)**	(2,644)
Loss for the year	**(3,441)**	(5,392)
Other comprehensive (loss)/income attributable to owner of the Company	**(222)**	433
Other comprehensive (loss)/income attributable to the non-controlling interests	**(210)**	422
Total comprehensive (loss)/income for the year	**(432)**	855
Other comprehensive loss attributable to owner of the Company	**(1,976)**	(2,315)
Other comprehensive loss attributable to the non-controlling interests	**(1,897)**	(2,222)
Total comprehensive loss for the year	**(3,873)**	(4,537)
Net cash (outflow)/inflow from operating activities	**(1,744)**	358
Net cash outflow from investing activities	**–**	(91)
Net cash (outflow)/inflow	**(1,744)**	267

37. EVENT AFTER REPORTING PERIOD

Acquisition of Joy Ease Limited

On 3 January 2019, the Group has entered into a sale and purchase agreement with a third party (the "Vendor"), pursuant to which the Group has agreed to acquire the 51% of the entire issued share capital in Joy Ease Limited subject to the terms and conditions of the sales and purchase agreement, at an aggregate consideration of HK$549,915,000. Details refer to the announcement dated 3 January 2019 and the circular dated 26 February 2019.

On 13 March 2019, the proposed resolution related to the above acquisition was passed by the shareholders of the Company through the general meeting. Details refer to the announcement dated 13 March 2019.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Investments in subsidiaries		**42,631**	42,631
Amounts due from subsidiaries		**715,608**	715,450
		758,239	758,081
Current assets			
Other receivables		**83**	68
Bank balances and cash		**343**	865
		426	933
Current liability			
Other payables		**6,653**	2,522
Net current liabilities		**(6,227)**	(1,589)
Net assets		**752,012**	756,492
Capital and reserves			
Share capital	*28*	**632,610**	632,610
Reserves	*30*	**119,402**	123,882
Total equity		**752,012**	756,492

The Company's statement of financial position was approved and authorised for issue by the Board on 22 March 2019 and are signed on its behalf by:

Wong Yun Kuen	**Sheung Kwong Cho**
DIRECTOR	*DIRECTOR*

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2018

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**8,547**	9,139	11,683	11,930	16,747
(Loss)/profit before tax	**(122,789)**	81,769	(66,294)	74,643	24,944
Income tax credit/(expense)	**15,107**	(14,963)	11,780	(12,657)	–
(Loss)/profit for the year	**(107,682)**	66,806	(54,514)	61,986	24,944
(Loss)/profit for the year attributable to:					
Owners of the Company	**(105,995)**	69,450	(53,887)	69,100	25,846
Non-controlling interests	**(1,687)**	(2,644)	(627)	(7,114)	(902)
	(107,682)	66,806	(54,514)	61,986	24,944

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**783,398**	904,099	821,680	888,977	532,858
Total liabilities	**(3,576)**	(19,413)	(4,655)	(16,379)	(89,644)
	779,822	884,686	817,025	872,598	443,214
Non-controlling interests	**(3,050)**	(4,962)	(7,184)	(8,330)	(16,049)
Equity attributable to owners of the Company	**776,772**	879,724	809,841	864,268	427,165

PARTICULARS OF PROPERTIES HELD BY THE GROUP

For the year ended 31 December 2018

Location	Group's interests	Approximate site area (sq.ft.)	Existing use
9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	3,393	Rental
10/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	3,393	Rental
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	100%	1,402	Rental