遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 36

FEH

2019 Annual Report

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

This annual report is printed on environmentally friendly paper

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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
The Bank of East Asia, 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 2019 (the "Year Under Review"), Far East Holdings International Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue from continuing operations of approximately HK$39.7 million (2018: approximately HK$3.2 million), representing an increase of approximately 1,141% as compared to that of last year. The Group's loss from continuing operations and discontinued operation attributable to owners of the Company was approximately HK$132.3 million (2018: approximately HK$106.0 million). The total comprehensive expense from continuing operations and discontinued operation of the Group for the Year Under Review was approximately HK$153.5 million (2018: approximately HK$104.8 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") of approximately HK$106.8 million (2018: approximately HK$127.9 million) and fair value loss on investment properties of approximately HK$89.4 million (2018: a fair value gain of approximately HK$6.6 million). The basic loss per share from continuing operations for the Year Under Review was 13.68 HK cents (2018: 9.57 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and bank balances and deposits held at a financial institution amounting to approximately HK$37.3 million (2018: approximately HK$40.4 million). Following the completion of the acquisition of 51% of the issued share capital of Joy Ease Limited ("Joy Ease"), the Group had approximately HK$493 million interest-bearing bank borrowings (2018: Nil) and 5% interest per annum promissory note of approximately HK$213 million (2018: Nil). The Group funds its operations from a combination of internal resources, bank borrowings and financial instruments.

GEARING RATIO

The gearing ratio, expressed as a percentage of total debts (including the bank borrowing and promissory note) to equity attributable to owners of the Company was 109.6% as at 31 December 2019 (2018: As the Group did not have any interest bearing bank loans, the Group was in net cash position, no gearing ratio information was presented). The increase in gearing ratio was mainly attributable to the acquisition of Joy Ease during the Year Under Review (2018: Nil).

CAPITAL STRUCTURE

During the Year Under Review, there was no change to the share capital of the Company. As at 31 December 2019, the total number of issued ordinary shares of the Company was 1,089,118,593 (2018: 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 2019, the Company had no contingent liabilities (2018: Nil).

Capital Commitments

As at 31 December 2019, the Group had no capital commitment (2018: Nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK$149.4 million as at 31 December 2019 (2018: approximately HK$567.2 million), representing 7.9% (2018: 72.4%) 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$106.8 million (2018: of approximately HK$127.4 million). Details of the held-for-trading investments are set out on pages 6 to 9 of this annual report.

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 35(b)(iii) to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

On 1 April 2019, the Group acquired 51% of the issued share capital of Joy Ease for a consideration of approximately HK$552 million. Joy Ease is principally engaged in property investment and holding of the 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 consideration was satisfied as to approximately HK$191 million by cash and approximately HK$361 million by the issue of the promissory note. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination. Details of this transaction are disclosed in the Company's announcements dated 3 January 2019 and 1 April 2019, the circular of the Company dated 26 February 2019 and note 33 to the consolidated financial statements.

DISCONTINUED OPERATION

On 14 October 2019, due to the regulatory detailed planning of Haimen City approved by the Jiangsu Provincial People's Government ("Jiangsu Government") of the People's Republic of China (the "PRC"), upon receiving the notification from the Jiangsu Government, Jiangsu BangBang-Silky Fashion Manufacturer Company Limited ("JBB"), a 51% owned subsidiary of the Company, entered into an agreement on 14 October 2019 with the Haimen People's Government in relation to the recovery of the state-owned land use right of a parcel of land owned by JBB located at No. 380 Renmin Middle Road, Haimen, the PRC, with a total site area of 9,368.9 square meters. Given the significant drop in its business and revenue and the segmental loss of the garment manufacturing industry segment, upon receiving the notification from the Jiangsu Government, the Board has decided to cease the business of JBB and the garment manufacturing industry business. Details of the discontinued operation are set out in notes 13 to the consolidated financial statements.

DIVIDEND

For the Year Under Review, the board (the "Board") of directors (the "Director(s)") of the Company does not recommend any final dividend (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2019, the Group had approximately 11 employees in Hong Kong and the PRC (2018: 88 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 AND FINANCIAL REVIEW

The Group was principally engaged in manufacturing and sales of garment products, property investment and securities investment. During the Year Under Review, the Group has ceased the garment manufacturing industry business of JBB, a 51% owned subsidiary of the Company, in October 2019. Following the cessation of business of manufacturing and sales of garment products in the PRC, the Group's core business, the Group's principal business remains property investment and securities investment.

Garment Industries

For the two years ended 31 December 2019 and 2018, the garment business of the Group recorded revenue of approximately HK$3.6 million and HK$5.3 million, representing a decrease of approximately of 32.1% in 2019 as compared to 2018 as a result of decrease in sales orders and the cessation of its operation during the Year Under Review. The Group has recorded a compensation income of approximately HK$45 million for the Year Under Review (2018: Nil) from the Jiangsu Provincial People's Government of the PRC in relation to the recovery of the state-owned land use right of a parcel of land occupied by JBB.

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK$1,672.6 million (2018: approximately HK$164.5 million) as at 31 December 2019. The Group recorded significant increase in rental income of approximately HK$36.5 million from approximately HK$3.2 million in 2018 to approximately HK$39.7 million for the Year Under Review. In addition, the Group recorded increase in finance costs of approximately HK$21.9 million during the Year Under Review and as at 31 December 2019, the Group had bank borrowing of approximately HK$492.7 million and promissory note of approximately HK$213.2 million as a result of the completion of the acquisition of 51% of the issued share capital of Joy Ease, a company incorporated in the British Virgin Islands and principally engaged in investment in and holding of a property (the "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. Details of the acquisition of the Property are set out in note 19 and 33 to the consolidated financial statements.

Management will continue to review its portfolio of investment properties and seek for potential acquisition and/or disposal opportunities from time to time.

Investment in Securities

During the Year Under Review, the Group recorded fair value loss on held-for-trading investments of approximately HK$106.8 million (2018: approximately HK$127.4 million) attributable to unrealised loss of approximately HK$95.6 million and realised loss of approximately HK$11.2 million. Dividend income from held-for-trading investments amounting to approximately HK$3.2 million (2018: approximately HK$3.2 million) was recorded during the Year Under Review.

As at 31 December 2019, the held-for-trading investments amounted to approximately HK$149.4 million (2018: approximately HK$567.2 million). This value represented an investment portfolio comprising 24 (2018: 47) equity securities listed in Hong Kong of which 18 (2018: 38) equity securities are/were listed on the Main Board of the Stock Exchange and the remaining 6 (2018: 9) equity securities are/were 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 2019* (Note 1) %	Carrying amount at 31 December 2018 HK$'000	Unrealised fair value gain/(loss) for the year ended 31 December 2019 HK$'000	Dividend income for the year ended 31 December 2019 HK$'000	Fair value at 31 December 2019 HK$'000	Percentage of total held-for-trading investments at 31 December 2019* %	Percentage of total assets of the Group at 31 December 2019* %
Evergrande Health Industry Group Limited (708)	2	9,300,000	0.11	95,790	(23,529)	–	72,261	48.4	3.8
China Information Technology Development Limited (8178)	3	190,000,000	3.32	17,860	(1,900)	–	15,960	10.7	0.8
SuperRobotics Limited (8176)	4	3,430,000	0.68	20,580	(10,633)	–	9,947	6.7	0.5
K. H. Group Holdings Limited (1557)	5	6,000,000	1.50	12,120	(3,720)	–	8,400	5.6	0.4
Landing International Development Limited (582)	6	7,999,200	0.27	19,678	(12,639)	–	7,039	4.7	0.4
Eternity Investment Limited (764)	7	35,006,588	0.92	6,126	(840)	–	5,286	3.5	0.3
Global Mastermind Holdings Limited (8063)	8	90,870,000	2.13	8,360	(3,362)	–	4,998	3.3	0.3
China Ocean Fishing Holdings Limited (8047)	9	19,552,000	0.46	10,754	(6,061)	–	4,692	3.1	0.2
Huayi Tencent Entertainment Company Limited (419)	10	32,000,000	0.24	6,208	(2,688)	–	3,520	2.4	0.2
EverChina International Holdings Company Limited (202)	11	15,000,000	0.21	4,200	(840)	–	3,360	2.2	0.2
Ming Lam Holdings Limited (1106)	12	140,000,000	0.94	16,380	(13,300)	–	3,080	2.1	0.2
Lajin Entertainment Network Group Limited (8172)	13	30,000,000	0.71	5,910	(2,910)	–	3,000	2.1	0.2
Others	14			343,280	(13,146)	3,236	7,823	5.2	0.4
				567,246	(95,568)	3,236	149,366	100	7.9

* 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 2019 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 "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing in the PRC, as well as the investment in high technology new energy vehicle manufacture.

   Pursuant to the Evergrande Health Group's interim report for the six months ended 30 June 2019, the Evergrande Health Group recorded revenue of approximately RMB2,648 million and total comprehensive loss of approximately RMB1,998 million. The Evergrande Health Group recorded significant increase in revenue from its elderly care by 132%. In 2019, the Evergrande Health Group will plans to expand its operations into over 50 livable wellness areas in the coming 3 years. The Group believes that the expansion of operations will create value to the shareholders of the Evergrande Health Group.

   During the Year Under Review, the Group has disposed of 5,700,000 shares in the Evergrande Health Group which led to a realised gain of approximately HK$1 million.

3. 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 2019, the China Information Group recorded revenue of approximately HK$30 million and total comprehensive loss of approximately HK$53 million. The China Information Group has the vision of giving the most suitable data analysis and intelligence systems to their clients, together with the experiences and knowledge they gained through the years, the Group believes that the future prospect of the China Information Group is positive.

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

4. SuperRobotics Limited and its subsidiaries (collectively referred to as the "SuperRobotics Group") were principally engaged in provision of engineering products and related services and the sales of beauty products and provision of therapy services.

   Pursuant to the SuperRobotics Group's interim report for the six months ended 30 June 2019, the SuperRobotics Group recorded revenue of approximately HK$36 million and total comprehensive loss of approximately HK$50 million. As the security robotics of the SuperRobotics Group has the potential to become the major replenishment for security systems and expand into civil market for the realization of large-scale expansion, 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.

5. 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 2019, the K.H. Group recorded revenue of approximately HK$129 million and total comprehensive loss of approximately HK$10 million. The Group believes the operating performance of the K.H. Group will be improved as the K.H. Group will try to explore and identify any suitable investment opportunities in order to broaden their revenue base for maximisation of return to its shareholders.

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

6. 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 2019, the Landing Group recorded revenue of approximately HK$347 million and total comprehensive loss of approximately HK$1,321 million. The Landing Group's flagship resort, namely, Jeju Shinhwa World, will continue to ramp up its businesses and operations. It will continue to actively introduce more exciting activities and events at Jeju Shinhwa World to attract more customers and strengthen its market presence. The Group believes that the future prospect of the Landing Group is optimistic in view of its latest development of Jeju Shinhwa World.

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

7. Eternity Investment Limited and its subsidiaries (collectively referred to as the "Eternity Investment Group") were principally engaged in sale of financial assets, property investment, money lending, and design and sale of jewelry products.

   Pursuant to the Eternity Investment Group's interim report for the six months ended 30 June 2019, the Eternity Investment Group recorded revenue of approximately HK$91 million and total comprehensive loss of approximately HK$114 million. Taking into account the Eternity Investment Group will continue to solidify their fundamentals by refining their business operations and developing their existing businesses in a cautious manner, the Group is optimistic about the future prospects of the Eternity Investment Group.

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

8. 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 annual report for the year ended 31 December 2019, the Global Mastermind Group's recorded revenue of approximately HK$26 million and total comprehensive expenses of HK$53 million. Given that the Global Mastermind Group will look at possible business investments in order to further diversify their businesses and broaden their revenue base and continue to put our best efforts to produce good economic results and better return to the shareholders of the Global Mastermind Group, the Group believe the future prospect of the Global Mastermind Group is positive.

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

9. 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 2019, the China Ocean Group recorded revenue of approximately HK$338 million and total comprehensive loss of approximately HK$65 million. Taking into account the China Ocean Group has adequate resources to continue with its business operations, and will continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to its shareholders, the Group is optimistic about the future prospect of the China Ocean Group.

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

10. 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 annual results announcement for the year ended 31 December 2019, the Huayi Tencent Group's recorded revenue of approximately HK$99 million and total comprehensive loss of HK$36 million. Since the Huayi Tencent Group will forge ahead into the season of harvest in as much as the projects which it had developed and produced in the past few years will be screened successively, the Group is optimistic about the future prospect of the Huayi Tencent Group.

    During the Year Under Review, the Group has disposed of 8,000,000 shares in the Huayi Tencent Group which led to a realised gain of approximately HK$0.2 million.

11. EverChina International Holdings Company Limited and its subsidiaries (collectively referred to as the "EverChina International Group") were principally engaged in property investment operation, hotel operation, financing and securities investment operation and agricultural operation.

    Pursuant to the EverChina International Group's interim report for the six months ended 30 September 2019, the EverChina International Group recorded revenue of approximately HK$70 million and total comprehensive loss of approximately HK$370 million. The EverChina International Group will remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments in order to maintain its competitiveness. The Group believes that the future business prospect of the EverChina International Group is positive.

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

12. Ming Lam Holdings Limited and its subsidiaries (collectively referred to as the "Ming Lam Group") were principally engaged in the manufacture and sale of packaging materials, tourism and travel business, securities trading and other investing activities, and money lending business.

    Pursuant to the Ming Lam Group's interim report for the six months ended 30 June 2019, the Ming Lam Group recorded revenue of approximately HK$466 million and total comprehensive loss of approximately HK$84 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 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. Lajin Entertainment Network Group Limited and its subsidiaries (collectively referred to as the "Lajin Entertainment Group") were principally engaged in provision of artists management services, and investment in movies, TV programmes and internet contents.

    Pursuant to the Lajin Entertainment Group's interim report for the six months ended 30 June 2019, the Lajin Entertainment Group recorded revenue of approximately HK$23 million and total comprehensive loss of approximately HK$19 million. Taking into account the rapid development of video streaming websites and internet movies in the PRC and the Lajin Entertainment Group will continue to increase its investment in internet movies in 2019, the Group is optimistic about the future prospects of the Lajin Entertainment Group.

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

14. Others comprised 12 (2018: 28) listed securities and none of these investments account for more than 0.1% (2018: 1.0%) of the total assets of the Group as at 31 December 2019. There were 4 listed securities whose shares have been suspended for trading, namely Up Energy Development Group Limited (stock code: 307) Hua Han Health Industry Holdings Limited (stock code: 587), DingHe Mining Holdings Limited (stock code: 705) and Town Health International Medical Group Limited (stock code: 3886) whose securities have been suspended for a prolonged period. There was a delisted securities included in the held-for-trading investment, namely Hsin Chong Group Holdings Limited, whose securities had been listed on the Main Board of Stock Exchange until 31 December 2019. No fair value adjustments have been made regarding these 5 listed securities during the Year Under Review as full impairment loss has been made in the prior years. Breakdown of these 12 listed securities is as follows:

	Company name/(stock code)	No. of shares	Percentage of shareholdings at 31 December 2019* (Note 1) %	Fair value at 31 December 2019 HK$'000	Percentage of total held-for-trading investments at 31 December 2019* %	Percentage of total assets of the Group at 31 December 2019* %
1	The Hong Kong Building and Loan Agency Limited (145)	20,000,000	0.54	1,680	1.1	0.08
2	China City Infrastructure Group Limited (2349)	10,000,000	0.32	1,600	1.1	0.08
3	Global Mastermind Capital Limited (905)	16,568,000	2.37	1,491	1.0	0.08
4	Solartech International Holdings Limited (1166)	25,000,000	1.05	1,350	0.9	0.07
5	Sino Golf Holdings Limited (361)	39,460,000	0.76	829	0.5	0.04
6	CST Group Limited (985)	32,000,000	0.08	768	0.5	0.04
7	China Creative Digital Entertainment Limited (8078)	1,264,000	0.47	105	0.1	0.01
8	Up Energy Development Group Limited (307)	3,200,000	0.07	–	0.0	0.00
9	Hsin Chong Construction Group Limited (404)	35,000,000	0.61	–	0.0	0.00
10	Hua Han Health Industry Holdings Limited (587)	26,272,000	0.37	–	0.0	0.00
11	Ding He Mining Holdings Limited (705)	222,000,000	3.36	–	0.0	0.00
12	Town Health International Medical Group Limited (3886)	12,000,000	0.16	–	0.0	0.00
				7,823	5.2	0.40

* The percentages are subject to rounding error.

BUSINESS PROSPECTS

Following the acquisition of the issued share capital Joy Ease and cessation of the garment business in the PRC, the Group's properties investment portfolio has been strengthened and the Group's operation in Hong Kong.

Looking ahead, it was expected the outbreak of Novel Coronavirus ("COVID-19") in early 2020 will have adverse impact to the Group's property investment and securities investment. It was also expected certain rent reliefs will be requested by the tenants of the Group which may lead to decrease in the Group's rental income in the first half of 2020 and the fair values of investment properties and held-for-trading investments may be declined. In view of the above, management will closely monitor the investment portfolio and capture opportunities in a prudent manner and balance investment risks of the Group.

Dr. Wong Yun Kuen
Chairman

Hong Kong, 30 March 2020

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen

Dr. Wong, aged 62, 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 the independent non-executive director of GT Group Holdings Limited (stock code: 263), DeTai New Energy Group Limited (stock code: 559), and Synergis Holdings Limited (stock code: 2340). The securities of these 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 and a non-executive director of China Sandi Holdings Limited (stock code: 910) from September 2016 to September 2019. He was also an independent non-executive director of Bauhaus International (Holdings) Limited (stock code: 483) from October 2004 to December 2016, Sincere Watch (Hong Kong) Limited (stock code: 444) from September 2012 to December 2017, Asia Coal Limited (stock code: 835) from September 2018 to June 2019 and Kingston Financial Group Limited (stock code: 1031) from June 2005 to August 2019. The securities of these companies are listed on the Main Board of the Stock Exchange. Dr. Wong was also the independent non-executive director of Tech Pro Technology Development Limited ("Tech Pro") (stock code: 3823) for the period from 27 September 2017 to 2 March 2020. The securities of Tech Pro were listed on the Main Board of the Stock Exchange for the period from 6 September 2007 to 2 March 2020.

Mr. Sheung Kwong Cho

Mr. Sheung, aged 39, joined the Group in May 2015. 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 the Chief Financial Officer of the Group and 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 14 years of experience in corporate governance, mergers and acquisitions, auditing and financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Shan

Ms. Kwan, aged 48, 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 60, 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 a non-executive director of TFG International Group Limited ("TFG") (stock code: 542) and an executive director of Greater Bay Area Dynamic Growth Holding Limited (stock code: 1189), the securities of these companies are listed on the Main Board of the Stock Exchange. Mr. Wong is also an executive director of China Information Technology Development Limited (stock code: 8178) whose securities are listed on the GEM of the Stock Exchange.

Mr. Wong was an executive director and chief executive officer of TFG from August 2015 to February 2019 and an executive director of Huiyin Holdings Group Limited (stock code: 1178) from May 2017 to April 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. 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 and the executive director of Larry Jewelry International Company Limited (stock code: 8351), the securities of these companies are listed on the GEM of the Stock Exchange. Mr. Wong was also an independent non-executive director of Tech Pro Technology Development Limited ("Tech Pro") (stock code: 3823) from September 2017 to March 2020, the securities of Tech Pro were listed on the Main Board of the Stock Exchange for the period from 6 September 2007 to 2 March 2020.

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 55, 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., Limited (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. 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 2019.

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 40 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 10 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 2019 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 51 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 2019 are set out in notes 19 and 20 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 2019 comprised the retained profits of approximately HK$123,102,000 (2018: HK$119,402,000).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year (2018: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, 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 11 to 13 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, Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick 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 20 April 2020.

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
Class Success Limited

DIRECTORS' SERVICE CONTRACTS

Mr. Sheung Kwong Cho has entered into a service agreement with the Company in relation to his appointment as the Chief Financial Officer, 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 2019, 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 2019.

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 95% and 73% 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 64% and 30% 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 39 to 46 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 2019, the Audit Committee met two 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 2019 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 14 and 16 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 2019 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, 30 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the fourth Environmental, Social and Governance ("ESG") report published by the Far East Holdings, presenting the policies, practices and performances of the Company and its subsidiaries (the "Group") in ESG aspects. It allows all stakeholders to understand the progress and development direction of the Group on sustainable development. The report is available on the website of the Company and Hong Kong Stock Exchange (www.hkexnews.hk).

Reporting Boundary

The ESG report covers the performance of the Group's business segments of securities investment and property investment, for the financial year from 1 January 2019 to 31 December 2019 (the "reporting year"). The reporting scope covers the operations of the Group's registered office in Hong Kong, accountable for 100% of the Group's revenue of continuing operations. In line with the previous report, the reporting scope of this report excludes the Group's operations in the People's Republic of China, as well as the business segment of manufacturing and export of garment products due to downsizing of the business.

Reporting Standard

This report is prepared in accordance with 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 of Hong Kong Limited (the "SEHK"). The formulation of the report follows the four reporting principles, namely the principles of materiality, quantitative, balance and consistency.

To provide stakeholders with an overview of the Group's performance in ESG aspects, the report not only discloses environmental key performance indicators ("KPIs") 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 is inserted in the last chapter of the report for reference.

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 (the "Board") of directors has overall responsibility for the establishment and disclosure of relevant measures and KPIs. The ESG report was reviewed and approved by the Board.

Feedback Mechanism

Stakeholder comments and suggestions can help define and strengthen the Group's future sustainability strategy. All stakeholders are welcome to send their feedback and opinion to the registered office of the Group by post, fax or email. The address of the registered office and contact information 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

MESSAGE FROM THE MANAGEMENT

The Group is pleased to present the fourth ESG report. While sustainability for businesses like ours is about their roles in catalysing capital to help address issues facing our society today, this report guides readers to understand our initiatives and performance on sustainability issues during the reporting year as well as our agenda for sustainable investment governance.

Managing our business responsibly means effectively managing risks, for the firm and for the companies and investors we work with. In the constant changing market with both physical and social instabilities, the Group is aware of potential risks towards the business operations. Therefore, the Group has established a risk assessment framework for identifying the tangible and intangible risks, and developing strategies of risk mitigation. Looking ahead, the Group will also consider environmental and social factors in the risk assessment and expand the scope of the risk assessment to its investment portfolio. By doing so, this will help us manage our operations responsibly but also identify opportunities to allocate capital more purposefully.

With the heightened requirements of the SEHK's ESG Reporting Guide, we acknowledge the importance of the Board involvement and responsibilities on the ESG issues, and we must continue to strive for excellence in ESG governance. The Board, the Group's highest governing body, is ultimately accountable for developing and leading the strategic direction of the Group towards sustainability. With the assistance of the management, the Board is responsible for identifying and reviewing sustainability matters, monitoring performance and exploring improvement actions with reference from the best practices in the industry, so as to create values to the investors and other stakeholders.

The success of the Group relies on the satisfaction and wellbeing of our employees, the environment and people in needed. During the reporting year, the Group continued to promote healthy working environment and employee wellbeing by offering a variety of the initiatives and activities. With their supports, the Group also rolled out a series of green office measures to improve the energy efficiency and the use of resources of the Hong Kong office. Meanwhile, the Group continued to take part in volunteering and community services with a focus on elderly.

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, product responsibility, environmental protection, and community involvement.

The meeting to discuss ESG issues is scheduled at least once per year. The daily job related to ESG is shared between the Board and the two full time employee throughout the year, including formulating and executing ESG policies and initiatives, collecting ESG data for performance monitoring and disclosure, and exploring improvement actions in respond to ESG risks and opportunities.

Looking ahead, the Board will explore formulating a set of sustainability goals that cover sustainability issues material to the Group. This will serve as a foundation for setting key performance indicators KPIs and targets.

Risk Management

An effective risk management system can assist the Board to identify and evaluate potential risks (covering economic, industry, compliance and operation) and to achieve the business objectives. It also guides the Group to formulate and implement strategies to manage respective risks.

The Board oversees the Group's risk management and internal control systems. Under the Board, the Audit Committee is responsible to support the Board in identifying major risks and findings, and to provide sufficient recommendations for mitigation. The Group has established the Internal Control Manual and Policies to guide the Committee to conduct effective and appropriate measures in managing risks.

In addition, the Group conducts annual year risk assessment to identify the potential risks that may affect the Group. The results will assist the Group to determine its future directions and development. Moving forward, The Group will also consider to include ESG factors in the risk management.

Compliance Management

Committing to uphold the highest standards of accountability and integrity, the Group considers compliance with all laws and regulations as an essential requirement and one of the most important part across its operations. Non-compliance with the related laws and regulations that have a significant impact on the Group's businesses may lead to repercussions such as enforcement actions by regulators, fines and/or penalties.

As such, the management has a well-established risk management system to ensure the Group has complied the law and regulations. Relevant policies, guidelines, and practices are being implemented and listed in the Employee Handbook, Internal Control Manual, and the Green Office Policy. The Group will review the company policies when necessary.

During the reporting year, there was no incidence of non-compliance of the relevant laws and regulations. For more details, please refer to the Appendix — Compliance with Laws & Regulations.

STAKEHOLDER ENGAGEMENT

Understanding and responding to the needs of the market and the key stakeholders is of paramount importance for us to move forward on the journey to sustainability.

Our stakeholders are defined as ones who have a considerable influence on our business, and whom our business has a significant impact on. The Group engages its key stakeholders through multiple channels to gather their feedback and strive for continuous improvement. Board surveys, general meetings, interviews, and other regular activities are held across the operations for internal and external stakeholder groups throughout the reporting year.

Materiality Assessment

The Group relies on stakeholders' views in order to better understand their needs and expectations regarding the Group's business practice, as well as how it manages potential risks and business opportunities.

To identify the most important environmental and social issues for the Group and its key stakeholders, the professional consultant we appointed conducted a materiality assessment. A total of 7 issues are identified as material as stated below.

Material Issues
1. Health and safety 2. Employment 3. Anti-corruption 4. Development and training 5. Use of resources 6. Labour standards 7. Community investment

CARING FOR OUR EMPLOYEES

The Group is committed to offering a safe and healthy workplace with a communication-friendly environment to maintain a high level of satisfaction of our employee. The Employee Handbook and Internal Control Policies outline its commitment in providing our employees a workplace, which is inclusive, fair, and free of discrimination and harassment.

Employee Health, Safety and Well-being

A safe and healthy working environment is an on-the-job priority. The Group is responsible for ensuring the physical and mental health of the employee and the balance of life and work. The Group has formulated a series of measures and guidance to ensure the employees' health and safety are well maintained.

Policies	The Employee Handbook is to provide guidance to the employee on personal practices and policies at workplace. It is aimed to minimize its risks to the employee and the business. Topics include pandemic diseases, fire hazards, accidents and emergencies, and typhoons and rainstorms arrangements.
Measures	The Group has circulated the Occupational Health and Safety posters in the office to enhance the employee awareness. It also encourages our employee to stay healthy by choosing vegetarian options in employee gathering.

Looking ahead, the Group will consider to provide a comprehensive health and safety training to strengthen the employee health, safety, and well-being. Medical plans and health related needs for the employee will be regularly reviewed as well.

Employee Management System

The Group is committed to maintaining a fair, trusting and respectful relationship with its employees and establishing an inclusive and diverse working environment. The Group has formulated policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare, and they are listed in the Employee Handbook for employees to review at any time.

Open Door Policy
Building trust is essential among the employee, therefore, the Group supports an open door policy free from management hierarchy. Employee are welcomed to express their concerns and ideas freely.

Compensation and Termination	Working Hours and Holidays
To ensure a competitive compensation for our employees, the Employee Handbook has stated clearly that the salary is subject to the marketplace practices, as well as the individual performance, contributions, and the overall company results. To protect the most benefits of the employer and the employees, a standard resignation and termination procedure is stated in the contract and the Employee Handbook for ones who wish to terminate or resign.	The Group encourages a balance between work and activities outside of work. Employee working hours and leaves are entitled in the employee contract and explained in the Employee Handbook. The Employee Handbook has also specified the working arrangement under severe weather circumstances and emergencies.

Other Benefits and Welfare	Diversity
To retain qualified employees in the Group, all continuous contract employee will enjoy a series of benefits, including group insurance programs, Employees' Compensation, Mandatory Provident Fund (MPF) Scheme, Professional Memberships, and Rental Reimbursement Report Program.	The Group is firmly committed to developing a diversified working environment. It is encouraged to all employees to respect each other with dignity, in accordance with the Employee Handbook.

Non-Discrimination and Anti-Harassment	Equality
The Group is committed to providing a working environment free of discrimination and harassment. Any employees who have experienced unlawful harassment or retaliation can report to the management, or the Human Resources Department. Any reported incident will be promptly investigated and appropriate action such as disciplinary action will be taken. The Management will continue to provide guidance, education, training, bulletins, and procedures for this policy, including reporting, monitoring and review.	To ensure the employment is based on personal capabilities and qualifications without any discrimination, the Group follows the fundamental principle of Equal Employment Opportunity, which stated the Group has zero tolerance of any discrimination related to race, colour, religion, sex, age, national origin, citizenship, disability, or any other protected characteristics, as established by the law.

Prevent Forced Labour	Prevent Child Labour
The Group is committed to ensuring the employment relationships are voluntary. The Employee Handbook provides guidelines on reasonable work arrangements to various departments, and conducts regular inspections to prevent forced labour. If forced labour cases are discovered, all unreasonable work arrangements will be suspended immediately. The Human Resources Department will conduct investigations to identify and plug loopholes in recruitment and daily operations.	The Group has a zero tolerance attitude to Child Labour as it has violated human rights. In accordance with the Employee Handbook, the Human Resources Department verifies the age of employees in recruitment and daily operations. If a child labour case is discovered, his contract will be immediately terminated.

Training and Development

In the fast changing environment, the Group values the importance of career development of the employee, in order to add value to itself and maintain competitiveness. With the Group's policies and initiatives, the Group expects to bring diversified career development opportunities to every employee. During the reporting year, 100% of the employees have received training.

Policy	The Group's Employee Handbook and the Internal Control Manual have set out the Group's approach in development and training.
Initiatives	• The Group offers a mentoring program to assist the recent hired employees to adapt to the company and the working environment. A mentor will be assigned and provide guidance to the mentee.
	• Employees are encouraged to enrol in external professional training courses and are entitled to early leave arrangements. During the reporting year, employees have attended professional trainings including CPA Practicing program and Company Secretary courses.

In addition, the management conducts appraisal review for every employee annually. Throughout the review, it is aimed to create an open dialogue between the management and the employee. The management provides feedback on the performance and discuss with the employee on their development opportunities and goals, while the employees are encouraged to seek feedback from the co-workers and the managers.

OPERATING PRACTICES

The Group is committed to upholding the standard of good corporate governance and business integrity in all its business activities. The Group has provided sufficient guidance and principles through its Internal Control Manual and Employee Handbook regarding Anti-Corruption, Supply Chain Management, and Data Privacy.

Anti-Corruption

To protect the interests of all stakeholders, the Group is tasked to maintain a sufficient communication with business partners to avoid inappropriate behaviour related to bribery, extortion, fraud and money laundering. The Group has formulated relevant policies and guidelines, under the Employee Handbook and the Internal Control and Procedures, such as conflict of interest and fraud prevention measures for its investments business.

Preventive measures and reporting procedures	Under the Internal Control and Procedures, any investment shall not be made where a conflict of interest exists or is perceived to exist. All Directors and management shall comply with the Code of Corporate Governance Practices. If there are any potential conflicts of interests, the employee shall discuss with the Conflict of Interest Leader ("CIL"), who will make an appropriate resolution and investigate the instances of conflict of interests. An Investment Committee is set up to review and endorse investments that may be financially material and significant to the Group. the Group has also adopted a set of guidelines regarding expenses and payments, bank and cash management, capital expenditures, and revenue expenditures. It is aimed to prevent financial loss and risks in the Group. As stated in the Internal Control Manual, the Group has established procedures and channels to facilitate the reporting of wrongdoing and corruption.
Implementation and monitoring methods	The Management regularly reviews updates the anti-corruption policies to prevent any inappropriate behaviours.

Supply Chain Management

The Group mainly sourced office supplies and professional services from 26 suppliers in Hong Kong during the reporting year. The suppliers and service providers are selected according to the supplier selection criteria, including revolving price, reputation, product safety, environmental performance and social responsibility. As part of its green procurement practices, the Group continued to source office supplies from brands that carries energy saving labels and recyclable contents. In order to reduce unnecessary wastes, it is encouraged to avoid unnecessary packaging.

Looking ahead, the Group will consider to further manage the environmental and social risks by engaging and monitoring the supplier performance, in order to minimise the negative impact of sourcing.

Protection of Data Privacy

Data privacy is critical when it comes to customer trust in the investment sector. The Group and its employees are responsible to safeguard confidential information related to the business. The Internal Control Manual provides guidelines and states a series of measures on privacy and confidentiality.

The Chief Financial Officer, assumed to hold the role of the Privacy and Confidentiality Leader ("PCL"), is responsible for overseeing compliance and the measures. His duties include but not limited to, review privacy legislation, to inform and train the employees on privacy and confidentiality, to develop and maintain the infrastructure required to protect the privacy and confidentiality, and to be the authority in resolving related questions.

To prevent unauthorised or accidental saving, transfer, deletion, loss or use of personal data, all employees are also required to sign a confidentiality agreement and acknowledge that they are aware of their obligation as data users under relevant regulatory requirements.

In the future, the Group will consider to review product responsibility related policies especially on data protection related to the business operation.

PROTECTING THE ENVIRONMENT

The Group recognises the potential risks and opportunities from the environmental aspects may affect the business and the communities. The Group is committed to managing the environmental impacts and to create greener environment in the workplace and the surrounding communities. The Group has put in place the Green Office Policy to respond the commitments and initiatives regarding responsible management of emissions, utilisation of natural resources and environmental protection.

Resource Management

The Group is committed to execute the following green practices at the workplace along with the employees, in accordance with the Green Office Policy. To reduce energy consumption, employees are reminded to switch off lights and air-conditioners in unoccupied areas and before leaving the office, use energy saving modes for all the copiers and printers after long periods of inactivity and set eco-friendly options as default on all copiers, printers and other electronic equipment.

Type	Energy	Consumption (MWh)		Percentage change (%)
		Year 2019	Year 2018	
Direct Energy	Petrol	**80.4**	79.3	+1.4
Indirect Energy	Electricity	**9.3**	10.5	–11.4
Total energy consumption		**89.7**	89.8	–0.1

During the reporting year, the Group has consumed 89.7 MWh of energy, slightly dropped 0.1% compared with the previous year. The use of petrol for vehicles constituted the majority of the energy consumption, contains 89.6% of the total consumption, and the remaining was from purchased electricity, which takes 10.3% of the total consumption. Compare with the previous year, the electricity consumption in 2019 has successfully reduced 11%.

With water being one of the most valuable natural resources, the Group is committed to optimizing water usage. The Group is committed to promote the use of tap water and avoid using bottled water in the office and during meeting. The Group did not have any issue in sourcing water that is fit for the purpose.

Emission Management

As a key step to establishing a carbon management strategy, the Group has commissioned a professional consultancy to conduct the carbon assessment to quantify the greenhouse gas ("GHG") emissions from its operations. The quantification process of GHG emissions follows the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

GHG emissions

Scope	Emission Source	GHG Emissions (tonnes of carbon dioxide equivalent)		Percentage change (%)
		Year 2019	Year 2018	
Scope 1: Direct GHG Emissions	Fossil Fuel Combustion — Petrol	**23.2**	23.3	–0.5
	Fossil Fuel Combustion — Release from equipment and systems	**0.6**	0.6	–
	Sub-total	**23.8**	23.9	–0.5
Scope 2: Energy Indirect GHG Emissions	Purchased Electricity	**7.5**	8.3	–9.6
	Sub-total	**7.5**	8.3	–9.6
Scope 3: Other Indirect GHG Emissions	Paper Waste Disposal	**17.5**	10.1[1]	73.3
	Freshwater & Sewage Processing	**–**	0.02	–
	Business Travel by air	**–**	0.6	–
	Sub-total	**17.5**	10.7	63.6
Total GHG emissions		**48.8**	42.9	13.8

1 In order to create a meaningful comparison with the data in 2019, the emission of paper waste disposal in 2018 has been adjusted, as it has included a wider coverage of the paper waste disposal.

During the reporting year, the Group has emitted 48.8 tonnes of carbon dioxide equivalent (CO_2-e). The major emissions are from fuel combustion from the automobile, the paper waste disposal, and the purchased electricity, which took 47.5%, 35.9%, 15.4% of the total GHG emissions respectively. Compare with previous reporting year, the emissions of fuel combustion and electricity have been slightly dropped 0.5% and 9.7% respectively.

Despite the Group successfully implementing some energy saving measures, there was an increase in the total carbon emissions which resulted in higher emissions from paper waste disposal (scope 3 emissions). Employees are encouraged to reduce the paper waste disposal by avoiding printing hard copies of meeting materials, conserving paper by emailing documents and recycling used paper. The Group will continue to explore ways to reduce paper consumption and encourage paper recycling.

The Group's operations involve emissions of nitrogen oxides (NOx), sulphur oxides (SOx), and particulate matter (PM) generated by the fuel consumption of vehicles. During the reporting year, the Group's NOx, SOx, and PM emissions were 4.2, 0.1, 0.3 kg respectively. To further reduce the air and GHG emissions, the Group, in accordance with Green Office Policy, encourages employees to consider virtual meetings over business travels.

With regards to waste management, the Group continues its emphasis on reducing waste at source. The Group has produced 0.002 tonnes of hazardous waste, including waste batteries, waste fluorescent light tubes and waste toner cartridges. The waste has reduced by 50%, compared with the previous year. The Group has also generated 0.1 tonnes non-hazardous waste including domestic waste and paper. The wastes generated are handled by the property management company in accordance with the relevant laws and regulations.

Looking ahead, in order to further reduce resource consumption and manage emissions, the Group will consider to set appropriate targets and develop reduction strategies on air emissions, energy, water, paper, and waste.

The Environment and Natural Resources

Due to the business nature itself, the Group has no direct significant impact on the natural resources, yet our investment business decisions may create impact to our counterparts and the surroundings. To further increase the awareness of environmental protection, the Group has invited an authorised employer of the Hong Kong Institute of Certified Public Accountants to conduct in-house environmental education and promotion activities for its employees.

For more details on the environmental performance during the reporting year, please refer to the chapter of 'ESG Performance Summary' on page 32 of this annual report.

INVESTING IN SOCIETY

As a responsible corporation, the Group aims to utilise its resources to empower the surrounding communities and create values to the society. With this mission, the Group seeks to understand their needs and taking part in volunteering and community services.

During the reporting year, the Group has supported volunteering programs with a focus on elderly services with a total of 111 hours. The major recipients are Hong Kong Movie Star Sports Association Charities Limited and Senior Citizen Home Safety Association. The Group also took part in activities organised by community organisations, such as home visits and outings to the elderly.

Home Visits to the Elderly with the Hong Kong Movie Star Sport Association
Our employees, in collaboration with social workers, spent their free time to visit the elderly. They delivered goody bags to the elderly with some daily necessities and rice and to celebrate traditional festivals.

Outings with the Elderly in collaboration with the Hong Kong Movie Star Sport Association
Our employees volunteered to lead a group of elderlies to visit famous attractions in Hong Kong, such as Ocean Park and Aviation Discovery Centre. Many of the participants are immobile or under severe medical conditions, spent most of their time in the elderly houses. The trips allow elderlies to get in touch with the city again and create good memories for their golden age.

In the future, the Group will continue to review its community engagement plan and consider formulating a community investment policy, presenting focus areas of contribution and community investment initiatives.

APPENDIX — COMPLIANCE WITH LAWS & REGULATIONS

Aspects	Related Regulations and Ordinance with Significant Impact	Compliance Performance
Emissions (relating to air and greenhouse gas emissions, and waste generation)	• Air Pollution Control Ordinance • Waste Disposal Ordinance	Not aware of any non-compliance
Employment and Labour Standards (relating to compensation and termination, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination, child and forced labour)	• Employment Ordinance • Minimum Wage Ordinance • Employees' Compensation Ordinance	Not aware of any non-compliance
Health and Safety (relating to occupational health, safety, and wellness)	• Occupational Safety and Health Ordinance • Employees' Compensation Ordinance	Not aware of any non-compliance
Product Responsibility (relating to data privacy)	• Copyright Ordinance • Personal Data (Privacy) Ordinance	Not aware of any non-compliance
Anti-corruption (relating to bribery, extortion, fraud, and money laundering)	• Prevention of Bribery Ordinance • Anti-Money Laundering and Counter-Terrorist Financing Ordinance	Not aware of any non-compliance

ESG PERFORMANCE SUMMARY

Environmental Performance

	2019	2018	2017	**Unit**
Air Emissions				
Nitrogen oxides (NOx)	**4.2**	4.2	3.8	kg
Sulphur oxides (SOx)	**0.1**	0.1	0.1	kg
Particulate matter (PM)	**0.3**	0.3	0.3	kg
Greenhouse gas emissions in total				
Scope 1	**23.8**	23.9	21.4	tonnes CO_2-e
Scope 2	**7.5**	8.3	18.6	tonnes CO_2-e
Scope 3	**17.5**	10.7	8.0	tonnes CO_2-e
Total GHG emissions	**48.8**	42.9	48.0	tonnes CO_2-e
Greenhouse gas emission intensity[2]	**7.0**	6.1	6.9	tonnes CO_2-e/ employee
Total hazardous waste produced				
Total hazardous waste[3]	**0.002**	0.004	0.000	tonnes
Hazardous waste intensity[2]	**0.000**	0.001	0.000	tonnes/employee
Total non-hazardous waste produced				
Total non-hazardous waste[4]	**0.1**	0.1	0.06	tonnes
Non-hazardous waste intensity[2]	**0.01**	0.01	0.01	tonnes/employee
Direct and/or indirect energy consumption by type				
Petrol	**80.4**	79.3	68.9	MWh
Purchased electricity	**9.3**	10.5	23.6	MWh
Total energy consumption	**89.7**	89.8	92.5	MWh
Energy consumption intensity[2]	**12.8**	12.8	13.2	MWh/employee
Water consumption in total and intensity				
Total water consumption[4]	**–**	24.0	33.0	cubic metres
Water consumption intensity[2]	**–**	3.4	4.7	cubic metres/ employee

2 The intensity has been restated due to the adjustment of employee figures.
3 Hazardous waste includes waste batteries, waste fluorescent light tubes and waste toner cartridges.
4 Non-hazardous waste includes domestic waste and waste paper collected for recycling. The emission of paper waste disposal in 2018 has been adjusted in this report, as it has included a wider coverage of the paper waste disposal.
5 There is no individual water meter for the water used by the office in year 2019.

Social Performance

Workforce	2019		2018	
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	2019		2018	
Number of new employees	**0**		0	
New employees rate	**–**		–	
Distribution by gender	**Male**	**Female**	Male	Female
Number of new employees by gender	**0**	**0**	0	0
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**	0	0
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**0**	**0**	0	0
Middle management	**0**	**0**	0	0
General staff	**0**	**0**	0	0

Employee turnover	2019		2018	
Total employee turnover	**0**		0	
Employee turnover rate	**–**		–	
Distribution by gender	**Male**	**Female**	Male	Female
Number of employee turnover by gender	**0**	**0**	0	0
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**	0	0
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**0**	**0**	0	0
Middle management	**0**	**0**	0	0
General staff	**0**	**0**	0	0

Work-related fatality and/or injury	2019		2018	
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	2019		2018	
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	2019		2018	
Total training hours	**1,880**		1,880	
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**40**	**30**	40	30
Middle management	**–**	**1,800**	–	1,800
General staff	**–**	**10**	–	10

Average employee training hours	2019		2018	
Average training hours	**268.6**		268.6	
Distribution by employee category	**Male**	**Female**	Male	Female
Senior management	**10**	**30**	10	30
Middle management	**–**	**1,800**	–	1,800
General staff	**–**	**10**	–	10

Supply chain management	2019	2018
Number of suppliers location	**26 (Hong Kong: 100%)**	26 (Hong Kong: 100%)

Community investment	2019	2018
Number of volunteer hours	**111**	133

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.	27–29, 31
A1.1	The types of emissions and respective emissions data.	27–29, 32
A1.2	Greenhouse gas emissions in total and intensity.	27–29, 32
A1.3	Total hazardous waste produced and intensity.	27–29, 32
A1.4	Total non-hazardous waste produced and intensity.	27–29, 32
A1.5	Description of measures to mitigate emissions and results achieved.	27–29, 32
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	27–29, 32
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	27–29, 31
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	27–29, 32
A2.2	Water consumption in total and intensity.	27–29, 32
A2.3	Description of energy use efficiency initiatives and results achieved.	27–29, 32
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	There is 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 minimizing the issuer's significant impact on the environment and natural resources.	27–29, 31
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	27–29, 32

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.	22–24, 31
B1.1	Total workforce by gender, employment type, age group and geographical region.	22–24, 33–35
B1.2	Employee turnover rate by gender, age group and geographical region.	22–24, 33–35
GRI 401-1	Total number of and rate of new employee hires by gender, age group and geographical region	22–24, 33–35
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.	22–24, 31
B2.1	Number and rate of work-related fatalities.	22–24, 33–35
B2.2	Lost days due to work injury.	22–24, 33–35
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	22–24, 33–35
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	22–24, 33–35
B3.1	The percentage of employees trained by gender and employee category.	22–24, 33–35
B3.2	The average training hours completed per employee by gender and employee category.	22–24, 33–35
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.	22–24, 33–35
B4.1	Description of measures to review employment practices to avoid child and forced labour.	22–24, 33–35

Material Aspect	Content	Page Index
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	25–26, 31
B5.1	Number of suppliers by geographical region.	25–26, 35
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	25–26, 35
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.	25–26, 31
B7 Anti-corruption		
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.	25–26, 31
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.	25–26, 31
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	25–26
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.	30
B8.2	Resources contributed to the focus area.	30

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in this annual report for the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, 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.

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 11 to 13 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 2019, nine Board meetings and two general meetings 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	9/9	2/2
Mr. Sheung Kwong Cho	9/9	2/2
Independent Non-Executive Directors		
Ms. Kwan Shan	9/9	2/2
Mr. Wong Kui Shing, Danny	8/9	2/2
Mr. Mak Ka Wing, Patrick	5/9	2/2

* The meetings were extraordinary general meeting held on 13 March 2019 and annual general meeting held on 14 June 2019.

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 2019:

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 2019, the auditors of the Company received approximately HK$600,000 for audit services (2018: HK$588,000) and HK$185,000 for non-audit services (2018: 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 2019 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 47 to 50 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 2019 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 2019 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 2019;

(iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 14 June 2019;

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

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

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

During the year ended 31 December 2019, two 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)	2/2
Mr. Wong Kui Shing, Danny	2/2
Mr. Mak Ka Wing, Patrick	1/2

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 2019, two Remuneration Committee meetings were 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)	2/2
Ms. Kwan Shan	2/2
Mr. Mak Ka Wing, Patrick	1/2

Nomination Committee

The nomination committee (the "Nomination Committee") was established by the Board with written terms of reference. The terms of reference of the Nomination 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 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 2019, two Nomination Committee meetings 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)	1/2
Ms. Kwan Shan	2/2
Mr. Wong Kui Shing, Danny	2/2

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 11 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 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.

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.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to the Shareholders and public investors. The Company updates the Shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company (http://www.0036.com.hk) has provided an effective communication platform to the public and the Shareholders.

INDEPENDENT AUDITOR'S REPORT

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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 51 to 118, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

Valuation of investment properties
(Refer to notes 4(d) and 19 in the consolidated financial statements)

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgement associated with the determination of the fair value. The Group's investment properties are located in Hong Kong and its carrying amount of HK$1,672,600,000 represented approximately 88% of the Group's total assets as at 31 December 2019. A revaluation loss on the investment properties amounted to HK$89,400,000 recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. All of the Group's investment properties are stated at fair value and estimated based on the valuations carried out by independent qualified professional valuer (the "Valuer"). The valuations are dependent on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties, which involves management's significant judgement.	Our procedures in relation to the valuation of investment properties included: • Evaluating of the Valuer's competence, capabilities and objectivity; • Obtaining the understanding of valuation approach, process, assumptions and techniques adopted by the Valuer to assess if they are consistent with industry norms; • Inquiring the reasonableness of the sources of data and key assumptions used by the management and the Valuer to assess if they are relevant, comparable and appropriate; and • Checking arithmetical accuracy of the resultant calculations.

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, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations			
Revenue	7	**39,733**	3,246
Rental operating cost		**(1,187)**	(786)
Net rental income		**38,546**	2,460
Dividend income from held-for-trading investments		**3,236**	3,235
Other income	8	**922**	701
Other gains and losses, net	9	**(197,362)**	(120,841)
Administrative expenses		**(7,148)**	(4,903)
Finance costs	10	**(21,897)**	–
Loss before income tax	11	**(183,703)**	(119,348)
Income tax (expense)/credit	12	**(1,954)**	15,107
Loss for the year from continuing operations		**(185,657)**	(104,241)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	13	**32,738**	(3,441)
Loss for the year		**(152,919)**	(107,682)
Other comprehensive (expense)/income for the year			
Item that will not be reclassified to profit or loss:			
Gain on revaluation upon transfer of own-used property to investment property		**–**	3,283
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(547)**	(432)
Other comprehensive (expense)/income for the year		**(547)**	2,851
Total comprehensive expense for the year		**(153,466)**	(104,831)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Re-presented)
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(149,010)**	(104,241)
Profit/(loss) for the year from discontinued operation		**16,696**	(1,754)
		(132,314)	(105,995)
Non-controlling interests			
Loss for the year from continuing operations		**(36,647)**	–
Profit/(loss) for the year from discontinued operation		**16,042**	(1,687)
		(20,605)	(1,687)
		(152,919)	(107,682)
Total comprehensive expense attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(149,010)**	(100,958)
Profit/(loss) for the year from discontinued operation		**16,417**	(1,976)
		(132,593)	(102,934)
Non-controlling interests			
Loss for the year from continuing operations		**(36,647)**	–
Profit/(loss) for the year from discontinued operation		**15,774**	(1,897)
		(20,873)	(1,897)
		(153,466)	(104,831)
(Loss)/earnings per share from:			
Continuing operations — Basic (HK cents)	18	**(13.68)**	(9.57)
Discontinued operation — Basic (HK cents)	18	**1.53**	(0.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	19	**1,672,600**	164,500
Property, plant and equipment	20	**220**	2,857
Prepaid lease payments	21	**–**	400
Corporate bond	22	**–**	5,000
		1,672,820	172,757
Current assets			
Prepaid lease payments	21	**–**	18
Corporate bond	22	**5,000**	–
Held-for-trading investments	23	**149,366**	567,246
Inventories	24	**–**	1,506
Trade and other receivables	25	**23,667**	1,277
Amount due from a non-controlling interest	26	**2,680**	–
Tax recoverable		**156**	224
Deposits held at a financial institution	27	**3,434**	34,955
Bank balances and cash	27	**33,911**	5,415
		218,214	610,641
Current liabilities			
Trade and other payables	28	**21,269**	3,576
Bank borrowing	30	**492,662**	–
Lease liabilities	38	**147**	–
Tax payable		**6,646**	–
		520,724	3,576
Net current (liabilities)/assets		**(302,510)**	607,065
Total assets less current liabilities		**1,370,310**	779,822
Non-current liability			
Promissory note	31	**213,200**	–
Net assets		**1,157,110**	779,822

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	*32*	**632,610**	632,610
Reserves	*34*	**11,569**	144,162
Equity attributable to owners of the Company		**644,179**	776,772
Non-controlling interests		**512,931**	3,050
Total equity		**1,157,110**	779,822

The consolidated financial statements on pages 51 to 118 were approved and authorised for issue by the Board of Directors (the "Board") on 30 March 2020 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 2019

	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 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 upon transfer of own-used property to investment properly	–	–	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 and 1 January 2019	632,610	6,444	3,283	134,435	776,772	3,050	779,822
Loss for the year	–	–	–	(132,314)	(132,314)	(20,605)	(152,919)
Other comprehensive income for the year							
Exchange differences arising on translation of foreign operations	–	(279)	–	–	(279)	(268)	(547)
Total comprehensive income for the year	–	(279)	–	(132,314)	(132,593)	(20,873)	(153,466)
Acquisition of assets through acquisition of a subsidiary (note 33)	–	–	–	–	–	530,754	530,754
Balance at 31 December 2019	632,610	6,165	3,283	2,121	644,179	512,931	1,157,110

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
OPERATING ACTIVITIES			
(Loss)/profit before income tax			
— from continuing operations		**(183,703)**	(119,348)
— from discontinued operation		**37,473**	(3,441)
		(146,230)	(122,789)
Adjustments for:			
Scrip dividend received from held-for-trading investments		**–**	(1,750)
Interest income		**(757)**	(763)
Interest expense		**21,897**	–
Fair value loss/(gain) on investment properties	*9*	**89,400**	(6,598)
Compensation income, net	*13*	**(42,634)**	–
Gain on disposal of property, plant and equipment	*13*	**(353)**	–
Unrealised loss on held-for-trading investments	*9*	**95,568**	127,879
Loss allowance of rental receivables	*9*	**1,117**	–
Loss allowance on amount due from non-controlling interests		**755**	470
Amortisation of prepaid lease payments		**–**	38
Depreciation of property, plant and equipment		**367**	469
Depreciation of right-of-use assets		**400**	–
Operating cash flows before movements in working capital		**19,530**	(3,044)
Decrease/(increase) in held-for-trading investments		**322,312**	(45,007)
Decrease in inventories		**1,506**	351
Decrease/(increase) in trade and other receivables		**391**	(10)
(Increase)/decrease in amount due from non-controlling interests		**(935)**	583
Increase in trade and other payables		**2,125**	23
CASH FROM/(USED IN) OPERATIONS		**344,929**	(47,104)
Hong Kong Profits Tax refund/(paid)		**68**	(663)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**344,997**	(47,767)
INVESTING ACTIVITIES			
Withdrawal of deposits held at a financial institution		**31,521**	53,555
Compensation income received		**23,040**	–
Proceed from disposal of property, plant and equipment		**496**	–
Interest received		**757**	763
Placement of deposits with a financial institution		**–**	(6,033)
Acquisition of property, plant and equipment		**–**	(14)
Acquisition of assets through acquisition of a subsidiary	*33*	**(186,152)**	–
Acquisition of corporate bond		**–**	(5,000)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(130,338)**	43,271

	Note	2019 HK$'000	2018 HK$'000 (Re-presented)
FINANCING ACTIVITIES			
Interest paid	42	**(21,879)**	–
Repayment of mortgage loan	42	**(15,396)**	–
Repayment of promissory note	42	**(147,800)**	–
Capital elements of lease rental paid	42	**(426)**	–
Interest element of lease rental paid	42	**(18)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(185,519)**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**29,140**	(4,496)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**5,415**	10,074
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(644)**	(163)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**33,911**	5,415

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, 287–299 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 40 to the consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

Except for the adoption of HKFRS 16 Leases ("HKFRS 16") summarised below, the other new or amended HKFRSs that are effective from 1 January 2019 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.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (continued)

HKFRS 16 — Lease

(i) Impact of adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

	HK$'000
Consolidated Statement of Financial Position as at 1 January 2019 Right-of-use assets presented in property, plant and equipment (note 20)	991
Lease liabilities (non-current) (note 38)	147
Lease liabilities (current) (note 38)	426
Prepaid lease payments (non-current)	(400)
Prepaid lease payments (current)	(18)

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (continued)

HKFRS 16 — Lease (continued)

(i) Impact of adoption of HKFRS 16 (continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	627
Less: leases of low-value assets	(35)
Less: future interest expenses (note 38)	(19)
Total lease liabilities as of 1 January 2019 (note 38)	573

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 was 5.25%.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	573
Reclassifications from prepaid lease payments	418
Total right-of-use assets as of 1 January 2019	991

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (continued)

HKFRS 16 — Lease (continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (continued)

HKFRS 16 — Lease (continued)

(iii) Accounting as a lessee (continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-of-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (continued)

HKFRS 16 — Lease (continued)

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

(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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[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 2020
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 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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) A Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) A Leasing (accounting policies applied from 1 January 2019) (continued)

Lease liability (continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. 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.

(e) B Leasing (accounting policies applied until 31 December 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) B Leasing (accounting policies applied until 31 December 2018) (continued)

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.

(f) Financial Instruments

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(i) Financial assets (continued)

Debt instruments (continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(iii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

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, the promissory 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment on non-financial assets (continued)

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.

(i) Revenue recognition

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition (continued)

(i) Garment production (continued)

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.

(j) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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.

(n) 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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Related parties (continued)

(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.

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.

(o) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

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 19); and
- Held-for-trading investments (note 23)

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:

Property investment — property investment

Securities investment — short-term securities investment

Industrial — manufacturing and sale of garments

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.

On 14 October 2019, the Group received notification from Jiangsu Government and entered into an agreement with Haimen People's Government in relation to the recovery of the state-owned land use right of a parcel of land owned by the Group. Upon receiving the notification, the Board has decided to cease the business of industrial segment.

The unallocated other operating income mainly represents the interest income and the unallocated expenses mainly represent the head office expenses including directors' emoluments, employee costs, legal and professional fee and finance costs.

(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 2019

	Continuing operations		Discontinued operation	
	Property investment	Securities investment	Industrial	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
External revenue (note 7)	39,733	–	3,555	43,288
Segment results	(65,597)	(103,668)	37,473	(131,792)
Other operating income				922
Unallocated expenses				(15,360)
Loss before income tax				(146,230)

6. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2018

	Continuing operations		Discontinued operation	
	Property investment	Securities investment	Industrial	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
External revenue (note 7)	3,246	–	5,301	8,547
Segment results	9,059	(124,383)	(3,441)	(118,765)
Other operating income				701
Unallocated expenses				(4,725)
Loss before income tax				(122,789)

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. Unallocated items comprise corporate expenses which are not directly attributable to a particular reportable segment. 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 2019

	Continuing operations		Discontinued operation	
	Property investment	Securities investment	Industrial	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of right-of-use assets (note 20)	**(400)**	**–**	**–**	**(400)**
Depreciation of property, plant and equipment (note 20)	**(30)**	**–**	**(337)**	**(367)**
Loss allowance on amount due from non-controlling interests	**–**	**–**	**(755)**	**(755)**
Loss allowance on rental receivables	**(1,117)**	**–**	**–**	**(1,117)**
Fair value loss on held-for-trading investments	**–**	**(95,568)**	**–**	**(95,568)**
Loss on disposal of held-for-trading investments	**–**	**(11,277)**	**–**	**(11,277)**
Fair value loss on investment properties	**(89,400)**	**–**	**–**	**(89,400)**
Gain on disposal of property, plant and equipment	**–**	**–**	**353**	**353**
Compensation income, net (note 13)	**–**	**–**	**42,634**	**42,634**

For the year ended 31 December 2018

	Continuing operations			Discontinued operation	
	Property investment	Securities investment	Unallocated amount	Industrial	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation of prepaid lease payment	(38)	–	–	–	(38)
Depreciation of property, plant and equipment (note 20)	(31)	–	(168)	(270)	(469)
Loss allowance on amount due from the non-controlling interests	–	–	–	(470)	(470)
Fair value loss on held-for-trading investments	–	(127,879)	–	–	(127,879)
Gain on disposal of held-for-trading investments	–	440	–	–	440
Fair value gain on investment properties	6,598	–	–	–	6,598

6. SEGMENT REPORTING (continued)

(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.

(d) Revenue from major products and services

Disaggregation of revenue from contracts with customers

The following analysis of revenue under HKFRS 15 is disaggregated by timing of revenue recognition.

Time of revenue recognition	Industrial	
	2019	2018
	HK$'000	*HK$'000*
At a point in time — discontinued operation	**3,555**	5,301

(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	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Hong Kong	**39,733**	3,246
Discontinued operation:		
Hong Kong	**593**	720
Japan	**2,228**	3,978
Other regions in the People's Republic of China (the "PRC")	**734**	603
	43,288	8,547

	Non-current assets	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,672,780**	169,567
Japan	**–**	–
Other regions in the PRC	**40**	3,190
	1,672,820	172,757

6. SEGMENT REPORTING (continued)

(f) Information about major customers

Revenue from two (2018: three) customers individually contributing over 10% of total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Customer A (from property investment segment)	**31,551**	N/A
Customer B (from property investment segment)	**4,244**	N/A
Customer C (from property investment segment)	**N/A**	1,506
Customer D (from property investment segment)	**N/A**	1,380
Discontinued operation:		
Customer E (from industrial segment)	**N/A**	3,630

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:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Gross rental income from investment properties	**39,733**	3,246
Discontinued operation		
Sales of goods	**3,555**	5,301
	43,288	8,547

8. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Included in other income are:		
Interest income from banks and a financial institution	**7**	590
Interest income from a corporate bond	**750**	111
Sundry income	**165**	–
	922	701

9. OTHER GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Continuing operations		
Unrealised fair value loss on held-for-trading investments	**95,568**	127,879
Realised fair value loss/(gain) on held-for-trading investments	**11,277**	(440)
Fair value loss/(gain) on investment properties (note 19)	**89,400**	(6,598)
Loss allowance on rental receivables	**1,117**	–
	197,362	120,841

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Continuing operations		
Interest expenses on lease liabilities	**18**	–
Interest on bank borrowing	**13,563**	–
Interest on promissory note	**8,316**	–
	21,897	–

11. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Depreciation charge (note 20)		
— Property, plant and equipment	**30**	199
— Right-of-use assets	**400**	–
Auditor's remuneration (including remuneration for non-audit services)	**785**	588
Employee costs	**3,174**	3,113
Loss allowance on rental receivables	**1,117**	–
Operating lease rental in respect of low valued leased office equipment	**15**	11
Operating lease rental in respect of rented premises	**–**	275

12. INCOME TAX (EXPENSE)/CREDIT

	2019 HK$'000	2018 HK$'000
Continuing operations		
The income tax (expense)/credit comprises:		
Current tax:		
— Hong Kong Profits Tax	**(1,954)**	(26)
— Under provision in respect of prior year	**–**	(300)
Deferred tax credit	**–**	15,433
Total tax (charge)/credit for the year from continuing operations	**(1,954)**	15,107
Total tax charge for the year from discontinued operation (note 13)	**(4,735)**	–
	(6,689)	15,107

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%. 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% (2018: same). The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

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.

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

	2019 HK$'000	2018 HK$'000
Loss before income tax	**(183,703)**	(119,348)
Tax calculated at the domestic income tax rate of 16.5% (2018: 16.5%) (note)	**30,311**	19,692
Tax effect of expenses not deductible for tax purposes	**(42,431)**	(8,656)
Tax effect of revenue not taxable for tax purposes	**(382)**	8,684
Tax effect of tax losses not recognised	**(294)**	(4,344)
Tax effect of deductible temporary difference not recognised	**300**	–
Utilisation of tax losses previously not recognised	**10,377**	5
Tax effect of tax concession	**165**	26
Over/(under) provision in respect of prior year	**–**	(300)
Income tax (expense)/credit	**(1,954)**	15,107

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).

13. DISCONTINUED OPERATION

On 14 October 2019, Jiangsu BangBang-Silky Fashion Manufacturer Company Limited ("JBB"), a 51% owned subsidiary of the Company received the notification from Jiangsu Government and entered into an agreement with Haimen People's Government in relation to the recovery of the state-owned land use right of a parcel of land owned by JBB. Pursuant to the agreement, JBB received a compensation of approximately HK$45,406,000 (equivalent to RMB40,005,000) for the loss of the assets and business on the land, and the compensation were fully received by the Group in November 2019 and January 2020.

Upon receiving the notification from Haimen People's Government, the Board has decided to cease the business of JBB and the garment manufacturing industry business. This business segment is presented as discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The sales, results and cash flows of JBB for the year are presented below:

	2019	2018
	HK$'000	*HK$'000*
Discontinued operation		
Revenue	**3,555**	5,301
Cost of sales	**(4,516)**	(6,648)
Gross loss	**(961)**	(1,347)
Other income	**31**	72
Other gains and losses, net	**42,232**	(470)
Selling and distribution costs	**(13)**	(13)
Administrative expenses	**(3,816)**	(1,683)
Profit/(loss) before income tax	**37,473**	(3,441)
Income tax expense	**(4,735)**	–
Profit/(loss) for the year from discontinued operation	**32,738**	(3,441)
Net cash used in operating activities	**(4,221)**	(1,744)
Net cash generated from investing activities	**23,536**	–
Net cash inflows/(outflows)	**19,315**	(1,744)
Profit/(loss) before income tax after charged/(crediting)		
Cost of inventories recognised as expenses	**4,516**	6,648
Depreciation of property, plant and equipment	**337**	270
Amortisation of prepaid land lease	**–**	38
Employee costs	**6,015**	4,922
Loss allowance on amount due from a non-controlling interest	**755**	470
Compensation income, net	**(42,634)**	–
Gain on disposal of property, plant and equipment	**(353)**	–

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five Directors (2018: five Directors), disclosed pursuant to the Listing Rules and the Companies Ordinance, are as follows:

For the year ended 31 December 2019

	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	**750**	**–**	**18**	**768**
Mr. Sheung Kwong Cho	**222**	**898**	**18**	**1,138**
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny	**216**	**–**	**–**	**216**
Mr. Mak Ka Wing, Patrick	**216**	**–**	**–**	**216**
Ms. Kwan Shan	**216**	**–**	**–**	**216**
	1,620	**898**	**36**	**2,554**

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	720	–	18	738
Mr. Sheung Kwong Cho	204	884	18	1,106
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny	207	–	–	207
Mr. Mak Ka Wing, Patrick	207	–	–	207
Ms. Kwan Shan	207	–	–	207
	1,545	884	36	2,465

14. DIRECTORS' EMOLUMENTS (continued)

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.

15. EMPLOYEE COSTS

	2019	2018
	HK$'000	*HK$'000*
Employee costs (including Directors' emoluments (note 14)) comprise		
— Continuing operations		
Wages and salaries	**3,116**	3,053
Retirement benefit scheme contributions	**58**	60
— Discontinued operation		
Wages and salaries	**5,052**	3,763
Retirement benefit scheme contributions	**963**	1,159
	9,189	8,035

16. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2018: two) were Directors of the Company whose emoluments are set out in note 14 above. The emolument of the remaining two (2018: three) highest paid individual was as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other benefits	**1,846**	814
Retirement benefit scheme contributions	**18**	24
	1,864	838

16. FIVE HIGHEST PAID INDIVIDUALS (continued)

The emolument was within the following band:

	2019 No. of individuals	2018 No. of individuals
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–

17. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

18. (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:

	2019 HK$'000	2018 HK$'000
Loss for the year attributable to owners of the Company	**(132,314)**	(105,995)
Less: profit/(loss) for the year from a discontinued operation	**16,696**	(1,754)
Loss for the year from continuing operations	**(149,010)**	(104,241)

	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,089,118,593**	1,089,118,593

	2019 HK cents	2018 HK cents
Basic loss per share from continuing operations	**(13.68)**	(9.57)

18. (LOSS)/EARNINGS PER SHARE (continued)

From discontinued operation

Basic earnings per share from the discontinued operation is 1.53 HK cents per share (2018: loss of 0.16 HK cents per share), based on the profit for the year from the discontinued operation of HK$16,696,000 (2018: loss of HK$1,754,000) and the weighted average number of share for the purpose of basic loss per share at 1,089,118,593 (2018: 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.

19. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January (level 3 recurring fair value)	**164,500**	138,167
Acquisition of assets through acquisition of a subsidiary (note 33)	**1,597,500**	–
Reclassification from property, plant and equipment (note 20)	**–**	19,735
Fair value changes recognised in profit and loss	**(89,400)**	6,598
At 31 December (level 3 recurring fair value)	**1,672,600**	164,500

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.

The fair values of the Group's investment properties as at 31 December 2019 and 2018 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 the 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 2018.

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 disclosed 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 the 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.

19. INVESTMENT PROPERTIES (continued)

One of the key inputs used in the valuations of investment properties is the sales prices of properties nearby the Group's investment properties, which ranged from HK$4,066/sq.ft to HK$63,234/sq.ft (2018: HK$5,130/sq.ft to HK$30,000/sq.ft) where sq.ft is a common unit of area used in Hong Kong. A decrease in the sales prices would result in a decrease in fair value measurement of the investment properties, and vice versa. The carrying amounts of investment properties shown above comprise:

	2019	2018
	HK$'000	*HK$'000*
Commercial property units located in Hong Kong	**1,672,600**	164,500

As at 31 December 2019, an investment property with carrying amount of HK$1,510,000,000 (2018: Nil) was pledged to secured a bank borrowing of the Group (note 30).

20. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (note) HK$'000	Leasehold land and building in Hong Kong HK$'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 2018	–	17,317	12,637	421	31,395	2,639	64,409
Additions	–	–	–	–	14	–	14
Reclassification as investment property	–	(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
Right-of-use assets from initial adoption of HKFRS 16 (note 2(a)(i))	991	–	–	–	–	–	991
At 1 January 2019	991	–	11,897	421	29,582	2,614	45,505
Additional	–	–	–	–	54	–	54
Disposal	–	–	–	–	(29,236)	–	(29,236)
Written off	(418)	–	(11,897)	–	–	–	(12,315)
Exchange realignment	–	–	–	–	–	(4)	(4)
At 31 December 2019	573	–	–	421	400	2,610	4,004
Accumulated depreciation							
At 1 January 2018	–	865	9,700	421	31,058	2,427	44,471
Reclassification as investment property	–	(865)	–	–	–	–	(865)
Provided for the year	–	–	248	–	53	168	469
Exchange realignment	–	–	(580)	–	(1,815)	(23)	(2,418)
At 31 December 2018 and 1 January 2019	–	–	9,368	421	29,296	2,572	41,657
Provided for the year	400	–	175	–	192	–	767
Elimination on disposal	–	–	–	–	(29,093)	–	(29,093)
Elimination on written off	–	–	(9,543)	–	–	–	(9,543)
Exchange realignment	–	–	–	–	–	(4)	(4)
At 31 December 2019	400	–	–	421	395	2,568	3,784
Net book value							
At 31 December 2019	173	–	–	–	5	42	220
At 31 December 2018	–	–	2,529	–	286	42	2,857

Note:

As at 31 December 2019, the Group's right-of-use assets represented the leasing office located in Hong Kong.

21. PREPAID LEASE PAYMENTS

As explained in note 13, the Group ceased the garment manufacturing industry business and the prepaid lease payments for land use right in the PRC were compensated by Haimen People's Government during the year ended 31 December 2019.

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

22. 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 in November 2020 and the balance was classified as current liability as at 31 December 2019 (2018: non-current liability) accordingly.

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

23. HELD-FOR-TRADING INVESTMENTS

	2019 ***HK$'000***	2018 *HK$'000*
Listed equity securities:		
Hong Kong	**149,366**	567,246

As at 31 December 2019, held-for-trading investments represent an investment portfolio comprising 24 (2018: 47) equity securities listed in Hong Kong of which 18 (2018: 38) equity securities are/were listed on the Main Board of the Stock Exchange and the remaining 6 (2018: 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.

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	–	1
Work in progress	–	487
Finished goods	–	1,018
	–	1,506

25. TRADE AND OTHER RECEIVABLES

For sale of goods, the Group allows an average credit period of 90 days (2018: 90 days) to its trade customers.

	2019 HK$'000	2018 HK$'000
Trade receivables — current and not impaired	–	943
Prepayments, deposits and other receivables, net	**23,667**	334
At 31 December	**23,667**	1,277

The ageing analysis of trade debtors, based on invoice date, were as follows:

	2019 HK$'000	2018 HK$'000
1 to 30 days	–	697
31 to 60 days	–	181
61 to 90 days	–	65
Total trade receivables	–	943

25. TRADE AND OTHER RECEIVABLES (continued)

The table below reconciles the loss allowance for trade receivables:

	2019 HK$'000	2018 HK$'000
At 1 January	**10**	10
Written off	**(10)**	–
At 31 December	**–**	10

Details of other receivables net of loss allowance of HK$1,120,000 are as following:

	2019 HK$'000	2018 HK$'000
Deposit	**704**	250
Prepayment	**243**	67
Compensation receivables	**22,366**	–
Others	**354**	17
	23,667	334

The others within other receivables do not contain impaired assets.

The table below reconciles the loss allowance for other receivables:

	2019 HK$'000	2018 HK$'000
At 1 January	**3**	3
Loss allowance for the year	**1,117**	–
At 31 December	**1,120**	3

26. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

(a) Amount due from non-controlling interests of Joy Ease Limited ("Joy Ease")

As at 31 December 2019, the amount due from non-controlling interests represented the loan to shareholder amounted to HK$2,680,000 (2018: Nil) is unsecured, interest-free, and repayment on demand.

(b) Amount due from non-controlling interests of JBB

As at 31 December 2019, the amount due from non-controlling interests before considering loss allowance amounted to HK$4,651,000 (2018: HK$4,178,000) is unsecured and interest-free.

The amount due from non-controlling interests, net is trade in nature and the Group has a policy of allowing a credit period of 90 days (2018: 90 days) to the non-controlling interests. All the past due balance was impaired.

During the year ended 31 December 2019, the Group recognised loss allowance on the amount due from non-controlling interests of HK$755,000 (2018: HK$470,000) as the Group considers the default risk of the amount due is high and the recoverability is uncertain.

The table below reconciles the loss allowance on the amount due from non-controlling interests during the year:

	2019 ***HK$'000***	2018 *HK$'000*
At 1 January	**4,178**	3,961
Loss allowance	**755**	470
Exchange realignment	**(282)**	(253)
At 31 December	**4,651**	4,178

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

27. 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 1.1% (2018: 0.001% to 1.8%) per annum. The deposits held at a financial institution are related to the securities trading accounts maintained by the Group in this institution.

28. TRADE AND OTHER PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables — over 90 days	**–**	44
Other payables and accruals	**21,269**	3,532
	21,269	3,576

29. 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 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 and 1 January 2019	41,093	(41,093)	–
(Credit)/Charged to profit or loss	(27,668)	27,668	–
At 31 December 2019	13,425	(13,425)	–

At the end of the reporting period, the Group has unused tax losses of HK$451,348,000 (2018: HK$534,231,000) available for offset against future profits. A deferred tax asset in respect of the tax losses of HK$81,360,000 (2018: HK$249,048,000) has been recognised as at 31 December 2019. No deferred tax asset in respect of the remaining tax losses of HK$369,988,000 (2018: HK$285,183,000) was recognised due to the unpredictability of future profit streams. As at 31 December 2019, all the tax losses maybe carried forward indefinitely. As at 31 December 2018, included in the unrecognised tax losses are tax losses HK$18,538,000 which will be lapsed from in 2019 to 2023, the remaining tax losses may be carried forward indefinitely.

30. BANK BORROWING

	2019 HK$'000	2018 HK$'000
Current		
Bank borrowing due for repayment within one year (i)	**20,528**	–
Bank borrowing due for repayment after one year which contain a repayment on demand clause (i) & (ii)	**472,134**	–
	492,662	–

(i) The bank borrowing is secured by an investment property of HK$1,510,000,000 (note 19).

(ii) The bank borrowing of HK$472,134,000 as at 31 December 2019 is not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of the bank loan due for repayment after one year which contain a repayment on demand clause (and therefore classified as current liability) is expected to be settled within one year.

At the end of the reporting period, bank borrowing was scheduled to repay as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**20,528**	–
More than one year, but not exceeding two years	**20,528**	–
More than two year, but not exceeding five years	**61,582**	–
After five years	**390,024**	–
	492,662	–

The amount due is based on the scheduled repayment date in the loan agreement and ignore the effect of any repayment on demand clause.

31. PROMISSORY NOTE

The principal amount of the promissory note is HK$361,000,000, which is carried 5% interest per annum and to be matured on the third anniversary from the issue date, 1 April 2019. During the year, the Group repaid part of the principal amounted to HK$147,800,000. The balance of the promissory note as at 31 December 2019 was HK$213,200,000. The promissory note is issued as a part of the consideration for the acquisition of 51% equity interests of Joy Ease in April 2019 (note 33).

32. SHARE CAPITAL

	Number of shares		Share capital	
	2019	2018	**2019**	2018
			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

33. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY DURING THE YEAR

On 1 April 2019, the Group completed the acquisition of 51% of the issued share capital of Joy Ease at the consideration of HK$552,418,000 which was settled as to HK$191,418,000 by cash and HK$361,000,000 by issue of the promissory note. Joy Ease is principally engaged in property investment and classified under property investment segment. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	HK$'000
Investment properties	1,597,500
Other receivables and deposits	4,032
Bank balances and cash	5,266
Other payables	(15,568)
Bank borrowing	(508,058)
	1,083,172
Non-controlling interests	(530,754)
Net assets acquired	552,418
Equity interest acquired	51%
Satisfied by:	
Consideration paid	191,418
Promissory note (note 31)	361,000
	552,418
Net cash outflow arising on acquisition:	
Cash consideration paid	191,418
Bank balances and cash acquired	(5,266)
	186,152

34. RESERVES

(a) 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.

(b) The Company

	Retained profits *HK$'000*
Balance at 1 January 2019	**119,402**
Profit for the year	**3,700**
At 31 December 2019 (note 43)	**123,102**
Balance at 1 January 2018	123,882
Loss for the year	(4,480)
At 31 December 2018	119,402

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Fair value through profit and loss ("FVTPL")	**149,366**	567,246
Financial assets at amortised cost (including cash and cash equivalents)	**68,449**	46,580
Financial liabilities		
Amortised cost	**727,277**	3,524

(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.

No foreign currency denominated monetary assets were held by the Group at 31 December 2019. The carrying amount of the Group's foreign currency denominated monetary assets at 31 December 2018 was follows:

	2018 HK$'000
United States dollars ("US$")	761

35. 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% increase and decrease in the relevant foreign currency against the functional currency of respective group entity. 10% was 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 included only outstanding foreign currency denominated monetary items, and adjusted their translation at 31 December 2018 for a 10% change in foreign currency rates. A positive number below indicated a decrease in post-tax loss for the year ended 31 December 2018 where the relevant foreign currency strengthens 10% against the functional currency of respective group entity. For a 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 *HK$'000*
Effect on post-tax results:	
US$ against Renminbi	64

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 interest rate risk as group entities deposit cash at banks and borrow funds at floating interest rates. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. Balances included in interest rate analysis as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Bank balances and cash (note 27)	**33,911**	5,415
Bank borrowing (note 30)	**(492,662)**	–

35. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

The following table indicates the approximate change in the profit after tax in response to reasonably possible changes in an interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on loss after tax on the next reporting date, management assumes that the change in interest rate had occurred at that date and all other variables remain constant. There is no change in the methods and assumptions used in 2019 and 2018.

	2019 Increase/ (decrease) on loss after tax	2018 Increase/ (decrease) on loss after tax
	HK$'000	*HK$'000*
Hong Kong Interbank Offered Rate		
— Increase by 100 basis points	**(3,949)**	165
— Decrease by 100 basis points	**3,949**	(165)

(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 end of the reporting period.

If the prices of the respective held-for-trading investments had been 10% (2018: 10%) higher/lower, the post-tax loss of the Group for the year would increase/decrease by HK$12,472,000 (2018: increase/decrease by HK$47,365,000) as a result of the changes in fair value of held-for-trading investments.

35. FINANCIAL INSTRUMENTS (continued)

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

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

Expected loss rate is based on actual loss experience over the past 5 years. The rate is 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.

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 contractual maturities of financial liabilities of the Group are shown as below:

	2019 ***HK$'000***	2018 *HK$'000*
In less than one year	**528,727**	3,576
More than one year, but not exceeding five years	**239,863**	–
	768,590	3,576

As explained in note 30, bank borrowing of HK$492,662,000 with clause which give the bank the unconditional right to call the loan at any time is classified under current liabilities in the consolidated statement of financial position.

35. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

However, management considers that the possibility of such clause being executed by bank is remote and expects such term loans would be repaid in accordance with the agreed repayment schedule based on undiscounted cash flows (including interest payments computed using contractual rate or, if floating, based on rate current at the end of the reporting period). The expected repayment schedule of the Group's bank borrowing is shown as below:

	2019 ***HK$'000***	2018 *HK$'000*
On demand or within one year	**21,137**	–
More than one year, but not exceeding two years	**21,137**	–
More than two years, but not exceeding five years	**63,411**	–
After five years	**401,608**	–
	507,293	–

(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).

35. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Financial assets	Fair value 2019	2018	Fair value hierarchy	Valuation techniques and key inputs
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity securities in Hong Kong classified as held-for-trading investments	**149,366**	567,246	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 2019, the depreciation of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss (note 9).

(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.

36. 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$1,157,110,000 as at 31 December 2019 (2018: HK$779,822,000).

37. OPERATING LEASES

The Group as lessor

The Group's investment properties are leased to a number of tenants for varying terms. The rental income earned during the year ended 31 December 2019 was HK$39,733,000 (2018: HK$3,246,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2019	2018
	HK$'000	*HK$'000*
Not later than one year	**52,139**	3,033
Later than one year and not later than two years	**50,713**	610
	102,852	3,643

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
Not later than one year	459
Later than one year and not later than two years	168
	627

At 31 December 2018, operating lease payments represented rentals payable by the Group for the use of office equipment and premises leases were negotiated for a term of one to three years.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, details are set out in note 2(a)(i).

38. LEASES

HKFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 2(a)(i). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(e)A.

The Group leases one property in the jurisdictions from which it operates. The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

38. LEASES (continued)

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 HK$'000	Interest 31 December 2019 HK$'000	Present value 31 December 2019 HK$'000
Not later than one year	**148**	**(1)**	**147**
	148	**(1)**	**147**

Future lease payments are due as follows:

	Minimum lease payments 1 January 2019 HK$'000	Interest 1 January 2019 HK$'000	Present value 1 January 2019 HK$'000
Not later than one year	444	(18)	426
Later than one year and not later than two years	148	(1)	147
	592	(19)	573

39. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Short-term benefits	**2,518**	2,429
Post-employment benefits	**36**	36
	2,554	2,465

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

40. 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 2019	Direct 2018	Indirect 2019	Indirect 2018	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%	100%	Dormant
Gold Sky Property Investment Limited	Hong Kong	HK$1 Ordinary share	100%	100%	–	–	Property investment
Jiangsu BangBang Silky Fashion Manufacturer Company Limited ("JBB")	The PRC*	US$3,940,000 paid up registered capital	–	–	51%	51%	Manufacturing and sale of garment products
Joy Ease Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary share	–	–	51% (note i)	–	Property investment
Joy Wide Limited	British Virgin Islands / Hong Kong	US$1 Ordinary share	100%	100%	–	–	Investment holding
Jubilee Star Limited	Hong Kong	HK$1 Ordinary share	–	–	100%	100%	Deregistered
Lead Power Investments Limited	BVI/Hong Kong	US$1 Ordinary share	–	–	100%	100%	Investment holding
Marvel Star Group Limited	BVI/Hong Kong	US$1 Ordinary share	100%	100%	–	–	Investment holding
Wings Property Investments Limited	Hong Kong	HK$20,000 Ordinary shares	–	–	100%	100%	Property investment

* Sino-foreign equity joint venture

Note:

(i) The Group acquired 51% of equity interest of the subsidiary during the year ended 31 December 2019 as detailed in note 33.

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

41. 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)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
JBB	The PRC	**49%**	49%	**16,042**	(1,687)	**18,824**	3,050
Joy Ease Limited	British Virgin Islands	**49%**	–	**(36,647)**	–	**494,107**	–

Summarised financial information in respect of the Group's subsidiaries that have 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.

	2019	2018
	HK$'000	*HK$'000*
Current assets	**44,624**	5,200
Non-current assets	**40**	3,190
Current liabilities	**(5,883)**	(1,841)
Equity attributable to owners of the Company	**19,957**	3,499
Non-controlling interests	**18,824**	3,050

41. NON-CONTROLLING INTERESTS (continued)

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

	2019	2018
	HK$'000	*HK$'000*
Revenue	**3,555**	5,301
Other income/(expenses), net	**29,183**	(8,742)
Profit/(loss) for the year	**32,738**	(3,441)
Profit/(loss) attributable to owners of the Company	**16,696**	(1,754)
Profit/(loss) attributable to the non-controlling interests	**16,042**	(1,687)
Profit/(loss) for the year	**32,738**	(3,441)
Other comprehensive income attributable to owner of the Company	**(279)**	(222)
Other comprehensive income attributable to the non-controlling interests	**(268)**	(210)
Other comprehensive income for the year	**(547)**	(432)
Total comprehensive income attributable to owner of the Company	**16,417**	(1,976)
Total comprehensive income attributable to the non-controlling interests	**15,774**	(1,897)
Total comprehensive income for the year	**32,191**	(3,873)
Net cash used in operating activities	**(4,221)**	(1,744)
Net cash generated from investing activities	**23,536**	–
Net cash inflows/(outflows)	**19,315**	(1,744)

41. NON-CONTROLLING INTERESTS (continued)

Joy Ease Limited — newly acquired in 2019 (note 33)

	2019 *HK$'000*
Current assets	**15,737**
Non-current assets	**1,510,000**
Current liabilities	**(517,355)**
Equity attributable to owners of the Company	**514,275**
Non-controlling interests	**494,107**

	2019 *HK$'000*
Revenue	**35,909**
Expenses	**(110,699)**
Loss and total comprehensive income for the year	**(74,790)**
Loss and total comprehensive income attributable to owners of the Company	**(38,143)**
Loss and total comprehensive income attributable to the non-controlling interests	**(36,647)**
Loss and total comprehensive income for the year	**(74,790)**
Net cash inflow from operating activities	**11,420**
Net cash inflow	**11,420**

42. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Promissory note HK$'000	Bank borrowing HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2019 as originally presented	–	–	–	–
Initial application of HKFRS 16 (note 2(a)(i))	–	–	573	573
Restated balance as at 1 January 2019	–	–	573	573
— Financial liabilities arising from the acquisition of a subsidiary	361,000	508,058	–	869,058
— Repayment of bank borrowing	–	(15,396)	–	(15,396)
— Repayment of promissory note	(147,800)	–	–	(147,800)
— Capital elements of lease rental paid	–	–	(426)	(426)
Non-cash items:				
— Accrued interest	8,316	13,563	18	21,897
— Interest paid	(8,316)	(13,563)	(18)	(21,897)
At 31 December 2019	213,200	492,662	147	706,009

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**42,631**	42,631
Amounts due from subsidiaries		**931,819**	715,608
		974,450	758,239
Current assets			
Other receivables		**83**	83
Bank balances and cash		**213**	343
		296	426
Current liability			
Other payables		**3,446**	6,653
Amount due to a subsidiary		**2,388**	–
		5,834	6,653
Net current liabilities		**(5,538)**	(6,227)
Non-current liability			
Promissory note	*31*	**213,200**	–
Net assets		**755,712**	752,012
Capital and reserves			
Share capital	*32*	**632,610**	632,610
Reserves	*34*	**123,102**	119,402
Total equity		**755,712**	752,012

The Company's statement of financial position was approved and authorised for issue by the Board on 30 March 2020 and are signed on its behalf by:

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

44. EVENT AFTER REPORTING PERIOD

Since January 2020, Hong Kong has reported certain confirmed cases of Novel Coronavirus ("COVID-19") which may affect the usual business environment of the regions as a whole. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected. In the opinion of the Directors, the fair value of investment properties and held-for-trading investments may be declined in the year 2020. However, the extent of which could not be estimated as at the date of this report.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2019

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
RESULTS					
Revenue					
— Continuing operations	**39,733**	3,246	2,526	1,863	960
— Discontinued operation	**3,555**	5,301	6,613	9,820	10,970
	43,288	8,547	9,139	11,683	11,930
(Loss)/profit before tax					
— Continuing operations	**(183,703)**	(119,348)	87,161	(65,014)	89,162
— Discontinued operation	**37,473**	(3,441)	(5,392)	(1,280)	(14,519)
	(146,230)	(122,789)	81,769	(66,294)	74,643
Income tax credit/(expense)	**(6,689)**	15,107	(14,963)	11,780	(12,657)
(Loss)/profit for the year	**(152,919)**	(107,682)	66,806	(54,514)	61,986
(Loss)/profit for the year attributable to:					
Owners of the Company	**(132,314)**	(105,995)	69,450	(53,887)	69,100
Non-controlling interests	**(20,605)**	(1,687)	(2,644)	(627)	(7,114)
	(152,919)	(107,682)	66,806	(54,514)	61,986

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**1,891,034**	783,398	904,099	821,680	888,977
Total liabilities	**(733,924)**	(3,576)	(19,413)	(4,655)	(16,379)
Net assets	**1,157,110**	779,822	884,686	817,025	872,598
Non-controlling interests	**512,931**	(3,050)	(4,962)	(7,184)	(8,330)
Equity attributable to owners of the Company	**644,179**	776,772	879,724	809,841	864,268

PARTICULARS OF PROPERTIES HELD BY THE GROUP

For the year ended 31 December 2019

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
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Forth Floor, and the 3 External Signage Spaces — The Remaining Portions of The External Walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong.	51%	28,923	Rental