遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Far East Holdings International Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*3*	**8,547**	9,139
Cost of sales		**(6,648)**	(6,726)
Gross profit		**1,899**	2,413
Dividend income from held-for-trading investments		**3,235**	2,046
Other income		**773**	1,039
Other (losses) and gains	*5*	**(121,311)**	84,752
Selling and distribution costs		**(13)**	(49)
Administrative expenses		**(7,372)**	(8,432)
(Loss)/profit before income tax	*6*	**(122,789)**	81,769
Income tax credit/(expense)	*7*	**15,107**	(14,963)
(Loss)/profit for the year		**(107,682)**	66,806
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of property		**3,283**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(432)**	855
Other comprehensive income for the year		**2,851**	855
Total comprehensive (loss)/income for the year		**(104,831)**	67,661

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(105,995)**	69,450
Non-controlling interests		**(1,687)**	(2,644)
		(107,682)	66,806
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(102,934)**	69,883
Non-controlling interests		**(1,897)**	(2,222)
		(104,831)	67,661
(Loss)/earnings per share — Basic (HK cents)	*9*	**(9.73)**	6.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**164,500**	138,167
Property, plant and equipment		**2,857**	19,938
Corporate bond		**5,000**	–
Prepaid lease payments		**400**	464
		172,757	158,569
Current assets			
Prepaid lease payments		**18**	20
Held-for-trading investments	*10*	**567,246**	648,368
Inventories		**1,506**	1,955
Trade and other receivables	*11*	**1,277**	1,354
Amount due from a non-controlling interest		**–**	1,085
Tax recoverable		**224**	197
Deposits held at a financial institution		**34,955**	82,477
Bank balances and cash		**5,415**	10,074
		610,641	745,530
Current liabilities			
Trade and other payables	*12*	**3,576**	3,670
Tax payable		**–**	310
		3,576	3,980
Net current assets		**607,065**	741,550
Total assets less current liabilities		**779,822**	900,119
Non-current liabilities			
Deferred tax liabilities		**–**	15,433
Net assets		**779,822**	884,686
Capital and reserves			
Share capital	*13*	**632,610**	632,610
Reserves		**144,162**	247,114
Equity attributable to owners of the Company		**776,772**	879,724
Non-controlling interests		**3,050**	4,962
Total equity		**779,822**	884,686

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the Hong Kong Companies Ordinance which concern the preparation of the consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and financial instruments which are measured at fair values. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

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

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

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

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

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

A. HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

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

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

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

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

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

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

A. HKFRS 9 — Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

A. HKFRS 9 — Financial Instruments (continued)

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

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

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

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

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

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

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

A. HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

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

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

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

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

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

A. HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

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

Impact of the ECL model

(a) Impairment of trade receivables

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

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

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

(b) Impairment of other receivables

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

(iii) Hedge accounting

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

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

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

A. HKFRS 9 — Financial Instruments (continued)

(iv) Transition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HKFRS 16 — Leases

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

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

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

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

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

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

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

3. REVENUE

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

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

4. SEGMENT REPORTING

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

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

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

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

(a) Segment revenues and results

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

For the year ended 31 December 2018

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

4. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2017

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

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

(b) Other segment information

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

For the year ended 31 December 2018

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

4. **SEGMENT REPORTING (continued)**

(b) Other segment information (continued)

For the year ended 31 December 2017

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

(c) Segment assets and liabilities

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

(d) Revenue from major products and services

Disaggregation of revenue from contracts with customers

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

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

(e) Geographical information

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

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

4. SEGMENT REPORTING (continued)

(f) Information about major customers

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

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

5. OTHER (LOSSES) AND GAINS

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

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

7. INCOME TAX CREDIT/(EXPENSE)

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

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

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

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

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

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

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

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

8. DIVIDENDS

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

9. (LOSS)/EARNINGS PER SHARE

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

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

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

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

10. HELD-FOR-TRADING INVESTMENTS

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

11. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

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

13. SHARE CAPITAL

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

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

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

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

15. OPERATING LEASES

The Group as lessee

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

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

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

15. OPERATING LEASES (continued)

The Group as lessor

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

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

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

16. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

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

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

17. EVENT AFTER REPORTING PERIOD

Acquisition of Joy Ease Limited

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

GEARING RATIO

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

CURRENT RATIO

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

CAPITAL STRUCTURE

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

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

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

Capital Commitments

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

SIGNIFICANT INVESTMENTS

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

During the Year Under Review, the Group recorded fair value loss on held-for-trading investments of approximately HK$127.4 million (2017: fair value gain of approximately HK$53.0 million). Details of the held-for-trading investments are set out on pages 27 to 34 of this announcement.

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

MATERIAL RISK FACTORS

The Group's held-for-trading investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk due to the fluctuation of fair value of held-for-trading investments. Management closely monitors the market condition of listed securities and regularly reviews the exposure to the equity price risk on held-for-trading investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

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

DIVIDEND

For the year ended 31 December 2018, the Board does not recommend any final dividend (2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

BUSINESS REVIEW AND PROSPECTS

The Group's core business continues to be in the PRC and Hong Kong. The principal activities include manufacturing and export of garment products, property investment and investment in securities.

Garment Industries

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

Property Investment

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

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

Investment in Securities

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

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

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

* The percentages are subject to rounding error.

Notes:

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

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

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

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

3. Hong Kong Exchanges and Clearing Limited and its subsidiaries (collectively referred to as the "**HKEX Group**") own and operate the only stock exchange and futures exchange in Hong Kong and their related clearing houses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    Pursuant to the China Information Group's interim report for the six months ended 30 June 2018, the China Information Group recorded revenue of approximately HK$31 million and total comprehensive loss of approximately HK$7 million. The China Information Group will continue to walk with two feet, steady growth in current businesses and the exploration of new businesses, so as to create value to the China Information Group and bring benefits to the shareholders of the China Information Group. The Group believes that the business plan of the China Information Group will have positive impact on the future prospect of the China Information Group.

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

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

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

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

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

    Pursuant to the Ming Lam Group's interim report for the six months ended 30 June 2018, the Ming Lam Group recorded revenue of approximately HK$560 million and total comprehensive loss of approximately HK$40 million. With strong management team who has solid experience in tourism, entertainment and cultural industries, the Ming Lam Group is optimistic about the prospects of the new projects in the PRC and Southeast Asia. It is expected that these new projects will generate considerable returns to the Ming Lam Group in the future. The Group believes these new projects is beneficial to the Ming Lam Group in the future prospect.

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

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

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

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

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

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

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

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

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

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

16. China Shandong Hi-Speed Financial Group Limited and its subsidiaries (collectively referred to as the "**China Shandong Hi-Speed Group**") were principally engaged in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending and investment holding, business factoring and securities brokerage business.

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

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

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

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

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

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

    Pursuant to the Global Mastermind Group's interim report for the six months ended 30 June 2018, the Global Mastermind Group recorded revenue of approximately HK$16 million and total comprehensive loss of approximately HK$25 million. Given that the Global Mastermind Group will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions, the Group is optimistic about the future prospects of the Global Mastermind Group.

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

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

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

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

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

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

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

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

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

* The percentages are subject to rounding error.

OUTLOOK

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

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

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

ANNUAL GENERAL MEETING

It is proposed that the 2019 annual general meeting of the Company (the "**2019 AGM**") will be held on Friday, 14 June 2019. Notice of the 2019 AGM will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.0036.com.hk) and despatched to the shareholders of the Company ("**Shareholders**") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 June 2019 to 14 June 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the 2019 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's 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 not later than 4:30 p.m. on 10 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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.

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

SCOPE OF WORK OF MESSRS. BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited on this preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.0036.com.hk). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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.

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

Hong Kong, 22 March 2019

As at the date of this announcement, the Board comprises five Directors, of which two are executive Directors, namely, Dr. Wong Yun Kuen (Chairman) and Mr. Sheung Kwong Cho; and three are independent non-executive Directors, namely, Ms. Kwan Shan, Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.