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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014**

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Far East Holdings International Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2014 together with comparative amounts.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

		Six months ended	
	<i>Notes</i>	30.6.2014	30.6.2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited) (Restated)
Continuing operations			
Revenue	3	7,252	7,925
Cost of sales		<u>(7,746)</u>	<u>(7,660)</u>
Gross (loss) profit		(494)	265
Dividend income from available-for-sale investments		71	51
Dividend income from held-for-trading investments		145	35
Other income		99	434
Other gains and losses	4	1,036	2,448
Selling and distribution costs		(72)	(58)
Administrative expenses		(11,291)	(13,036)
Finance costs		<u>(247)</u>	<u>(14)</u>
Loss before tax		(10,753)	(9,875)
Income tax expense	5	<u>–</u>	<u>–</u>
Loss for the period from continuing operations	6	<u>(10,753)</u>	<u>(9,875)</u>
Discontinued operations			
Gain on disposal of discontinued operations	10	7,286	–
Share of results from discontinued operations		<u>–</u>	<u>447</u>
Profit for the period from discontinued operations		<u>7,286</u>	<u>447</u>
Loss for the period		<u>(3,467)</u>	<u>(9,428)</u>
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		(276)	1,701
Fair value gain on available-for-sale investments		15,094	38,413
Reclassification adjustment of exchange reserve upon disposal of a joint venture		<u>(4,623)</u>	<u>–</u>
Other comprehensive income for the period		<u>10,195</u>	<u>40,114</u>
Total comprehensive income for the period		<u>6,728</u>	<u>30,686</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th June, 2014

		Six months ended	
	<i>Note</i>	30.6.2014 <i>HK\$'000</i> (unaudited)	30.6.2013 <i>HK\$'000</i> (unaudited) (Restated)
Loss for the period attributable to owners of the Company			
– from continuing operations		(9,911)	(9,442)
– from discontinued operations		7,286	447
		<u>(2,625)</u>	<u>(8,995)</u>
Loss for the period attributable to non-controlling interests			
– from continuing operations		(842)	(433)
– from discontinued operations		–	–
		<u>(842)</u>	<u>(433)</u>
		<u>(3,467)</u>	<u>(9,428)</u>
Total comprehensive income attributable to:			
Owners of the Company		7,705	30,757
Non-controlling interests		(977)	(71)
		<u>6,728</u>	<u>30,686</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
From continuing and discontinued operations			
– basic	8	(0.55)	(2.07)
– diluted	8	(0.55)	(2.07)
		<u>(0.55)</u>	<u>(2.07)</u>
From continuing operations			
– basic	8	(2.08)	(2.17)
– diluted	8	(2.08)	(2.17)
		<u>(2.08)</u>	<u>(2.17)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	<i>Notes</i>	30.6.2014 <i>HK\$'000</i> (unaudited)	31.12.2013 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Investment properties		109,850	10,140
Deposits paid for acquisition of investment properties	<i>15</i>	17,571	–
Property, plant and equipment		7,179	7,817
Prepaid lease payments		708	765
Intangible assets	<i>15</i>	12,144	–
Available-for-sale investments		289,992	274,896
		<hr/> 437,444	<hr/> 293,618
CURRENT ASSETS			
Prepaid lease payments		26	28
Held-for-trading investments		10,521	12,262
Inventories		3,567	3,255
Trade and other receivables	<i>9</i>	60,412	2,353
Amount due from a non-controlling interest		1,904	1,158
Amounts due from related parties		9	9
Tax recoverable		10	10
Deposits held at financial institutions		22,733	20,201
Pledged bank deposits		10	6
Bank balances and cash		28,710	85,241
		<hr/> 127,902	<hr/> 124,523
Assets classified as held for sale	<i>10</i>	–	47,850
		<hr/> 127,902	<hr/> 172,373
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	2,235	1,796
Amounts due to related parties		60	45
Secured bank borrowings – due within one year	<i>12</i>	54,202	–
		<hr/> 56,497	<hr/> 1,841
NET CURRENT ASSETS		<hr/> 71,405	<hr/> 170,532
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 508,849	<hr/> 464,150

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
At 30th June, 2014

	<i>Note</i>	30.6.2014 HK\$'000 (unaudited)	31.12.2013 <i>HK\$'000</i> (audited)
CAPITAL AND RESERVES			
Share capital	<i>13</i>	245,061	4,543
Share premium and reserves		247,740	442,582
		<hr/>	<hr/>
Equity attributable to owners of the Company		492,801	447,125
Non-controlling interests		16,048	17,025
		<hr/>	<hr/>
		508,849	464,150
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, intangible assets and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- HK(IFRIC) – Int 21 Levies.

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

3. SEGMENT INFORMATION

Information reported to the Managing Director and Chief Executive Officer of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance, is organised into the following segments which focus on the category of different industries and is consistent with the basis of organisation in the Group:

Industrial	–	manufacturing and sale of garments
Other operation	–	property investment

During the current interim period, the Group’s aviation segment has been classified as discontinued operations as a result of the disposal transaction as set out in note 10. Accordingly, the comparative information has been re-presented to conform with the current interim period’s presentation.

3. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

Six months ended 30th June, 2014

Continuing operations

	Industrial HK\$'000	Other operation HK\$'000	Consolidated HK\$'000 (unaudited)
Segment and external revenue	<u>7,252</u>	<u>–</u>	<u>7,252</u>
Segment results	<u>(1,977)</u>	<u>457</u>	(1,520)
Other income			99
Finance costs			(247)
Unallocated expenses			(9,411)
Gain on disposal property, plant and equipment			120
Increase in fair value of held-for-trading investments			<u>206</u>
Loss before tax			<u>(10,753)</u>

Six months ended 30th June, 2013

Continuing operations

	Industrial HK\$'000	Other operation HK\$'000	Consolidated HK\$'000 (unaudited)
Segment and external revenue	<u>7,925</u>	<u>–</u>	<u>7,925</u>
Segment results	<u>(1,296)</u>	<u>914</u>	(382)
Other income			434
Finance costs			(14)
Unallocated expenses			(11,236)
Increase in fair value of derivative financial instruments			1,050
Gain on disposal of available-for-sale investments			300
Decrease in fair value of held-for-trading investments			<u>(27)</u>
Loss before tax			<u>(9,875)</u>

Segment results represent the (loss) profit from each segment without allocation of other income, corporate expenses, finance costs, changes in fair value of derivative financial instruments, gain on disposal of property, plant and equipment and available-for-sale investments, and changes in fair value of held-for-trading investments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Increase in fair value of investment properties	710	1,125
Increase (decrease) in fair value of held-for-trading investments	206	(27)
Gain on disposal of property, plant and equipment	120	–
Increase in fair value of derivative financial instruments	–	1,050
Gain on disposal of available-for-sale investments	–	300
	<u>1,036</u>	<u>2,448</u>

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no assessable profit for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25%. EIT has not been provided for as the Group has no assessable profit for both periods.

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Loss for the period from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	53	52
Depreciation	711	697
Equity-settled share-based payments	–	4,004
	<u>764</u>	<u>4,753</u>

7. DIVIDEND

On 28th August, 2014, the directors of the Company have determined that an interim dividend of HK10 cents per share (2013: Nil) amounting to approximately HK\$51,866,000 (2013: Nil) will be paid to the shareholders of the Company whose names appear in the Register of Members on 17th September, 2014.

8. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(2,625)</u>	<u>(8,995)</u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>477,079,058</u></u>	<u><u>434,806,606</u></u>

For the six months ended 30th June, 2013, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 31st January, 2013, details of which are described in note 13.

9. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (31st December, 2013: 90 days) to its trade customers. Rentals receivable from tenants are payable on receipt of invoices. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, at the end of the reporting period:

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Current	859	821
Past due:		
0 to 30 days	114	219
31 to 60 days	–	185
61 to 90 days	–	8
Over 90 days	<u>175</u>	<u>–</u>
Total trade receivables	<u>1,148</u>	1,233
Other receivables	<u>59,264</u>	1,120
	<u><u>60,412</u></u>	<u><u>2,353</u></u>

10. ASSETS CLASSIFIED AS HELD FOR SALE

On 30th September, 2013, the Group entered into the disposal agreement (the “Disposal Agreement”) with 中國航空器材集團公司 (“中國航空器材”), pursuant to which 中國航空器材 conditionally agreed to acquire and the Group conditionally agreed to sell its approximately 20.02% of the equity interest of Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”) at a consideration of RMB40,500,000 (equivalent to approximately HK\$51,204,000). On 13th November, 2013, the Disposal Agreement was approved, confirmed and ratified by the shareholders of the Company. Thereafter, the Group’s interests in Beijing Kailan were classified as assets held for sale and were presented separately in the consolidated statement of financial position as at 31st December, 2013. As Beijing Kailan is the only entity within the Group which is engaged in the operation of the aviation segment, the aviation operation was classified as discontinued operations of the Group. The comparative figures relating to the discontinued operations have also been re-presented.

During the six months ended 30th June, 2014, all conditions precedent to the Disposal Agreement were fulfilled and the disposal was completed on 17th March, 2014, resulting in a gain on disposal of approximately HK\$7,286,000 which was recognised directly in profit or loss for the period.

11. TRADE AND OTHER PAYABLES

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

	30.6.2014 <i>HK\$’000</i> (unaudited)	31.12.2013 <i>HK\$’000</i> (audited)
0 to 30 days	26	2
31 to 60 days	135	–
Over 90 days	52	50
Total trade payables	213	52
Other payables and accruals	2,022	1,744
	2,235	1,796

12. SECURED BANK BORROWINGS

	30.6.2014 <i>HK\$'000</i> (unaudited)	31.12.2013 <i>HK\$'000</i> (audited)
Secured bank borrowings comprise the following:		
Mortgage loan	<u>54,202</u>	<u>–</u>
Carrying amount repayable*:		
Within one year	4,250	–
More than one year, but not exceeding two years	4,366	–
More than two years, but not more than five years	13,833	–
More than five years	<u>31,753</u>	<u>–</u>
	54,202	–
Less: Amounts due within one year shown under current liabilities	<u>(54,202)</u>	<u>–</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

* *The amounts due are based on scheduled repayment dates set out in the loan agreement that contains a repayment on demand clause.*

During the six months ended 30th June, 2014, the Group obtained new bank borrowings of approximately HK\$54.9 million (31st December, 2013: Nil) through the acquisition of subsidiaries, of which approximately HK\$698,000 (31st December, 2013: Nil) was repaid before the period ended on 30th June, 2014. These variable-rate bank borrowings carry interest at 1.0% over Hong Kong Interbank Offered Rate and are repayable on demand. The proceeds were used to finance the acquisition of investment properties.

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
At 1st January, 2013, 30th June, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.01 each	70,000,000,000	700,000
	<u>70,000,000,000</u>	<u>700,000</u>
At 30th June, 2014	N/A (Note i)	N/A (Note i)
	<u>N/A (Note i)</u>	<u>N/A (Note i)</u>
Issued and fully paid:		
At 1st January, 2013	302,837,886	3,028
Shares issued upon Open Offer (Note ii)	151,418,943	1,515
	<u>302,837,886</u>	<u>3,028</u>
At 30th June, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.01 each	454,256,829	4,543
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance (Note i)	–	202,547
New shares issued as consideration for the acquisition of subsidiaries (Note iii)	62,588,235	37,971
	<u>454,256,829</u>	<u>4,543</u>
At 30th June, 2014		
– Ordinary shares with no par value	516,845,064	245,061
	<u>516,845,064</u>	<u>245,061</u>

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3rd March, 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relevant entitlement of any of the shareholders as a result of this transition.
- (ii) Pursuant to an ordinary resolution passed at a board meeting of the Company on 14th December, 2012, an issue of shares by the Company at a price of HK\$0.20 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 151,418,943 new shares were issued on 31st January, 2013, resulting in gross proceeds of approximately HK\$30,285,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK\$2,377,000.
- (iii) On 24th January, 2014, the Company and a substantial shareholder and a connected person of the Company (the "Vendor") entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Blooming Success Limited, a company wholly owned by the Vendor. As at 25th April, 2014, the net assets value of Blooming Success Limited and its subsidiary ("Blooming Success") was HK\$48 million, in which HK\$10 million was satisfied in cash and HK\$38 million was satisfied by the issue and allotment of 62,588,235 consideration shares. Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014, and 62,588,235 consideration shares were issued by the Company to the Vendor on the same day.

14. PLEDGE OF ASSETS

At 30th June, 2014:

- (a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK\$159.0 million (31st December, 2013: HK\$159.1 million) are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$68.2 million (31st December, 2013: HK\$74.2 million). None of these facilities has been utilised at the end of the reporting periods. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group;
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$40,000 (31st December, 2013: HK\$34,000), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$194,000 (31st December, 2013: HK\$203,000). The listed investments comprise held-for-trading securities held by the Group;
- (c) short term loan and margin facilities in respect of securities transactions of approximately HK\$77.5 million (31st December, 2013: HK\$77.5 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposits held at financial institutions of the Group of approximately HK\$225.9 million (31st December, 2013: HK\$206.0 million). The listed investments comprise held-for-trading securities and available-for sale investments held by the Group; and
- (d) bank loan facilities to the extent of approximately HK\$54.2 million (31st December, 2013: Nil), of which approximately HK\$54.2 million (31st December, 2013: Nil) were drawdown and fully utilised, are secured by the Group's investment properties with an aggregate carrying value of approximately HK\$99.0 million (31st December, 2013: Nil).

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 25th April, 2014, the Group acquired a 100% equity interest in Blooming Success from a substantial shareholder and a connected person of the Company by cash consideration of HK\$10,000,000 and issue and allotment of 62,588,235 consideration shares. Blooming Success is principally engaged in property investment and its major assets are investment properties in Hong Kong. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	<i>HK\$'000</i>
Investment properties	99,000
Deposits	17,571
Intangible assets (<i>Note</i>)	12,144
Other receivables	7,371
Bank balances and cash	10
Other payables	(218)
Amounts due to related parties	(33,007)
Secured bank borrowings	(54,900)
	<u>47,971</u>
	<u><u>47,971</u></u>
Satisfied by:	
Cash consideration paid	10,000
Consideration shares issued	37,971
	<u>47,971</u>
	<u><u>47,971</u></u>
Net cash outflow arising on acquisition:	
Cash consideration paid	10,000
Bank balances and cash acquired	(10)
	<u>9,990</u>
	<u><u>9,990</u></u>

Note:

The intangible asset arose from the sale and purchase agreement entered into by Blooming Success in relation to the purchase of properties at a cash consideration HK\$87,856,000 of which HK\$17,571,000 had been paid by Blooming Success as at 25th April, 2014. The fair value of these properties to be acquired by Blooming Success as at 25th April, 2014 was assumed to amount to HK\$100,000,000, which was arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited as at 24th January, 2014. The fair value of the intangible asset arising from the contractual rights of Blooming Success under the sale and purchase agreement was determined by reference to the excess of fair value of these properties of HK\$100,000,000 at the valuation date over the consideration sum in the sale and purchase agreement of HK\$87,856,000.

16. COMMITMENTS

As at 30th June, 2014, the Group had capital expenditure in respect of the acquisition of investment properties contracted for but not provided in the condensed consolidated financial statements amounting to HK\$70,285,000 (31st December, 2013: Nil).

17. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group are as follows:

	Six months ended	
	30.6.2014 <i>HK\$'000</i> (unaudited)	30.6.2013 <i>HK\$'000</i> (unaudited)
Short-term benefits	2,494	1,704
Post-employment benefits	37	30
Equity-settled share-based payments	—	4,004
	<u>2,531</u>	<u>5,738</u>

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the six months period ended 30th June, 2014 (the “Period”), the operating activities of the Group recorded a revenue of approximately HK\$7.25 million (30th June, 2013: HK\$7.93 million), representing a decrease of 8.58% over the corresponding period in 2013.

Loss attributable to owners of the Company for the Period amounted to approximately HK\$2.6 million (30th June, 2013: HK\$9.0 million).

The basic loss per share for the Period is 0.55 HK cents (30th June, 2013: basic loss per share of 2.07 HK cents).

Decline in the gain from change in fair value of available-for-sale investments reduces the total comprehensive income attributable to the owners of the Company for the Period to approximately HK\$7.71 million (30th June, 2013: total comprehensive income amounted to approximately HK\$30.76 million).

BUSINESS REVIEW AND PROSPECTS

Business Review

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

Garment Manufacturing Industry

Jiangsu Bang Bang-Silky Fashion Manufacturer Company Limited (“JBB”)

For the Period, JBB recorded revenue of approximately HK\$7.25 million (30th June, 2013: HK\$7.93 million), representing a decrease of approximately 8.58% as compared to the same period in 2013 and loss before taxation of HK\$1.72 million (30th June, 2013: HK\$0.88 million).

JBB is still facing challenges in terms of increasing material and labor costs, and falling per unit sales price. The market condition in Japan and Europe has yet to improve and demand for children’s wear remains low. Nonetheless JBB will continue to down size and find ways to increase its income to offset its losses. JBB is looking for ways to better utilize their properties and equipment, including leasing and joint venture opportunities.

Property Investment

The total value of investment properties held by the Group increased to approximately HK\$109.9 million as at 30th June, 2014.

Retail shops on 110 Caine Road in Mid-Level West were one of two large property investments made this year. Future demand and opportunities is likely to increase since Swire's Arezzo at 33 Seymour next to the shops is likely to complete phase one in 2015 and phase two in 2016.

Investment in Securities

Although volatility in financial markets also hindered the Company's ability to identify good investment opportunities, some of the information technology related investments were still able to generate healthy returns for the Group as a result of the boom of information technology related stocks. The fair value of the Group's available-for-sale investments has increased substantially. The Group recorded a fair value gain on available-for-sale investments of approximately HK\$15.1 million for the six months ended 30th June, 2014 (six months ended 30th June, 2013: fair value gain of approximately HK\$38.4 million). The fair value of the Group's held-for-trading investments has also increased by approximately HK\$0.2 million for the six months ended 30th June, 2014 (six months ended 30th June, 2013: decrease in fair value of approximately HK\$0.03 million).

Event after the Period

On 28th July, 2014, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the Company agreed to sell all 113,399,822 shares of Chinasoft International Limited ("CIL") on hand at HKD\$2.27 per share. This transaction was completed on 26th August, 2014. The Company will use around half of the proceeds for the development of the Company's property investment business in the PRC, Hong Kong and new markets. The rest of the fund will be used for existing operation and ongoing investment opportunities.

Prospects

The Company is reorganizing itself to capture more diversity and opportunities in the property investment sector. Although this sector is going through a steady consolidation, it is beginning to offer better opportunities to the Company. Other property investment markets such as US and Japan are also increasingly attractive. This sector will be able to provide more stable income to the Company in the future.

JBB in China will also continue to evolve and adopt new mode of business other than relying solely on manufacturing and export. It is looking for ways to better utilize its properties and equipment, including leasing and joint venture opportunities for domestic and local demands.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group completed an open offer on 31st January, 2013 and net proceeds of approximately HK\$27.9 million were raised. The entire net proceeds have been applied for the acquisition of investment properties.

As at 30th June, 2014, the Group had bank balances and cash and deposits held at financial institutions amounting to HK\$51.44 million (31st December, 2013: HK\$105.44 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 30th June, 2014, the Group had outstanding interest bearing bank loan of HK\$54.20 million (31st December, 2013: Nil).

Gearing Ratio

The net gearing ratio, expressed as a percentage of net debts to equity attributable to owners of the Company was 0.56% as at 30th June, 2014 (31st December, 2013: As the Group did not have any interest bearing bank loans, the Group was in net cash position, no gearing ratio information was presented).

Current Ratio

The Group's current ratio (current assets to current liabilities) as at 30th June, 2014 decreased to 2.3 (31st December, 2013: 93.6). On the whole, the financial position and liquidity of the Group remained stable.

Capital Structure

As at 30th June, 2014, the total number of issued ordinary shares of the Company was 516,845,064 shares as the Company has issued 62,588,235 consideration shares as part of the consideration of the acquisition of Blooming Success Limited during the Period, details of which is set out in the paragraph headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" below.

Exposure on Foreign Exchange Fluctuations

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

Charges over Assets of the Group

As at 30th June, 2014 our investment properties of HK\$99 million are secured for the Group's bank borrowings (31st December, 2013: Nil).

Contingent Liabilities

As at 30th June, 2014, the Group did not have any material contingent liabilities (31st December, 2013: Nil).

Capital Commitments

As at 30th June, 2014, the Group had capital commitments amounting to HK\$70.29 million (31st December, 2013: Nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 24th January, 2014, the Company and a substantial shareholder of the Company (the “Vendor”) entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Blooming Success Limited, a company wholly owned by the Vendor, at the consideration of HK\$36.6 million, in which HK\$10 million will be satisfied in cash and HK\$26.6 million will be satisfied by the issue and allotment of 62,588,235 consideration shares. The acquisition constituted a connected transaction under the Listing Rules. Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014. Blooming Success Limited became a wholly-owned subsidiary of the Company. Details of this transaction are disclosed in the Company’s announcement and circular dated 5th February, 2014 and 1st April, 2014, respectively.

On 13th June, 2014, the Company announced to seek approval from the Shareholders to dispose its interest in CIL. Subsequent to the Shareholders’ approval on 16th July, 2014, the Company entered into a sale and purchase agreement on 28th July, 2014 to sell its entire equity interest in CIL to an independent third party. Further details of this transaction are disclosed in the paragraph headed “Event after the Period” of this announcement and the announcement of the Company dated 29th July, 2014.

Save as disclosed above, during the Period, the Group did not have any other material acquisitions and disposals of subsidiaries and associated companies.

Employees and Remuneration Policy

As at 30th June, 2014, the Group had approximately 185 employees in Hong Kong and the PRC (31st December, 2013: approximately 229 employees). The Group offers its employees competitive remuneration packages based on industry’s practices and performance of individual employee. Year-end discretionary bonus would be paid to reward and motivate those well performed employees. The Group adopted a share option scheme on 23rd May, 2005 (the “Share Option Scheme”) for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive Directors) and business consultants, agents and legal or financial advisors who will contribute or have contributed to the Company or any of its subsidiaries. On 16th April, 2013, the Company granted share options (the “Share Options”) to the eligible participants (the “Grantees”) to subscribe for a total of 18,170,270 ordinary shares in the capital of the Company (the “Shares”) at an exercise price of HK\$0.27 per Share, which are exercisable from 16th April, 2013 to 15th April, 2023 (both days inclusive). 1,817,027 Share Options were exercised by one of the Grantees and thereafter 1,817,027 ordinary Shares was allotted and issued on 12th August, 2014.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted a new code of conduct regarding the securities transactions (the “Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all the Directors and they have confirmed in writing that they had fully complied with the Model Code and the Code during the Period.

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30th June, 2014 of HK10 cents per share (six months ended 30th June, 2013: Nil) payable to shareholders of the Company whose names appear on the register of members on 17th September, 2014. Dividend warrants for the interim dividend are expected to be dispatched on or around 13th October, 2014.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th September, 2014 to 17th September, 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 12th September, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with all the code provisions as set out in Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules, except for the following:

- (a) code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Mr. Desmond Chiu, the non-executive Director, Dr. Lam Lee G. and Mr. Eugene Yun Hang Wang, the independent non-executive Directors were not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, all Directors are subject to retirement by rotation at each annual general meeting under articles 79 and 80 of the articles of the association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

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

The chairman of the Board did not attend the Company’s annual general meeting held on 11th June, 2014 due to other business commitment. However, an Executive Director and the chief executive officer of the Company present at the said meeting was elected chairman thereof to ensure an effective communication with the shareholders of the Company (the “Shareholders”) thereat.

AUDIT COMMITTEE

An Audit Committee was established by the Board with written terms of reference which are consistent with the provisions as set out in the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Lam Lee G. (chairman of the Audit Committee), Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements.

REVIEW OF INTERIM RESULTS

The Interim Results of the Group for the six months ended 30th June, 2014 have been reviewed by the Audit Committee with the management of the Company and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial report by the auditor will be included in the interim report for the six months ended 30th June, 2014. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosures have been made.

PUBLICATION OF 2014 INTERIM RESULTS AND INTERIM REPORT

The announcement of interim results is published on the websites of the Company at www.feholdings.com.hk and the Stock Exchange at www.hkexnews.hk. The 2014 interim report, containing all the information required by Appendix 16 to the Listing Rules, will be despatched to the Shareholders and made available on the above websites in due course.

By order of the Board
Far East Holdings International Limited
Richard Yen
Managing Director

Hong Kong, 28th August, 2014

As at the date of this announcement, the Board comprises eight Directors of which four are executive Directors, namely Deacon Te Ken Chiu, J.P., Mr. Derek Chiu, Mr. Richard Yen and Mr. Ip Ngai Sang; one is non-executive Director, namely, Mr. Desmond Chiu; and three are independent non-executive Directors, namely Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.