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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)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Far East Holdings International Limited (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st December, 2013 together with the comparative figures for the corresponding period in 2012 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

		2013	2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
Continuing operations			
Revenue	2	15,931	17,052
Cost of sales		(14,570)	(17,626)
Gross profit (loss)		1,361	(574)
Dividend income from available-for-sale investments		311	122
Dividend income from held-for-trading investments		253	478
Other income		1,166	961
Other gains and losses	4	6,768	(4,429)
Selling and distribution costs		(129)	(110)
Administrative expenses		(22,620)	(17,846)
Finance costs		(38)	(39)
Loss before tax		(12,928)	(21,437)
Income tax expense	5	–	–
Loss for the year from continuing operations	6	(12,928)	(21,437)
Discontinued operations			
Share of results from discontinued operations	7	1,501	1,112
Loss for the year		(11,427)	(20,325)
Other comprehensive income (expense):			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from the translation of foreign operations		1,090	170
Fair value gain (loss) on available-for-sale investments		54,933	(38,040)
Share of exchange difference of a joint venture		1,430	258
Other comprehensive income (expense) for the year		57,453	(37,612)
Total comprehensive income (expense) for the year		46,026	(57,937)

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

For the year ended 31st December, 2013

	<u>Note</u>	<u>2013</u> <u>HK\$'000</u>	<u>2012</u> <u>HK\$'000</u> (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		(12,513)	(20,093)
– from discontinued operations		1,501	1,112
		<u>(11,012)</u>	<u>(18,981)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		(415)	(1,344)
– from discontinued operations		–	–
		<u>(415)</u>	<u>(1,344)</u>
		<u>(11,427)</u>	<u>(20,325)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		45,907	(56,676)
Non-controlling interests		119	(1,261)
		<u>46,026</u>	<u>(57,937)</u>
Loss per share			
From continuing and discontinued operations			
Basic (HK cents)	9	(2.48)	(5.57)
Diluted (HK cents)	9	(2.48)	(5.57)
From continuing operations			
Basic (HK cents)	9	(2.81)	(5.90)
Diluted (HK cents)	9	(2.81)	(5.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	<i>Notes</i>	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		10,140	8,255
Property, plant and equipment		7,817	7,648
Prepaid lease payments		765	843
Interest in a joint venture		–	44,919
Available-for-sale investments		274,896	212,329
		<u>293,618</u>	<u>273,994</u>
CURRENT ASSETS			
Prepaid lease payments		28	29
Held-for-trading investments		12,262	10,542
Inventories		3,255	2,630
Trade and other receivables	<i>10</i>	2,353	3,133
Amount due from a non-controlling interest		1,158	3,685
Amount due from a related party		9	9
Tax recoverable		10	70
Deposits held at financial institutions		20,201	32,742
Pledged bank deposits		6	5
Bank balances and cash		85,241	63,257
		<u>124,523</u>	<u>116,102</u>
Assets classified as held for sale		47,850	–
		<u>172,373</u>	<u>116,102</u>
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	1,796	2,059
Amounts due to related parties		45	1,151
Obligations under finance leases			
– due within one year		–	291
		<u>1,841</u>	<u>3,501</u>
NET CURRENT ASSETS		<u>170,532</u>	<u>112,601</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>464,150</u>	<u>386,595</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
At 31st December, 2013

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	4,543	3,028
Share premium and reserves	<u>442,582</u>	<u>366,278</u>
Equity attributable to owners of the Company	447,125	369,306
Non-controlling interests	<u>17,025</u>	<u>16,906</u>
	<u>464,150</u>	<u>386,212</u>
NON-CURRENT LIABILITY		
Obligations under finance leases – due after one year	<u>–</u>	<u>383</u>
	<u>464,150</u>	<u>386,595</u>

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Impact of the application of HKFRS 10 (Continued)

The directors of the Company made assessments as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its 51% ownership interest in Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. (“JBB”) in accordance with the new definition of control and the related guidance set in HKFRS10. The directors of the Company concluded that it has had control over JBB which is consolidated into the consolidated financial statements before the application of HKFRS 10 on the basis of the Group’s absolute size of holding in JBB, the relative size and dispersion of the shareholdings owned by the other shareholders. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group’s investment in the joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group’s investment in the joint arrangement which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Impact of the application of HKFRS 12 (Continued)

However, this new disclosure standard is not applicable to the interest in a joint venture for the Group. According to the application guidance of the HKFRS 12, when an entity’s interest in a joint venture (or a portion of its interest in a joint venture) is classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose summarised financial information for that joint venture in accordance with application guidance of HKFRS 12.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1st January, 2013. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” may be renamed as a “statement of profit or loss and other comprehensive income”. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New or revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January, 2014.

² Effective for annual periods beginning on or after 1st July, 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

The Group is assessing the impact of these amendments, standards and interpretation. The Group will apply those amendments and standards when respective annual periods are effective.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group’s financial assets but not on the Group’s financial liabilities. Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK\$15,931,000 (2012: HK\$17,052,000).

3. SEGMENT INFORMATION

Information reported to the Managing Director and Chief Executive Officer of the Group, being the chief operating decision maker (the "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.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

1. Industrial – manufacturing and sale of garments
2. Other operation – property investment

During the current year, the Group's aviation segment has been classified as discontinued operations as a result of the disposal transaction as set out in note 7. Accordingly, the comparative information has been re-presented to conform with the current year's presentation.

Segment revenues and results

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

For the year ended 31st December, 2013

Continuing operations

	<u>Industrial</u> <i>HK\$'000</i>	<u>Other operation</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
Segment revenue			
External revenue	<u>15,931</u>	–	<u>15,931</u>
Segment results	<u>(1,986)</u>	<u>1,460</u>	(526)
Other income			1,166
Finance costs			(38)
Unallocated expenses			(17,774)
Increase in fair value of held-for-trading investments			2,547
Gain on disposal of derivative financial instruments			1,138
Gain on disposal of available-for-sale investments			300
Gain on disposal of property, plant and equipment			251
Gain on deregistration of subsidiaries			<u>8</u>
Loss before tax			<u>(12,928)</u>

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31st December, 2012

Continuing operations

	<u>Industrial</u>	<u>Other</u>	<u>Consolidated</u>
	<u>HK\$'000</u>	<u>operation</u>	<u>HK\$'000</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue			
External revenue	17,052	–	17,052
Segment results	(3,441)	445	(2,996)
Other income			961
Finance costs			(39)
Unallocated expenses			(14,122)
Increase in fair value of held-for-trading investments			9,516
Impairment loss on available-for-sale investments			(14,500)
Loss on disposal of property, plant and equipment			(7)
Loss on disposal of subsidiaries			(250)
Loss before tax			(21,437)

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 income, corporate expenses, finance costs, gain on disposal of derivative financial instruments, changes in fair value of held-for-trading investments, gain on disposal of available-for-sale investments, property, plant and equipment and deregistration of subsidiaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION (Continued)

Other segment information

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

2013

Continuing operations

	<u>Industrial</u> <i>HK\$'000</i>	<u>Other operation</u> <i>HK\$'000</i>	<u>Unallocated amount</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
Depreciation of property, plant and equipment	945	376	121	1,442
Increase in fair value of investment properties	–	(1,885)	–	(1,885)
	<u>–</u>	<u>(1,885)</u>	<u>–</u>	<u>(1,885)</u>

2012

Continuing operations

	<u>Industrial</u> <i>HK\$'000</i>	<u>Other operation</u> <i>HK\$'000</i>	<u>Unallocated amount</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
Depreciation of property, plant and equipment	817	370	103	1,290
Increase in fair value of investment properties	–	(995)	–	(995)
	<u>–</u>	<u>(995)</u>	<u>–</u>	<u>(995)</u>

Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities for the Group as a whole on a consolidated basis, no assets or liabilities are allocated to the operating segments. Therefore, no analysis of segment assets and liabilities is presented.

4. OTHER GAINS AND LOSSES

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Exchange loss, net	(544)	(183)
Gain (loss) on disposal of property, plant and equipment	251	(7)
Increase in fair value of held-for-trading investments	2,547	9,516
Increase in fair value of investment properties	1,885	995
Gain on disposal of derivative financial instruments	1,138	–
Impairment loss on available-for-sale investments	–	(14,500)
Gain on disposal of available-for-sale investments	300	–
Loss on disposal of subsidiaries	–	(250)
Gain on deregistration of subsidiaries	8	–
Write-back of amount due to a related party	1,183	–
	<u>6,768</u>	<u>(4,429)</u>

5. INCOME TAX EXPENSE

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s subsidiaries in the PRC is 25% from 1st January, 2008 onwards.

6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	105	103
Auditor’s remuneration		
– current year	1,000	1,236
– underprovision in prior year	126	243
Cost of inventories recognised as an expense	14,570	17,626
Depreciation	1,442	1,290
Directors’ remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$2,293,000 (2012: HK\$2,280,000) and equity-settled share-based payments of HK\$4,004,000 (2012: HK\$nil)	19,659	14,674
Operating lease rental in respect of rented premises	760	689

7. SHARE OF RESULTS FROM DISCONTINUED OPERATIONS

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\$51,330,000).

Details of the disposal were disclosed in the circular dated 23th October, 2013 issued by the Company.

On 13th November, 2013, the Disposal Agreement was approved, confirmed and ratified by shareholders of the Company. Thereafter, the Group’s interests in Beijing Kailan have been classified as assets held for sale and are presented separately in the consolidated statement of financial position. 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 directors consider that the Disposal would be completed within twelve months. The comparative figures relating to the discontinued operations have also been re-presented.

The share of results for the year from the discontinued operations is analysed as follows:

	<u>2013</u>	<u>2012</u>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Share of profits from discontinued operations for the year	<u>1,501</u>	<u>1,112</u>
Share of tax (credit) expense from discontinued operations for the year	<u>(156)</u>	<u>410</u>

The discontinued operations did not have any impact on the cash flows of the Group for both years.

8. DIVIDEND

No dividend was declared, paid or proposed, nor has any dividend been proposed since the end of the reporting period for both years presented.

9. 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:

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purposes of basic and diluted loss per share	<u>(11,012)</u>	<u>(18,981)</u>
Number of shares:	<u>2013</u>	<u>2012</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	444,611,650	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>444,611,650</u>	<u>340,692,622</u>

The computation of the diluted loss per share for both years does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share from continuing and discontinued operations.

For the years ended 31st December, 2013 and 2012, 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 12.

From continuing operations

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

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Loss for the year attributable to the owners of the Company	(11,012)	(18,981)
Less: Profit for the year from discontinued operations attributable to the owners of the Company	<u>1,501</u>	<u>1,112</u>
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	<u>(12,513)</u>	<u>(20,093)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

The computation of the diluted loss per share for both years does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share from continuing operations.

9. LOSS PER SHARE (Continued)

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31st December, 2013 was HK0.33 cents per share (2012: HK0.33 cents per share), based on the profit for the year from discontinued operations of HK\$1,501,000 (2012: HK\$1,112,000) and the denominators used are detailed below:

Number of shares:	2013	2012
Weighted average number of ordinary shares for the purpose of basic loss per share	444,611,650	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	2,404,705	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	447,016,355	340,692,622

10. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (2012: 30 days) to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	THE GROUP	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	821	–
Past due:		
0 to 30 days	219	114
31 to 60 days	185	648
61 to 90 days	8	467
Over 90 days	–	807
Total trade receivables	1,233	2,036
Other receivables	1,120	1,097
	2,353	3,133

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$412,000 (2012: HK\$2,036,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 73 days (2012: 80 days).

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:

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
0 to 30 days	2	173
Over 90 days	50	40
Total trade payables	52	213
Other payables and accruals	1,744	1,846
	<u>1,796</u>	<u>2,059</u>

12. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2013	2012	2013	2012
			HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1st January and 31st December	<u>70,000,000,000</u>	<u>70,000,000,000</u>	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:				
At 1st January	<u>302,837,886</u>	<u>302,837,886</u>	<u>3,028</u>	<u>3,028</u>
Shares issued upon Open Offer	<u>151,418,943</u>	<u>–</u>	<u>1,515</u>	<u>–</u>
At 31st December	<u>454,256,829</u>	<u>302,837,886</u>	<u>4,543</u>	<u>3,028</u>

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.

13. PLEDGE OF ASSETS

At 31st December, 2013:

- (a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK\$159.1 million (2012: HK\$5.7 million) are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$74.2 million (2012: HK\$16.1 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;

13. PLEDGE OF ASSETS *(Continued)*

- (b) overdraft and revolving loan facilities to the extent of approximately HK\$34,000 (2012: HK\$17.1 million), 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\$203,000 (2012: HK\$5,000). The listed investments comprise held-for-trading securities held by the Group; and
- (c) short term loan and margin facilities in respect of securities transactions of approximately HK\$77.5 million (2012: HK\$233.1 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\$206 million (2012: HK\$213 million). The listed investments comprise held-for-trading securities and available-for sale investments held by the Group.

14. OPERATING LEASES

The Group and the Company as lessee

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

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Leased premises</i>		
Within one year	737	183
In the second to fifth year inclusive	182	8
	919	191

Operating lease payments represent rentals payable by the Group for the use of its office premise. Leases are negotiated for a term of two years.

The Group as lessor

Rental income earned from leasehold land and buildings during the year was HK\$191,000 (2012: HK\$137,000). The property held has a committed tenant for five years.

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

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	156	153
In the second to fifth year inclusive	351	497
	507	650

15. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of directors and the members of key management during the year was as follows:

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	3,646	3,143
Post-employment benefits	60	69
Equity-settled share-based payments	<u>4,004</u>	<u>–</u>
	<u>7,710</u>	<u>3,212</u>

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company announced that 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, 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 at an issue price of HK\$0.425 per consideration share. Details of the transaction are set out in the Company’s announcement dated 5th February, 2014.

In respect of the disposal of equity interest in Beijing Kailan as set out in note 7, all conditions precedent to the Disposal Agreement were fulfilled on 24th February, 2014 and the registration of the change of business has been completed and a new business licence was obtained on 17th March, 2014. The Company is currently in preparation of the bilateral tax treaty procedures and the set-up of a foreign entity account before receiving payment of consideration from中國航空器材.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Results

For the year ended 31st December, 2013, Far East Holdings International Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) recorded revenue from operations of approximately HK\$15.93 million (2012: HK\$17.05 million), representing a decrease of 6.57% as compared to that of last year. The Group’s loss attributable to owners of the Company was approximately HK\$11.01 million (2012: HK\$18.98 million), representing a decrease of 41.99% as compared to that of last year. The total comprehensive income of the Group for the year was approximately HK\$46.03 million (2012: total comprehensive expense of approximately HK\$57.94 million), which was mainly attributable to a gain on change in fair value of available-for-sale investments of equity securities listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The loss per share for the year ended 31st December, 2013 was 2.48 HK cents (2012: 5.57 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2013, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$105.44 million (2012: HK\$96.00 million). Fundamentally, the Group’s funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2013, the Group had no bank and other loans (2012: nil). The Group did not have any financial instruments used for hedging purpose during the year (2012: nil).

GEARING RATIO

As the Group did not have any interest bearing bank loans, the Group was in net cash position during the year ended 31st December, 2013, no gearing ratio information was presented (2012: nil).

CURRENT RATIO

The Group’s current ratio (current assets to current liabilities) as at 31st December, 2013 increased to 93.6 (2012: 33.2). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

An open offer was completed and a total of 151,418,943 offer shares were issued on 31st January, 2013. As a result, the total number of issued ordinary shares of the Company increased to 454,256,829 shares. As at 31st December, 2013, the total number of issued ordinary shares of the Company was 454,256,829 shares.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2013, the Group and the Company do not have significant contingent liabilities (2012: nil).

Capital Commitments

As at 31st December, 2013, the Group had no significant capital commitments (2012: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

Disposal of Investment in Market Talent

On 24th May, 2013, the Company disposed of approximately 18.10% of the entire issued share capital of Market Talent Limited (“**Market Talent**”) to Mr. Chu Kar Cheong, who holds approximately 81.90% of the entire issued share capital of Market Talent, at a cash consideration of HK\$2,800,000. The Group recognised an impairment loss of HK\$14,500,000 on the investment in Market Talent during the year ended 31st December, 2012 and its carrying value was HK\$2,500,000 as at 31st December, 2012. The Board considered that it was appropriate to exit this investment and to receive a residual value as general working capital of the Group.

Major Transaction in relation to the Disposal of Equity Interest in Beijing Kailan

On 30th September, 2013, Jubilee Star Limited, an indirect wholly-owned subsidiary of the Company disposed of approximately 20.02% of the equity interests in 北京凱蘭航空技術有限公司 (Beijing Kailan Aviation Technology Co., Ltd.*) (“**Beijing Kailan**”) to 中國航空器材集團公司 (China Aviation Supplies Holding Company*) (“**China Aviation**”), which holds approximately 79.98% of the equity interest in Beijing Kailan, at a consideration of RMB40.50 million (equivalent to approximately HK\$51.33 million). All conditions precedents were fulfilled on 24th February, 2014. Registration of the change of business have been completed and a new business licence was obtained on 17th March, 2014. The Company is currently in preparation of the bilateral tax treaty procedures and the set-up of a foreign entity account before receiving payment of consideration from China Aviation.

Discloseable Transaction in relation to Cornerstone Investment in China Binary

On 27th November, 2013, the Company entered into the cornerstone investor agreement with China Binary Sale Technology Limited (“**China Binary**”) and the bookrunner, pursuant to which the Company has agreed to acquire the shares of China Binary up to an aggregate value of HK\$10 million. The cornerstone investment was completed and China Binary was listed on the Growth Enterprise Market of the Stock Exchange successfully on 4th December, 2013. A substantial fair value gain on the investment in China Binary was recorded on the consolidated financial statements of the Company for the year ended 31st December, 2013.

DIVIDEND

No interim dividend was paid during the year and the Board does not recommend a final dividend for the year ended 31st December, 2013 (2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2013 the Group had approximately 229 employees in Hong Kong and the PRC (2012: 210 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 granted to reward and motivate those well-performed employees. The Group adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There was a total of 19.77 million share options (2012: 1.32 million share options) outstanding under the share option scheme as at 31st December, 2013. Following the completion of the open offer on 31st January, 2013, the exercise price and the number of the share options granted on 21st April, 2006 were adjusted pursuant to the terms of the share option to HK\$0.5032 per Share and 1.6 million share options respectively. 18,170,270 share options was granted on 16th April, 2013 at the exercise price of HK\$0.27 per Share.

BUSINESS REVIEW AND PROSPECTS

2013 was a challenging year for the Company and its operations. Increasing production costs in China and appreciation of RMB/USD has been a major issue working against the Company's business expansion efforts in other countries. However, the Company was able to control sales and operational costs, therefore minimized the financial losses.

Garment Industries

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. (“JBB”)

JBB's business continued to be one of Company's key focus areas. JBB increased its effort in reducing total costs while trying to maintain production volume that contributes to the fixed costs. Efforts were made to reduce wastage and shorten time to market. Despite various efforts in expanding Europe and US export sales, pricing pressure pushed down the total revenue. The management expects JBB to face similar challenges in 2014. Therefore management of the Company is looking for ways to structurally change the business model to improve productivity and profitability including domestic business development.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”)

During the year, Beijing Kailan recognized a net profit amounted to HK\$10.02 million (2012: HK\$7.77 million), representing an increment of 28.96% over that of 2012. The increase of net profit of Beijing Kailan is mainly contributed by the gain on long term equity investment amounted HK\$14.54 million (2012: Gain of HK\$5.76 million).

Under the current competitive business environment, new competitors are pushing down prices while labour and material costs continue to increase, it is difficult to maintain the profit margin without sacrificing the market share. In view of the difficulty in maintaining a positive operating revenue, on 30th September, 2013, the Company has reached an agreement to sell the 20.02% stake in Beijing Kailan to Beijing Kailan's partner China Aviation Supplies Holding Company for RMB40.5 million.

Outlook

The Company is actively looking for more investment opportunities that can provide recurring income while minimizing the risk exposure. Therefore the Company is actively trying to increase holdings of properties that can provide stable income while capturing long term opportunities. Geographically the PRC and Hong Kong properties still provide the best opportunities given the risks and costs involved. However, other areas such as US and Japan are within the Company's interests.

Although volatility in financial markets also hindered the Company's ability to identify good investment opportunities, some of the information technology related investments were able to generate healthy returns in 2013, and the Company will continue to actively invest in this area.

EVENT AFTER THE REPORTING PERIOD

Major and Connected Transaction relating to Acquisition of Blooming Success and Application for Whitewash Waiver

On 24th January, 2014, the Company entered into the acquisition agreement with Mr. Duncan Chiu, a substantial shareholder who is beneficially interested in approximately 22.20% of the issued share capital of the Company (the "**Vendor**"), pursuant to which the Company conditionally agreed to acquire the entire issued shares of Blooming Success Limited ("**Blooming Success**"), at the consideration of HK\$36.6 million, in which HK\$10 million of the consideration will be satisfied in cash and HK\$26.6 million will be satisfied by the issue and allotment of 62,588,235 shares of the Company at an issue price of HK\$0.425 per share.

The Vendor and the parties acting in concert with him in aggregate own 181,235,497 shares, representing approximately 39.90% of the issued share capital of the Company. Assuming all the conditions precedent of the acquisition agreement are fulfilled, 62,588,235 shares will be issued to the Vendor upon completion. As such, the interest of the Vendor will increase to 163,417,604 shares, representing approximately 31.62% of the issued share capital of the Company, and the aggregate interest of the Vendor and the parties acting in concert with him will increase to 243,823,732 shares, representing approximately 47.18% of the issued share capital of the Company. In the absence of the whitewash waiver, the Vendor would be obligated to make a mandatory general offer for all the shares pursuant to The Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**") as a result of the acquisition.

An application to the Corporate Finance Division of the Securities and Futures Commission of Hong Kong for the whitewash waiver has been made by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The whitewash waiver would be subject to, among other things, the approval of the independent shareholders at the extraordinary general meeting by way of poll.

ANNUAL GENERAL MEETING

It is proposed that the 2014 Annual General Meeting of the Company will be held on Wednesday, 11th June, 2014 (the “**2014 AGM**”). Notice of the 2014 AGM will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.feholdings.com.hk) and despatched to the shareholders of the Company (the “**Shareholders**”) in the manner as required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange in due course.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2014 AGM

For determining the entitlement to attend and vote at the 2014 AGM scheduled to be held on Wednesday, 11th June, 2014, the register of members of the Company will be closed from Monday, 9th June, 2014 to Wednesday, 11th June, 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2014 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6th June, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2013, the Company has complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules, except for the following deviation:

(a) Code Provision A.4.1

code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive Director is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the CG Code. However, all Directors are subject to retirement by rotation at each annual general meeting under Articles 79 and 80 of the articles of 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

code provision E.1.2 of the CG Code 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 Friday, 21st June, 2013 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 thereat.

AUDIT COMMITTEE

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

During the year ended 31st December, 2013, the Audit Committee met twice considering the financial reporting matters. The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements. 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 annual results of the Group for the year ended 31st December, 2013 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from Dr. Lam Lee G., Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung an annual confirmation of their independence pursuant to the Rule 3.13 and Appendix 14A.4.3 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 31st December, 2013 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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. Deloitte Touche Tohmatsu on this preliminary announcement.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities in the Company.

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.feholdings.com.hk). The annual report of the Company for the year ended 31st December, 2013 containing all the information required by the Listing Rules will be despatched to the Company's 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
Richard Yen
Managing Director

Hong Kong, 28th March, 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.