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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 31 DECEMBER 2021

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Far East Holdings International Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the corresponding year in 2020 are set out as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Continuing operations			
Revenue	3	24,825	37,253
Rental operating cost		<u>(902)</u>	<u>(1,892)</u>
Net rental income		23,923	35,361
Other income		210	906
Other gains and losses, net	5	(270,973)	50,417
Administrative expenses		(4,712)	(5,501)
Finance costs	6	<u>(15,947)</u>	<u>(21,699)</u>
(Loss)/profit before income tax	7	(267,499)	59,484
Income tax expense	8	<u>(2)</u>	<u>(2,396)</u>
(Loss)/profit for the year from continuing operations		<u>(267,501)</u>	<u>57,088</u>
Discontinued operation			
Profit for the year from discontinued operation	9	<u>–</u>	<u>6,154</u>
(Loss)/profit for the year		<u>(267,501)</u>	<u>63,242</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		–	(879)
Release of exchange reserve upon deregistration of a subsidiary		<u>–</u>	<u>(5,717)</u>
Other comprehensive expense for the year		<u>–</u>	<u>(6,596)</u>
Total comprehensive (expense)/income for the year		<u>(267,501)</u>	<u>56,646</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		(240,662)	90,301
Profit for the year from discontinued operation		<u>–</u>	<u>3,138</u>
		(240,662)	93,439
Non-controlling interests			
Loss for the year from continuing operations		(26,839)	(33,213)
Profit for the year from discontinued operation		<u>–</u>	<u>3,016</u>
		(26,839)	(30,197)
		<u>(267,501)</u>	<u>63,242</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		(240,662)	84,584
Profit for the year from discontinued operation		<u>–</u>	<u>2,690</u>
		(240,662)	87,274
Non-controlling interests			
Loss for the year from continuing operations		(26,839)	(33,213)
Profit for the year from discontinued operation		<u>–</u>	<u>2,585</u>
		(26,839)	(30,628)
		<u>(267,501)</u>	<u>56,646</u>
(Loss)/earnings per share from:			
Continuing operations — Basic (HK cents)	<i>10</i>	<u>(22.10)</u>	<u>8.29</u>
Discontinued operation — Basic (HK cents)	<i>10</i>	<u>–</u>	<u>0.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,497,800	1,552,800
Property, plant and equipment		<u>17,288</u>	<u>17,450</u>
		<u>1,515,088</u>	<u>1,570,250</u>
Current assets			
Corporate bond		600	2,667
Held-for-trading investments	<i>11</i>	17,919	278,583
Rental and other receivables	<i>12</i>	610	7,688
Tax recoverable		1,881	190
Deposits held in a financial institution		900	109
Bank balances and cash		<u>10,486</u>	<u>14,589</u>
		<u>32,396</u>	<u>303,826</u>
Current liabilities			
Other payables and accruals	<i>14</i>	3,360	19,526
Bank borrowing	<i>15</i>	451,607	472,135
Amount due to non-controlling interest	<i>13</i>	14,971	2,868
Promissory note	<i>16</i>	<u>152,700</u>	<u>–</u>
		<u>622,638</u>	<u>494,529</u>
Net current liabilities		<u>(590,242)</u>	<u>(190,703)</u>
Total assets less current liabilities		<u>924,846</u>	<u>1,379,547</u>
Non-current liability			
Promissory note	<i>16</i>	<u>–</u>	<u>187,200</u>
Net assets		<u>924,846</u>	<u>1,192,347</u>
Capital and reserves			
Share capital		632,610	632,610
Reserves		<u>(141,819)</u>	<u>98,843</u>
Equity attributable to owners of the Company		<u>490,791</u>	<u>731,453</u>
Non-controlling interests		<u>434,055</u>	<u>460,894</u>
Total equity		<u>924,846</u>	<u>1,192,347</u>

Notes:

1. BASIS OF PREPARATION

(a) Statutory financial statements

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results 2021 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

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

(b) Statement of compliance

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

(c) Basis of measurement and going concern assumption

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

As the outbreak of the Covid-19 pandemic and certain lockdown measures imposed by the Hong Kong Government had adverse impact on the property rental market during the year, certain tenants of the Group's investment properties were unable to operate their normal businesses during the year. In view of the above, the Group had offered rental concessions to these tenants. Furthermore, the increase in vacancies of the investment properties have negatively impacted the results of the Group during the reporting period and its liquidity position.

As at 31 December 2021, the Group has net current liabilities of HK\$590,242,000 which mainly included (i) a bank borrowing with the demand clause of HK\$431,079,000; and (ii) the promissory note of HK\$152,700,000 that will be matured on 1 April 2022.

1. BASIS OF PREPARATION (continued)

(c) Basis of measurement and going concern assumption (continued)

Taking into account the adverse impact of the net current liabilities of the Group together with the uncertainties arising from the Covid-19 pandemic, the directors of the Company had prepared a cash flow forecast covering a period of 12 months from the date of approval of these consolidated financial statements (“**Forecast**”). The assumptions are based on the estimated potential impact of the Covid-19 pandemic and taking into consideration of its subsequent development since the end of the reporting period. The following measures have taken into account the Group’s historical operating performance in the preparation of the Forecast and included certain actions taken by the Group’s for the purposes of improving its operating cash flows and financial position:

- (a) The Group has obtained an unsecured loan for repaying the outstanding balance of the promissory note before the maturity date of 1 April , 2022, with its loan principal due to be repaid one year from the date of drawdown;
- (b) The Group will be able to obtain a mortgage loan of approximately of HK\$70 million by pledging two of its investment properties;
- (c) The Group will dispose certain of its held-for-trading investments;
- (d) The Group will reassess its marketing strategy in order to decrease the vacancies rate of its investment properties in the near future; and
- (e) The Group will consider to dispose certain of its investment properties to strengthen the liquidity position of the Group, if necessary.

Taking into account the Forecast and assuming the successful implementation of the above measures, the directors of the Company considered the Group would be able to finance its operations and to meet its financial obligations as and when they fall due at least for the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(d) Functional and presentation currency

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2021

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19-related Rent Concessions beyond 30 June 2021

These new or amended HKFRSs did not have any material impact on the Group’s accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current accounting period.

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

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

Annual Improvements Framework	Annual Improvements to HKFRSs 2018–2020 (amendments) ¹
Amendment HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Definition of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 1	Presentation of Financial Statements ²
Amendment to HKFRS 3	Reference to the Conceptual Framework ³

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

3. REVENUE

Revenue includes property rental income in both years. The amount of each significant category of revenue recognised during the year is as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Continuing operations		
Gross rental income from investment properties	<u>24,825</u>	<u>37,253</u>

4. SEGMENT REPORTING

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

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

- Property investment — property investment
- Securities investment — short-term securities investment
- Industrial — manufacturing and sale of garments (discontinued operation)

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

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

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

(a) Segment revenues and results

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

For the year ended 31 December 2021

	Continuing operations		Discontinued	Consolidated
	Property investment	Securities investment	operation	
	HK\$’000	HK\$’000	Industrial	HK\$’000
			HK\$’000	
Segment revenue				
External revenue (<i>note 3</i>)	<u>24,825</u>	<u>–</u>	<u>–</u>	<u>24,825</u>
Segment results	<u>(57,648)</u>	<u>(202,949)</u>	<u>–</u>	<u>(260,597)</u>
Other operating income				210
Unallocated expenses				<u>(7,112)</u>
Loss before income tax				<u>(267,499)</u>

4. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2020

	Continuing operations		Discontinued	Consolidated
	Property investment	Securities investment	operation	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue				
External revenue (<i>note 3</i>)	<u>37,253</u>	<u>–</u>	<u>–</u>	<u>37,253</u>
Segment results	<u>(78,644)</u>	<u>146,558</u>	<u>5,045</u>	72,959
Other operating income				906
Unallocated expenses				<u>(9,336)</u>
Profit before income tax				<u>64,529</u>

Segment results represent the profit/loss from each segment including items disclosed in other segment information below, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other operating income and corporate expenses. Unallocated items comprise corporate expenses which are not directly attributable to a particular reportable segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The segment results of the securities investment segment include the fair value gain or loss on held-for-trading investments, dividend income from held-for-trading investments and administrative expenses directly attributable to the securities investment segment.

4. SEGMENT REPORTING (continued)

(b) Other segment information

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

For the year ended 31 December 2021

	Continuing operations		Discontinued operation	Consolidated <i>HK\$'000</i>
	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Industrial <i>HK\$'000</i>	
Depreciation of property, plant and equipment	(492)	–	–	(492)
Fair value loss on held-for-trading investments	–	(2,233)	–	(2,233)
Loss on disposal of held-for-trading investments	–	(200,891)	–	(200,891)
Fair value loss on investment properties	(55,000)	–	–	(55,000)
Loss allowance on rental receivables	(12,868)	–	–	(12,868)
Reversal of loss allowance on other receivables	3	–	–	3
Gain on disposal of property, plant and equipment	16	–	–	16

For the year ended 31 December 2020

	Continuing operations		Discontinued operation	Consolidated <i>HK\$'000</i>
	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Industrial <i>HK\$'000</i>	
Depreciation of right-of-use assets	(173)	–	–	(173)
Depreciation of property, plant and equipment	(257)	–	–	(257)
Reversal of loss allowance on amount due from non-controlling interests	–	–	5,030	5,030
Fair value gain on held-for-trading investments	–	146,233	–	146,233
Gain on disposal of held-for-trading investments	–	367	–	367
Fair value loss on investment properties	(102,100)	–	–	(102,100)
Gain/(loss) on disposal of property, plant and equipment	200	–	(40)	160

4. SEGMENT REPORTING (continued)

(c) Segment assets and liabilities

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

(d) Geographical information

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

	Revenue from external customers	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations:	–	–
Hong Kong	<u>24,825</u>	<u>37,253</u>
	Non-current assets	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	<u>1,515,088</u>	<u>1,570,250</u>

(e) Information about major customers

Revenue from one customer (2020: one customer) individually contributing over 10% of total revenue of the Group is as follows:

	2021	2020
	HK\$'000	HK\$'000
Continuing operations:		
Customer A (from property investment segment)	<u>21,185</u>	<u>33,897</u>

5. OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Unrealised fair value (loss)/gain on held-for-trading Investments	(2,233)	146,233
Realised (loss)/gain on held-for-trading investments	(200,891)	367
Fair value loss on investment properties	(55,000)	(102,100)
Loss allowance on rental receivables	(12,868)	–
Reversal of loss allowance on other receivables	3	–
Gain on disposal of property, plant and equipment	16	200
Gain on deregistration of a subsidiary	–	5,717
	<u>(270,973)</u>	<u>50,417</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interest expenses on lease liabilities	–	1
Interest on bank borrowing	6,949	11,820
Interest on promissory note	8,998	9,878
	<u>15,947</u>	<u>21,699</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Auditor's remuneration (including remuneration for non-audit services)	580	550
Depreciation charge		
— Property, plant and equipment	492	257
— Right-of-use assets	–	173
Operating lease rental in respect of low valued leased office equipment	<u>15</u>	<u>15</u>

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
The income tax expense comprises:		
Current tax:		
— Hong Kong Profits Tax	36	1,904
— Over-provision in respect of prior year	(34)	(20)
— The PRC Enterprise Income Tax	—	512
	<u>2</u>	<u>2,396</u>
Discontinued operations		
Total tax credit for the year (<i>note 9</i>)	—	(1,109)
	<u>2</u>	<u>1,287</u>

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

The Group is subject to Hong Kong Profits Tax under the two-tiered profits tax rates regime. For the years ended 31 December 2021 and 2020, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2020: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for the year ended 31 December 2020.

8. INCOME TAX EXPENSE (continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit before income tax	<u>(267,499)</u>	<u>59,484</u>
Tax calculated at the domestic income tax rate of 16.5% (2020: 16.5%) (<i>note</i>)	(44,138)	9,815
Tax effect of losses and expenses not deductible for tax purposes	57,971	18,201
Tax effect of revenue not taxable for tax purposes	(359)	(26,184)
Tax effect of tax losses not recognised	1,144	1,710
Tax effect of deductible temporary difference not recognised	–	(661)
Utilisation of tax losses previously not recognised	(14,582)	(812)
Tax effect of tax concession	–	(165)
Over-provision in respect of prior year	(34)	(20)
The PRC Enterprise Income tax	<u>–</u>	<u>512</u>
Income tax expense	<u><u>2</u></u>	<u><u>2,396</u></u>

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

9. DISCONTINUED OPERATION

On 14 October 2019, Jiangsu BangBang-Silky Fashion Manufacturer Company Limited (“JBB”), a 51% owned subsidiary of the Company received the notification from Jiangsu Government and entered into an agreement with Haimen People’s Government in relation to the recovery of the state-owned land use right of a parcel of land owned by JBB. Pursuant to the agreement, JBB received a compensation of approximately HK\$45,406,000 (equivalent to RMB40,005,000) for the loss of the assets and business on the land, and the compensation were fully received by the Group in November 2019 and January 2020. JBB completed the deregistration on 27 April 2020.

9. DISCONTINUED OPERATION (continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Discontinued operation		
Revenue	–	–
Cost of sales	–	–
	<hr/>	<hr/>
Gross loss	–	–
Other income	–	80
Other gains and losses, net	–	5,030
Selling and distribution costs	–	–
Administrative expenses	–	(65)
	<hr/>	<hr/>
Profit before income tax	–	5,045
Income tax credit	–	1,109
	<hr/>	<hr/>
Profit for the year	–	6,154
	<hr/>	<hr/>
Net cash used in operating activities	–	(156)
Net cash used in from investing activities	–	(14,295)
Net cash used in financing activities	–	(7,525)
	<hr/>	<hr/>
Net cash outflows	–	(21,976)
	<hr/>	<hr/>
Profit before income tax is arrived after charging/(crediting):		
Employee costs	–	61
Reversal of for loss allowance on the amount due from non-controlling interest	–	(5,030)
Loss on disposal of property, plant and equipment	–	40
	<hr/> <hr/>	<hr/> <hr/>

10. (LOSS)/EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company	(240,662)	93,439
Less: profit for the year from a discontinued operation	<u>–</u>	<u>3,138</u>
(Loss)/profit for the year from continuing operations	<u>(240,662)</u>	<u>90,301</u>
	2021 <i>Number of shares</i>	2020 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,089,118,593</u>	<u>1,089,118,593</u>
	2021 <i>HK cents</i>	2020 <i>HK cents</i>
Basic (loss)/earnings per share from continuing operations	<u>(22.10)</u>	<u>8.29</u>

From discontinued operation

There is no basic earnings per share from the discontinued operation during the year ended 31 December 2021. Basic earnings per share from the discontinued operation for the year ended 31 December 2020 is 0.29 HK cents per share, based on the profit for the year from the discontinued operation HK\$3,138,000 and the weighted average number of share at 1,089,118,593.

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

11. HELD-FOR-TRADING INVESTMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed equity securities:		
Hong Kong	<u>17,919</u>	<u>278,583</u>

As at 31 December 2021, held-for-trading investments represent an investment portfolio comprising 14 (2020: 20) equity securities listed in Hong Kong of which 10 (2020: 14) equity securities are/were listed on the Main Board of the Stock Exchange and the remaining 4 (2020: 6) equity securities are listed on GEM of the Stock Exchange.

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

12. RENTAL AND OTHER RECEIVABLES

The Group does not have any credit period to the tenants (2020: Nil).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental receivables — current and not impaired	–	6,701
Prepayments, deposits and other receivables, net	<u>610</u>	<u>987</u>
At 31 December	<u><u>610</u></u>	<u><u>7,688</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	–	2,800
31 to 60 days	–	2,800
61 to 90 days	<u>–</u>	<u>1,101</u>
Total rental receivables	<u><u>–</u></u>	<u><u>6,701</u></u>

Details of other receivables net of loss allowance are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits	528	528
Prepayments	76	75
Others	<u>6</u>	<u>384</u>
	<u><u>610</u></u>	<u><u>987</u></u>

The others within other receivables do not contain impaired assets. The table below reconciles the loss allowance for receivables:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	3	1,120
Reversal of loss allowance	(3)	–
Loss allowance for the year	12,868	–
Written off	<u>(12,868)</u>	<u>(1,117)</u>
At 31 December	<u><u>–</u></u>	<u><u>3</u></u>

13. AMOUNT DUE TO NON-CONTROLLING INTEREST

As at 31 December 2021, the amount due to non-controlling interest represented the loan from shareholder which is unsecured, interest-free, and repayment on demand.

14. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental deposits received	2,228	16,084
Other payables and accruals	<u>1,132</u>	<u>3,442</u>
	<u><u>3,360</u></u>	<u><u>19,526</u></u>

15. BANK BORROWING

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current		
Bank borrowing due for repayment within one year (<i>note (i)</i>)	20,528	20,528
Bank borrowing due for repayment after one year which contain a repayment on demand clause (<i>note (i) & note (ii)</i>)	<u>431,079</u>	<u>451,607</u>
	<u><u>451,607</u></u>	<u><u>472,135</u></u>

Notes:

- (i) The bank borrowing is secured by an investment property to the extent of HK\$1,380,000,000 (2020: HK\$1,430,000,000).
- (ii) The bank borrowing of HK\$431,079,000 as at 31 December 2021 (2020: HK\$451,607,000) is not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of the bank loan due for repayment after one year which contain a repayment on demand clause (and therefore classified as current liability) is expected to be settled within one year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
On demand or within one year	20,528	20,528
More than one year, but not exceeding two years	20,528	20,528
More than two year, but not exceeding five years	61,583	61,582
After five years	<u>348,968</u>	<u>369,497</u>
	<u><u>451,607</u></u>	<u><u>472,135</u></u>

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

16. PROMISSORY NOTE

The promissory note was issued as part of the consideration for acquisition of 51% equity interests of Joy Ease in April 2019. The principal amount of the promissory note is HK\$361,000,000, which carries 5% interest per annum and is matured on the third anniversary from the issue date, 1 April 2019. During the year, the Group repaid part of the principal amounted to HK\$34,500,000 (2020: HK\$26,000,000).

17. RESERVES

(a) The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The following describes the nature and purpose of each reserve within owners' equity:

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

18. LEASES

The Group as lessor

The Group's investment properties are leased to a number of tenants for varying terms. The rental income earned during the year ended 31 December 2021 was HK\$24,825,000 (2020: HK\$37,253,000).

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

	2021	2020
	HK\$'000	HK\$'000
Not later than one year	3,540	49,410
Later than one year and not later than two years	3,130	–
Later than two year and not later than five years	5,000	–
	11,670	49,410

19. RELATED PARTY TRANSACTIONS

The Group had the following related party transaction during the year:

Compensation of key management personnel

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Short-term benefits	2,293	2,578
Post-employment benefits	<u>32</u>	<u>36</u>
	<u><u>2,325</u></u>	<u><u>2,614</u></u>

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

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the Group has obtained an unsecured loan of HK\$152,700,000 on 25 March 2022 with its loan principal due to be repaid one year from the date of drawdown. The unsecured loan is to repay the outstanding balance of the promissory note on the maturity date of 1 April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2021 (the “**Year Under Review**”), the Group recorded revenue of approximately HK\$24.8 million (2020: approximately HK\$37.3 million), representing a decrease of approximately 33.5% as compared to that of last year. The Group’s loss from continuing operations and discontinued operation attributable to owners of the Company was approximately HK\$240.7 million (2020: approximately HK\$93.4 million). The total comprehensive expense from continuing operations and discontinued operation of the Group for the Year Under Review was approximately HK\$267.5 million (2020: total comprehensive income of approximately HK\$56.6 million), which was mainly attributable to (i) realised loss and fair value loss on held-for-trading investments listed on the Stock Exchange of approximately HK\$203.1 million (2020: realised gain and fair value gain of approximately HK\$146.6 million); and (ii) fair value loss on investment properties of approximately HK\$55.0 million (2020: approximately HK\$102.1 million). The basic loss per share from continuing operations for the Year Under Review was 22.21 HK cents (2020: basic earnings per share of 8.29 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had cash and bank balances and deposits held at a financial institution amounting to approximately HK\$11.4 million (2020: approximately HK\$14.7 million). The Group funds its operations from a combination of internal resources, bank borrowings and financial instruments.

GEARING RATIO

The gearing ratio, expressed as a percentage of total debts (including the bank borrowing and promissory note) to equity attributable to owners of the Company was 123.1% as at 31 December 2021 (2020: 90.1%).

CAPITAL STRUCTURE

During the Year Under Review, there was no change to the share capital of the Company. As at 31 December 2021, the total number of issued ordinary shares of the Company was 1,089,118,593 (2020: 1,089,118,593) shares.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31 December 2021, the Company had no contingent liabilities (2020: Nil).

Capital Commitments

As at 31 December 2021, the Group had no capital commitment (2020: Nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK\$17.9 million as at 31 December 2021 (2020: approximately HK\$278.6 million), representing 1.2% (2020: 14.9%) of the total assets of the Group.

During the Year Under Review, the Group recorded realised loss and fair value loss on held-for-trading investments of approximately HK\$203.1 million (2020: realised gain and fair value gain of approximately HK\$146.6 million).

MATERIAL RISK FACTORS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

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

DISCONTINUED OPERATION

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

DIVIDEND

For the Year Under Review, the Board does not recommend any final dividend (2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2021, the Group had approximately 7 employees in Hong Kong (2020: 7 employees). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

BUSINESS AND FINANCIAL REVIEW

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK\$1,497.8 million (2020: approximately HK\$1,552.8 million) as at 31 December 2021. The Group recorded rental income of approximately HK\$24.8 million (2020: approximately HK\$37.3 million) for the Year Under Review. Management will continue to review its portfolio of investment properties and seek for potential acquisition and/or disposal opportunities from time to time.

- (a) Details analysis of the rental income of the Group during the Year Under Review are as follows:

Location of the properties	Notes	Rental income		Decrease in percentage
		2021 HK\$'000	2020 HK\$'000	
9/F Wings Building, 110 –116 Queen's Road Central, Central, Hong Kong	(1)	927	1,255	(26.1%)
10/F, Wings Building, 110 –116 Queen's Road Central, Central, Hong Kong	(2)	1,741	1,741	0%
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	(3)	252	360	(30%)
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Forth Floor of Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	(4)	21,905	33,897	(35.4%)

Notes:

- (1) The property is currently divided into five rental units and a conference room. The conference room is shared among tenants of the property. At the date of this report, four out of the five rental units of the property are leased to three tenants with their leases expiration dates in April, July and November 2022 respectively. Management will seek for renewal with these tenants upon expiration of the leases. Decrease in rental income during the Year Under Review mainly due to the vacancies of two rental units in the first half of 2021.
- (2) The whole floor of this property is leased to a tenant with its lease expiration date on 31 December 2021. At the date of this report, the property is vacant and management is actively seeking for the tenants.
- (3) The property is an industrial unit leased to a tenant with its lease expiration date on 31 December 2022. Decrease in rental income during the Year Under Review due to decrease in monthly rental as a result of the downturn of the industrial property market.
- (4) The property is a commercial podium leased to a tenant with its lease expiration date on 31 December 2021. Decrease in rental income mainly due to a loss allowance of approximately HK\$12.9 million (2020: Nil) recorded during the Year Under Review. The fourth floor and roof top of this property has been leased to a new tenant during the Year Under Review for a term of 4 years and management expects the remaining portions of the property will be fully leased out in the first half of 2022.

- (b) Management reviews its investment properties and tenants portfolio from time to time with aims to generate stable income to the Group and for capital appreciation. Taking into consideration the impact of the COVID-19 pandemic, certain rental concessions have been offered to the tenants who are engaged in the provision of medical rehabilitation business or beverage and bar business. Management will diversify its tenant mix, if necessary, in order to minimize the financial impact of the COVID-19 pandemic to the Group.

Investment in Securities

During the Year Under Review, the Group recorded realised loss and fair value loss on held-for-trading investments of approximately HK\$203.1 million (2020: realised gain and fair value gain of approximately HK\$146.6 million) attributable to unrealised loss of approximately HK\$2.2 million and realised loss of approximately HK\$200.9 million.

As at 31 December 2021, the held-for-trading investments amounted to approximately HK\$17.9 million (2020: approximately HK\$278.6 million). This value represented an investment portfolio comprising 14 (2020: 20) equity securities listed in Hong Kong of which 10 (2020: 14) equity securities are/were listed on the Main Board of the Stock Exchange and the remaining 4 (2020: 6) equity securities are/were listed on the GEM of the Stock Exchange.

The Group does not hold any investment accounted for five per cent or more of the Group's total asset at the end of the reporting period.

BUSINESS PROSPECTS

Looking ahead, it was expected the outbreak of COVID-19 in early 2022 will continue to have adverse impact to the Group's property investment and securities investment. It was also expected certain rent reliefs will be requested by the tenants of the Group which may lead to decrease in the Group's rental income in 2022 and the fair value of investment properties and held-for-trading investments may be declined. In view of the above, management will closely monitor the investment portfolio and capture opportunities in a prudent manner and balance investment risks of the Group.

ANNUAL GENERAL MEETING

It is proposed that the 2022 annual general meeting of the Company (the "2022 AGM") will be held on Thursday, 2 June 2022. Notice of the 2022 AGM will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.0036.com.hk) and despatched to the shareholders of the Company ("Shareholders") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the 2022 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year Under Review.

AUDIT COMMITTEE

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

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

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

- (i) reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and the related interim results announcement and made recommendations to the Board that the same be approved;
- (ii) reviewed the consolidated financial statements of the Group for the year ended 31 December 2021 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;
- (iii) reviewed external auditor's report to the Audit Committee for the year ended 31 December 2021;
- (iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 4 June 2021;
- (v) reviewed corporate governance internal control systems, enterprise risk assessment report, internal control review report and effectiveness of risk management system;
- (vi) reviewed the fees for audit and non-audit services provided by the external auditor; and
- (vii) met with the external auditor in the absence of management.

SCOPE OF WORK OF MESSRS. BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year as tabled before the Board of Directors meeting for approval. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited on this preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.0036.com.hk). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

APPRECIATION

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

By Order of the Board
Far East Holdings International Limited
Mr. Eric Todd
Chairman & Executive Director

Hong Kong, 25 March 2022

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