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, 2012

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, 2012 together with the comparative figures for the corresponding period in 2011 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	2	**17,052**	21,635
Cost of sales		**(17,626)**	(19,620)
Gross (loss) profit		**(574)**	2,015
Dividend income from available-for-sale investments		**122**	164
Dividend income from held-for-trading investments		**478**	414
Other income		**961**	1,050
Other gains and losses	4	**(4,429)**	7,078
Selling and distribution costs		**(110)**	(97)
Administrative expenses		**(17,846)**	(18,544)
Finance costs		**(39)**	(61)
Share of results of a jointly controlled entity		**1,112**	2,162
Loss before tax		**(20,325)**	(5,819)
Income tax expense	5	**–**	(52)
Loss for the year from continuing operations	6	**(20,325)**	(5,871)
Discontinued operations			
Profit for the year from discontinued operations	7	**–**	6,922
(Loss) profit for the year		**(20,325)**	1,051
Other comprehensive (expense) income			
Exchange differences arising from the translation of foreign operations		**170**	917
Fair value (loss) gain on available-for-sale investments		**(38,040)**	24,689
Reclassification adjustment upon disposal of available-for-sale investments		**–**	(5,020)
Share of exchange difference of a jointly controlled entity		**258**	1,469
Release of exchange reserve upon disposal of subsidiaries		**–**	(497)
Other comprehensive (expense) income for the year		**(37,612)**	21,558
Total comprehensive (expense) income for the year		**(57,937)**	22,609

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31st December, 2012

	Note	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(18,981)**	(5,702)
– from discontinued operations		**–**	8,191
		(18,981)	2,489
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(1,344)**	(169)
– from discontinued operations		**–**	(1,269)
		(1,344)	(1,438)
		(20,325)	1,051
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(56,676)**	23,454
Non-controlling interests		**(1,261)**	(845)
		(57,937)	22,609
			(Restated)
(Loss) earnings per share			
From continuing and discontinued operations:			
Basic (HK cents)	*9*	**(5.57)**	0.73
Diluted (HK cents)	*9*	**(5.57)**	0.73
From continuing operations:			
Basic (HK cents)	*9*	**(5.57)**	(1.67)
Diluted (HK cents)	*9*	**(5.57)**	(1.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties		**8,255**	15,760
Property, plant and equipment		**7,648**	8,889
Prepaid lease payments		**843**	939
Interests in a jointly controlled entity		**44,919**	43,549
Available-for-sale investments		**212,329**	264,864
		273,994	334,001
CURRENT ASSETS			
Prepaid lease payments		**29**	32
Held-for-trading investments		**10,542**	30,090
Inventories		**2,630**	4,091
Trade and other receivables	*10*	**3,133**	4,058
Amount due from a non-controlling interest		**3,685**	3,175
Amounts due from related parties		**9**	9
Tax recoverable		**70**	69
Deposits held at financial institutions		**32,742**	18,639
Pledged bank deposits		**5**	41
Bank balances and cash		**63,257**	54,929
		116,102	115,133
CURRENT LIABILITIES			
Trade and other payables	*11*	**2,059**	1,399
Amounts due to non-controlling interests		**–**	297
Amounts due to related parties		**1,151**	2,903
Obligations under finance leases – due within one year		**291**	277
		3,501	4,876
NET CURRENT ASSETS		**112,601**	110,257
TOTAL ASSETS LESS CURRENT LIABILITIES		**386,595**	444,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31st December, 2012

	2012	2011
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**3,028**	3,028
Share premium and reserves	**366,277**	422,954
Equity attributable to owners of the Company	**369,305**	425,982
Non-controlling interests	**16,907**	17,602
	386,212	443,584
NON-CURRENT LIABILITIES		
Obligations under finance leases		
– due after one year	**383**	674
	386,595	444,258

Notes:

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Amendments to HKAS 12 ***Deferred Tax: Recovery of Underlying Assets***

Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

As a result of the application of the amendments to the HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties.

In view of the insignificant change in fair value in the Group's investment properties, the application of the amendments to HKAS has no material impact on the Group's financial performance and position for current and prior years.

The application of the other amendments 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 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 HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(lFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

New and revised HKFRSs issued but not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2014.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st July, 2012.

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.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires 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 significant impact on amounts reported in respect of the Group's classification and measurement of available-for-sale investments but not on the Group's other financial assets and financial liabilities. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

In June 2012, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2012) and HKAS 28 (as revised in 2012).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards is not expected to have a significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be applied in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

2. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK$17,052,000 (2011: HK$21,635,000).

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. Aviation – provision of aviation maintenance services by a jointly controlled entity
3. Other operation – property investment

During the prior year, the Group's entertainment segment had been classified as discontinued operations as a result of the disposal transaction as set out in note 7.

3. **SEGMENT INFORMATION** *(Continued)*

Segment revenues and results

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

For the year ended 31st December, 2012

Continuing operations

	Industrial	**Aviation**	**Other operation**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue				
External revenue	**17,052**	**–**	**–**	**17,052**
Total	**17,052**	**–**	**–**	**17,052**
Segment result	**(3,441)**	**1,112**	**445**	**(1,884)**
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				**(20,325)**

For the year ended 31st December, 2011

Continuing operations

	Industrial	Aviation	Other operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
External revenue	21,635	–	–	21,635
Total	21,635	–	–	21,635
Segment result	(1,001)	2,162	4,538	5,699
Other income				1,050
Finance costs				(61)
Unallocated expenses				(14,263)
Decrease in fair value of held-for-trading investments				(5,964)
Gain on disposal of available-for-sale investments				5,020
Gain on disposal of property, plant and equipment				1,206
Gain on disposal of other non-current assets				1,494
Loss before tax				(5,819)

3. **SEGMENT INFORMATION** *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss) profit 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, changes in fair value of held-for-trading investments, impairment loss on available-for-sale investments, gain (loss) on disposal of available-for-sale investments, other non-current assets, and property, plant and equipment and subsidiaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

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

2012

Continuing operations

	Industrial	**Aviation**	**Other operation**	**Unallocated amount**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation of property, plant and equipment	**817**	**–**	**370**	**103**	**1,290**
Increase in fair value of investment properties	**–**	**–**	**(995)**	**–**	**(995)**
Share of results of a jointly controlled entity	**–**	**(1,112)**	**–**	**–**	**(1,112)**

2011

Continuing operations

	Industrial	Aviation	Other operation	Unallocated amount	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	821	–	658	116	1,595
Increase in fair value of investment properties	–	–	(5,533)	–	(5,533)
Share of results of a jointly controlled entity	–	(2,162)	–	–	(2,162)

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

Continuing operations

	2012	2011
	HK$'000	*HK$'000*
Exchange loss, net	**(183)**	(211)
(Loss) gain on disposal of property, plant and equipment	**(7)**	1,206
Net gains (losses) on held-for-trading investments	**9,516**	(5,964)
Increase in fair value of investment properties	**995**	5,533
Impairment loss on available-for-sale investments	**(14,500)**	–
Gain on disposal of available-for-sale investments	**–**	5,020
Loss on disposal of subsidiaries	**(250)**	–
Gain on disposal of other non-current assets	**–**	1,494
	(4,429)	7,078

5. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Tax charge from continuing operations comprises:		
PRC Enterprise Income Tax	**–**	31
PRC withholding income tax	**–**	21
	–	52

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

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

6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2012	2011
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	**103**	101
Auditor's remuneration		
– current year	**1,236**	1,298
– underprovision in prior year	**243**	82
Cost of inventories recognised as an expense	**17,626**	19,620
Depreciation	**1,290**	1,595
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$2,280,000 (2011: HK$1,550,000)	**14,674**	13,662
Operating lease rental in respect of rented premises	**689**	1,941
Share of tax of a jointly controlled entity (included in share of results of a jointly controlled entity)	**410**	134

Operating lease rental in respect of a director's accommodation amounting to HK$1,275,000 was included under directors' remuneration for the year ended 31st December, 2011.

7. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 20th May, 2011, the Group entered into the sale and purchase and subscription agreement in relation to the disposal of its entire equity interest in certain subsidiaries, which carried out all of the Group's entertainment operations. The transaction gave rise to the entertainment operation being classified as discontinued operations for the Group. The disposal was completed on 30th August, 2011, on which date control of the subsidiaries had been passed to the acquirer.

The profit for the prior year from the discontinued operations was analysed as follows:

	2011
	HK$'000
Loss on discontinued operations for the year	(7,604)
Gain on disposal of discontinued operations	14,526
	6,922

The results of the entertainment operations for the period from 1st January, 2011 to 30th August, 2011, which were included in the consolidated statement of comprehensive income, were as follows:

	Period ended 30.08.2011
	HK$'000
Revenue	8,904
Cost of sales	(5,277)
Other income	116
Other expenses	(11,322)
Finance costs	(25)
Loss for the period	(7,604)

Loss for the year from discontinued operations included the following:

	Period ended 30.08.2011
	HK$'000
Depreciation	1,364
Auditor's remuneration	122
Staff costs including retirement benefit scheme contributions of approximately HK$776,000	5,174

During the year ended 31st December, 2011, the discontinued operations contributed HK$6,560,000 to the Group's operating cash outflows, HK$2,477,000 in respect of cash inflows of investing activities and HK$2,397,000 in respect of cash inflows of financing activities up to the effective date of disposal.

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) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted earnings per share	**(18,981)**	2,489

Number of shares:	**2012**	2011
		(restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**340,692,622**	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**340,692,622**	340,692,622

The computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

The diluted loss per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

For the years ended 31st December, 2012 and 2011, 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 15.

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:

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to the owners of the Company	**(18,981)**	2,489
Less: Profit for the year from discontinued operations attributable to the owners of the Company	**–**	8,191
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	**(18,981)**	(5,702)

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

The computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

The diluted loss per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

9. (LOSS) EARNINGS PER SHARE *(Continued)*

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31st December, 2011 was HK2.40 cents per share, based on the profit for the year from discontinued operations of HK$8,191,000 and the denominators detailed above for both basic and diluted earnings per share from continuing operations.

The diluted earnings per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

10. TRADE AND OTHER RECEIVABLES

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Past due:		
0 to 30 days	**114**	1,243
31 to 60 days	**648**	120
61 to 90 days	**467**	822
Over 90 days	**807**	859
Total trade receivables	**2,036**	3,044
Other receivables	**1,097**	1,014
	3,133	4,058

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,036,000 (2011: HK$3,044,000) 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 80 days (2011: 62 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	
	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**173**	116
Over 90 days	**40**	42
Total trade payables	**213**	158
Other payables and accruals	**1,846**	1,241
	2,059	1,399

12. PLEDGE OF ASSETS

At 31st December, 2012:

(a) margin trading facilities in respect of securities transactions of approximately HK$5.7 million (2011: HK$6.4 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$16.1 million (2011: HK$24.9 million) and HK$16.1 million (2011: HK$24.9 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group and the Company;

(b) overdraft and revolving loan facilities of approximately HK$17.1 million (2011: HK$17.1 million), of which none has been utilised at the end of the reporting periods, are secured by the deposit held at financial institutions of the Company of approximately HK$5,000 (2011: HK$41,000); and

(c) short term loan and margin facilities in respect of securities transactions of approximately HK$233.1 million (2011: HK$233.1 million) of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$213 million (2011: HK$241.8 million) and HK$213 million (2011: HK$241.8 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investment held by the Group and the Company.

13. 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:

	2012	2011
	HK$'000	*HK$'000*
Leased premises		
Within one year	**183**	932
In the second to fifth year inclusive	**8**	192
	191	1,124

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$137,000 (2011: Nil). 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.

	2012	2011
	HK$'000	*HK$'000*
Within one year	**153**	–
In the second to fifth year inclusive	**497**	–
	650	–

14. RELATED PARTY TRANSACTIONS

Other than those disclosed in note 38(a) 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:

	2012	2011
	HK$'000	*HK$'000*
Short-term benefits	**3,143**	4,392
Post-employment benefits	**69**	60
	3,212	4,452

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

15. EVENT AFTER THE REPORTING PERIOD

Pursuant to an ordinary resolution passed at a Board meeting of the Company on 14th December, 2012, an issue of share 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$30,284,000 to the Company. The proceeds from the Open Offer were used to strengthen the Group's financial positions.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Results

For the year ended 31st December, 2012, the Group recorded revenue from operations of approximately HK$17.05 million (2011: HK$21.64 million), representing a decrease of 21.21% compared with last year. The Group's loss attributable to owners of the Company was approximately HK$18.98 million (2011: Profit of HK$2.49 million), representing a decline of approximately HK$21.47 million as compared to last year. The Board considers the loss is mainly contributed by HK$14.5 million impairment loss on available-for-sale investments. The loss per share for the year ended 31st December, 2012 was 5.57 HK cents (2011: Earnings per share of 0.73 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$96.0 million (2011: HK$73.6 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, 2012, the Group had no bank and other loans (2011: nil). The Group did not have any financial instruments used for hedging purpose during the year (2011: nil).

CURRENT RATIO

The Group's current ratio (current assets to current liabilities) as at 31st December, 2012 increased to 33.2 (2011: 23.6). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December, 2012, the total number of issued ordinary shares of the Company was 302,837,886 shares.

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.

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, 2012, the Group and the Company do not have significant contingent liabilities (2011: nil).

Capital Commitments

At 31st December, 2012, the Group had no significant capital commitments (2011: nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 13th July, 2012, the Company disposed of the entire issued share capital of Cathay Motion Picture Studios Limited ("Cathay Motion") and assigned a receivable due from Cathay Motion to the Company to a related party of the Group at an aggregate cash consideration of HK$8,500,000. The major asset of Cathay Motion is an investment property located in Hong Kong with fair value of HK$8,500,000 as at 30th June, 2012. The disposal resulted in a gain of approximately HK$3,000.

DIVIDEND

No interim dividend was paid during the year and the Board do not recommend a final dividend (2011: nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2012 the Group had approximately 210 employees in Hong Kong and PRC (2011: 230 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 were totaling 1.32 million (2011: 1.32 million) share options outstanding under the share option scheme as at 31st December, 2012. Following the completion of the open offer on 31st January, 2013, the exercise price and the number of outstanding share options were adjusted pursuant to the terms of the share option to HK$0.5032 and 1.60 million share options respectively.

BUSINESS REVIEW AND PROSPECTS

The Company continued to face challenges during 2012 for both existing operations as well as expansion efforts. Consumer confidence around the world is still at a low point hence businesses are overly cautious on factory orders to keep a lean inventory. Cost and timing of industries will continue to play a key part in coming years.

Due to economic and political issues in the PRC, risk factors in investments as well as industries are faced with higher risks and higher market volatility. In the PRC business sectors that were once thought lucrative, changing policies, slower growth rate and higher inflationary pressure are changing future outlook. Investment decisions are becoming more price and time sensitive. Hence investments with good returns are more scares and valuable.

Garment Industries

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

For the year ended 31st December, 2012, JBB reported a turnover of approximately HK$17.05 million (2011: HK$21.64 million), representing approximately 21.21% decrease comparing with 2011. It reported a net loss of approximately HK$2.68 million (2011: net profit of approximately HK$89,000) incurring a loss comparing with 2011.

Factory order for JBB has declined due to an adverse economy in Japan that was further damaged by a massive earthquake in 2011. Efforts in Europe and US are also met with great challenges due to their financial crisis. Coupled with a rising cost structure and increasing price competition around the world, JBB is in the process of finding a structural solution involves strategic changes at all levels, and finding a business structure that will improve the efficiency, cost and time to market.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan")

During the year, net profit of Beijing Kailan is estimated to be HK$7.77 million (2011: HK$3.24 million), representing approximately 139.81% increase over that of 2011.

Despite slower GDP growth projection, Beijing Kailan is expected that demand for aviation maintenance services remains stable in 2013. However, increasing price competition and high costs will continue to be the main concerns in the industry.

Outlook

The Company understands the need to strengthen its business portfolio with businesses that can provide better recurring income, but remains cautious in evaluating business opportunities as well as managing continuing operations under the current economic environment. Therefore, the management is making strategic changes to increase the Company's ability to make better and faster investment decisions. This includes actively changing how the management evaluate current businesses and future opportunities, and streamlining operations to increase efficiency.

EVENT AFTER THE REPORTING PERIOD

Open Offer

The Company completed an open offer by the end of January 2013 and raised gross proceeds of approximately HK$30.3 million by the issuance of 151,418,943 offer shares at the subscription price of HK$0.2 per offer share on the basis of one offer share for every two existing shares of the Company held on the record date. The fund raised from the open offer would broaden the capacity of the Group in selecting potential industries and targets that offer solid potential when opportunity arises. It will also enlarge the capital base of the Company, which may facilitate long-term development of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTING SECURITIES

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 as set out in this preliminary announcement have been agreed by the Group's auditor, 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.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Former Code") was revised and renamed as the Corporate Governance Code (the "Revised Code") on 1st April 2012 contained in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year under review, the Company has complied with all the code provisions of the Former Code for the period from 1st January 2012 to 31st March 2012 and of the Revised Code for the period from 1st April 2012 to 31st December 2012, except for the following:

(a) code provision A.4.1 of the Revised 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 Revised 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 Revised Code.

(b) code provision E.1.2 of the Revised Code stipulates 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 6th June, 2012 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 was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the Revised Code.

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, 2012 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.

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

Hong Kong, 28th March, 2013

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.