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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 2022

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Far East Holdings International Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the corresponding year in 2021 are set out as follows:

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	3	4,696	24,825
Rental operating cost		<u>(3,030)</u>	<u>(902)</u>
Net rental income		1,666	23,923
Other income		205	210
Other gains and losses, net	5	(84,530)	(270,973)
Administrative expenses		(4,590)	(4,712)
Finance costs	6	<u>(20,498)</u>	<u>(15,947)</u>
Loss before income tax	7	(107,747)	(267,499)
Income tax expense	8	<u>(233)</u>	<u>(2)</u>
Loss and total comprehensive income for the year		<u>(107,980)</u>	<u>(267,501)</u>
Loss for the year attributable to:			
Owners of the Company		(68,799)	(240,662)
Non-controlling interests		<u>(39,181)</u>	<u>(26,839)</u>
		<u>(107,980)</u>	<u>(267,501)</u>
Loss per share — Basic (HK cents)	9	<u>(6.32)</u>	<u>(22.10)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,418,100	1,497,800
Property, plant and equipment		<u>16,664</u>	<u>17,288</u>
		<u>1,434,764</u>	<u>1,515,088</u>
Current assets			
Corporate bond		600	600
Held-for-trading investments	<i>10</i>	1,560	17,919
Rental and other receivables	<i>11</i>	2,194	610
Tax recoverable		1,853	1,881
Deposits held in a financial institution		32	900
Bank balances and cash		<u>762</u>	<u>10,486</u>
		<u>7,001</u>	<u>32,396</u>
Current liabilities			
Other payables and accruals	<i>12</i>	10,478	3,360
Tax payable		205	–
Amount due to a non-controlling interest	<i>13</i>	26,437	14,971
Bank borrowing	<i>14</i>	431,079	451,607
Loan from a non-controlling interest	<i>15</i>	152,700	–
Other loan	<i>16</i>	4,000	–
Promissory note	<i>17</i>	–	152,700
		<u>624,899</u>	<u>622,638</u>
Net current liabilities		<u>(617,898)</u>	<u>(590,242)</u>
Net assets		<u>816,866</u>	<u>924,846</u>
Capital and reserves			
Share capital		632,610	632,610
Reserves		<u>(210,618)</u>	<u>(141,819)</u>
Equity attributable to owners of the Company		421,992	490,791
Non-controlling interests		<u>394,874</u>	<u>434,055</u>
Total equity		<u>816,866</u>	<u>924,846</u>

Notes:

1. BASIS OF PREPARATION

(a) Statutory financial statements

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement 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 2021 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 2022 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 2022, the Group has net current liabilities of HK\$617,898,000 which mainly included (i) a bank borrowing with the demand clause of HK\$431,079,000; and (ii) the loan from a non-controlling interest of HK\$152,700,000 that will be matured on 31 March 2023.

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 considered 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) Subsequent to the reporting period, the Group has obtained the extension of loan from a non-controlling interest to extend the maturity date to 30 April 2024;
- (b) Subsequent to the reporting period, the Group has obtained a mortgage loan facility approximately of HK\$70 million by pledging two of its investment properties;
- (c) The Group will dispose of 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 of 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 2022

Annual Improvements Framework	Annual Improvements to HKFRSs 2018–2020 (amendments)
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRS 3	Reference to the Conceptual Framework

The directors of the Company consider that these new or amended HKFRSs has no material impact on the Group’s results and financial position for the current or prior period and on accounting policies. The Group has not early adopted any other new standards and interpretations 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

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

² Effective for annual periods beginning on or after 1 January 2024

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:

	2022	2021
	HK\$’000	HK\$’000
Gross rental income from investment properties	<u>4,696</u>	<u>24,825</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 two 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

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.

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.

(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 2022

	Property investment <i>HK\$’000</i>	Securities investment <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Segment revenue			
External revenue (<i>note 3</i>)	<u>4,696</u>	<u>–</u>	<u>4,696</u>
Segment results	<u>(88,389)</u>	<u>(4,868)</u>	<u>(93,257)</u>
Other operating income			205
Unallocated expenses			<u>(14,695)</u>
Loss before income tax			<u>(107,747)</u>

4. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2021

	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
External revenue (<i>note 3</i>)	<u>24,825</u>	<u>–</u>	<u>24,825</u>
Segment results	<u>(57,648)</u>	<u>(202,949)</u>	(260,597)
Other operating income			210
Unallocated expenses			<u>(7,112)</u>
Loss before income tax			<u>(267,499)</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 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 2022

	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation of property, plant and equipment	(459)	–	(459)
Unrealised fair value loss on held-for-trading investments	–	(1,350)	(1,350)
Realised loss on held-for-trading investments	–	(3,497)	(3,497)
Fair value loss on investment properties	(79,700)	–	(79,700)
	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2021

	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation of property, plant and equipment	(492)	–	(492)
Unrealised fair value loss on held-for-trading investments	–	(2,233)	(2,233)
Realised loss on 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
	<u> </u>	<u> </u>	<u> </u>

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 is solely generated from, and non-current assets are located in, Hong Kong, based on the location on relevant entities' operation.

(e) Information about major customers

Revenue from two customer (2021: one customer) individually contributing over 10% of total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A (from property investment segment)	<u>N/A¹</u>	<u>21,185</u>
Customer B (from property investment segment)	<u>2,880</u>	<u>N/A¹</u>
Customer C (from property investment segment)	<u>720</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective year.

5. OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unrealised fair value loss on held-for-trading Investments	(1,350)	(2,233)
Realised loss on held-for-trading investments	(3,497)	(200,891)
Fair value loss on investment properties	(79,700)	(55,000)
Loss allowance on rental receivables	–	(12,868)
Reversal of loss allowance on other receivables	–	3
Gain on disposal of property, plant and equipment	–	16
Gain on disposal of subsidiaries	<u>17</u>	<u>–</u>
	<u>(84,530)</u>	<u>(270,973)</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on other loan	110	–
Interest on bank borrowing	10,355	6,949
Interest on promissory note	1,903	8,998
Interest on loan from a non-controlling interest	8,130	–
	<u>20,498</u>	<u>15,947</u>

7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration (including remuneration for non-audit services)	560	580
Depreciation charge		
— Property, plant and equipment	459	492
Operating lease rental in respect of low valued leased office equipment	15	15
	<u>15</u>	<u>15</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
— Hong Kong profits tax	–	36
— Under/(over)-provision in respect of prior year	233	(34)
	<u>233</u>	<u>2</u>
Total tax charge for the year	<u>233</u>	<u>2</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 2022 and 2021, 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% (2021: 16.5%).

8. INCOME TAX EXPENSE (continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before income tax	<u>(107,747)</u>	<u>(267,499)</u>
Tax calculated at the domestic income tax rate of 16.5% (2021: 16.5%) (<i>note</i>)	(17,778)	(44,138)
Tax effect of losses and expenses not deductible for tax purposes	15,764	48,589
Tax effect of revenue not taxable for tax purposes	(47)	(359)
Tax effect of tax losses not recognised	2,433	1,144
Tax effect of deductible temporary difference not recognised	(340)	–
Utilisation of tax losses previously not recognised	(32)	(5,200)
Under/(Over)-provision in respect of prior year	<u>233</u>	<u>(34)</u>
Income tax expense	<u>233</u>	<u>2</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. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(68,799)</u>	<u>(240,662)</u>
	2022 <i>Number of shares</i>	2021 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,089,118,593</u>	<u>1,089,118,593</u>
	2022 <i>HK cents</i>	2021 <i>HK cents</i>
Basic loss per share	<u>(6.32)</u>	<u>(22.10)</u>

For the purpose of calculating diluted loss per share for the years ended 31 December 2022 and 2021, no adjustment has been made as there was no potential ordinary share outstanding.

10. HELD-FOR-TRADING INVESTMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed equity securities:		
Hong Kong	<u>1,560</u>	<u>17,919</u>

As at 31 December 2022, held-for-trading investments represent an investment portfolio comprising 1 (2021: 14) equity securities listed in Hong Kong of which 1 (2021: 10) equity securities are/were listed on the Main Board of the Stock Exchange and no (2021: the remaining 4) equity securities is listed on GEM of the Stock Exchange.

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

11. RENTAL AND OTHER RECEIVABLES

The Group does not have any credit period to the tenants (2021: Nil).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Rental receivables — current and not impaired	1,432	—
Prepayments, deposits and other receivables, net	<u>762</u>	<u>610</u>
At 31 December	<u>2,194</u>	<u>610</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1 to 30 days	259	—
31 to 60 days	259	—
61 to 90 days	307	—
91 to 180 days	<u>607</u>	<u>—</u>
Total rental receivables	<u>1,432</u>	<u>—</u>

11. RENTAL AND OTHER RECEIVABLES (continued)

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	710	528
Prepayments	48	76
Others	4	6
	<u>762</u>	<u>610</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	–	3
Reversal of loss allowance	–	(3)
Loss allowance for the year	–	12,868
Written off	–	(12,868)
	<u>–</u>	<u>(12,868)</u>
At 31 December	<u>–</u>	<u>–</u>

12. OTHER PAYABLES AND ACCRUALS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental deposits received	2,717	2,228
Other payables and accruals	2,385	1,132
Interest payable on loan from a non-controlling interest	5,376	–
	<u>10,478</u>	<u>3,360</u>

13. AMOUNT DUE TO A NON-CONTROLLING INTEREST

As at 31 December 2022 and 2021, the amount due to a non-controlling interest which is unsecured, interest-free, and repayable on demand.

14. BANK BORROWING

	2022 <i>HK\$'000</i>	2021 <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>)	410,551	431,079
	<u>431,079</u>	<u>451,607</u>

Notes:

- (i) The bank borrowing is secured by an investment property at the carrying value of HK\$1,310,000,000 (2021: HK\$1,380,000,000).
- (ii) The bank borrowing of HK\$410,551,000 as at 31 December 2022 (2021: HK\$431,079,000) 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:

	2022 <i>HK\$'000</i>	2021 <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	61,583
After five years	328,440	348,968
	<u>431,079</u>	<u>451,607</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.

15. LOAN FROM A NON-CONTROLLING INTEREST

As at 31 December 2022, the Group has an unsecured loan from a non-controlling interest of HK\$152,700,000 (2021: Nil) bearing interest at a fixed rate of 7% per annum and will be matured on 31 March 2023.

16. OTHER LOAN

As at 31 December 2022, the Group has an unsecured loan of HK\$4,000,000 (2021: Nil) bearing interest at a fixed rate of 12% per annum and will be matured on 10 October 2023.

17. PROMISSORY NOTE

The promissory note was issued as part of the consideration for acquisition of 51% equity interests of Joy Ease Limited in April 2019. The principal amount of the promissory note was HK\$361,000,000, which carried 5% interest per annum and was matured on the third anniversary from the issue date, 1 April 2019. During the year, the Group repaid the remaining principal amounted to HK\$152,700,000 (2021: HK\$34,500,000).

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 2022 was HK\$4,696,000 (2021: HK\$24,825,000).

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	5,938	3,540
Later than one year and not later than two years	5,256	3,130
Later than two year and not later than five years	8,845	5,000
	<u>20,039</u>	<u>11,670</u>

19. RELATED PARTY TRANSACTIONS

Save as those disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions with related parties during the year:

Compensation of key management personnel

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	2,398	2,293
Post-employment benefits	36	32
	<u>2,434</u>	<u>2,325</u>

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

20. EVENTS AFTER REPORTING PERIOD

Subsequent to year ended 31 December 2022, the Group has obtained the extension of loan from a non-controlling interest to extend the maturity date to 30 April 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2022 (the “**Year Under Review**”), Far East Holdings International Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded revenue of approximately HK\$4.7 million (2021: approximately HK\$24.8 million), representing a decrease of approximately 81.0% as compared to that of last year. The Group’s loss attributable to owners of the Company was approximately HK\$68.8 million (2021: HK\$240.7 million). The loss and total comprehensive income of the Group for the Year Under Review was approximately HK\$108.0 million (2021: HK\$267.5 million), which was mainly attributable to (i) realised loss and fair value loss on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of approximately HK\$4.8 million (2021: realised loss and fair value loss of approximately HK\$203.1 million); and (ii) fair value loss on investment properties of approximately HK\$79.7 million (2021: approximately HK\$55.0 million). The basic loss per share for the Year Under Review was 6.32 HK cents (2021: basic loss per share of 22.1 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had cash and bank balances and deposits held at a financial institution amounting to approximately HK\$0.8 million (2021: approximately HK\$11.4 million). The Group funds its operations from a combination of internal resources, bank borrowings, loan from a non-controlling interest and other loan.

GEARING RATIO

The gearing ratio, expressed as a percentage of total debts (including the bank borrowing, loan from a non-controlling interest, other loan, and promissory note) to equity attributable to owners of the Company was 139.3% as at 31 December 2022 (2021: 123.1%).

CAPITAL STRUCTURE

During the Year Under Review, there was no change to the share capital of the Company. As at 31 December 2022, the total number of issued ordinary shares of the Company was 1,089,118,593 (2021: 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 2022, the Company had no contingent liabilities (2021: Nil).

Capital Commitments

As at 31 December 2022, the Group had no capital commitment (2021: Nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK\$1.6 million as at 31 December 2022 (2021: approximately HK\$17.9 million), representing 0.1% (2021: 1.2%) 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\$4.8 million (2021: realised loss and fair value loss of approximately HK\$203.1 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 of conducted by the Group during the Year Under Review.

DIVIDEND

For the Year Under Review, the Board does not recommend any final dividend (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2022, the Group had 7 employees in Hong Kong (2021: 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\$1,418.1 million (2021: approximately HK\$1,497.8 million) as at 31 December 2022. The Group recorded rental income of approximately HK\$4.7 million (2021: approximately HK\$24.8 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		Increase/ (decrease)
		2022 HK\$'000	2021 HK\$'000	in percentage %
9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	(1)	1,440	927	55.3%
10/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	(2)	124	1,741	(92.9%)
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	(3)	252	252	0%
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)	2,880	21,905	(86.9%)

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 announcement, four out of the five rental units of the property are leased to three tenants with their leases expiration dates in March, April and July 2023 respectively. Management will seek for renewal with these tenants upon expiration of the leases.
- (2) The whole floor of this property is leased to a tenant with its lease expiration date on 14 September 2025. Decrease in rental income during the Year Under Review is mainly due to the vacancies of the whole floor for the first three quarters in 2022.
- (3) The property is an industrial unit leased to a tenant with its lease expiration date on 31 December 2023.
- (4) The property is a commercial podium of which the fourth floor and roof top of this property has been leased to a tenant with its lease expiration date on 14 August 2025.

As at the date of this announcement, the upper ground floor and third floor of this property have been leased to two tenants with their leases expiration dates in January 2026.

- (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. Management will diversify its tenant mix, if necessary, in order to minimize the financial impact 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\$4.8 million (2021: realised loss and fair value loss of approximately HK\$203.1 million) attributable to unrealised loss of approximately HK\$1.3 million and realised loss of approximately HK\$3.5 million.

As at 31 December 2022, the held-for-trading investments amounted to approximately HK\$1.6 million (2021: approximately HK\$17.9 million). This value represented an investment portfolio comprising 1 (2021: 14) equity securities listed in Hong Kong of which 1 (2021: 10) equity securities are/were listed on the Main Board of the Stock Exchange and no (2021: the remaining 4) equity securities is 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, with the full reopening of the border with the Chinese Mainland and the relaxation of pandemic control measures, it will have a positive impact to the Group's property investment and securities investment. It was also expected that the Group's rental income will be increased in 2023 and the fair value of investment properties and held-for-trading investments will be increased as the city returns to normalcy. 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, 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, Mr. Lam Wai Hung (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 2022 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 2022 and the related annual results announcement; and made recommendations to the Board that the same be approved;
- (iii) reviewed external auditor's report for the year ended 31 December 2022;
- (iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 2 June 2022;
- (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 2022 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 2022, 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 2022 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, 29 March 2023

As at the date of this announcement, the Board comprises six Directors, of which three are executive Directors, namely, Mr. Eric Todd (Chairman), Mr. Cheung Sze Ming and Mr. Zhu Weiwen; and three are independent non-executive Directors, namely, Mr. Wong Kui Shing, Danny, Mr. Mak Ka Wing, Patrick and Mr. Lam Wai Hung.